Assessing the Impact of Increasing Diversity on Boardroom Effectiveness in Saudi Listed Companies

By:

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Abstract

Saudi Arabia finds itself in a position where reform is needed in order to attract foreign investment. In this respect, challenges, such as increasing board diversity, need to be met. Over the past twenty years, the corporate governance system has developed significantly, and the boardroom has adjusted accordingly. Stakeholder representation on corporate boards has also increased, and, in light of this, the composition of the boardroom is now given high priority. These changes have, in part, been driven by previous financial crises; the collapse of 2008/09 highlighted the importance of a diverse boardroom. Board diversity can offer benefits to stakeholders, including providing a clear and wide picture of risk controls and other governance roles that are entrusted to directors to enhance social and financial benefits. In recent years, research about board diversity and adopting corporate governance rules into law has grown, especially in developed countries. Nevertheless, this field of research has yet to receive substantial attention in developing countries. Recently, however, many developing countries have adopted economic reforms (i.e. the Saudi Vision 2030) and have responded to calls from UN SDGs to improve social life and their economies.

This thesis aims to evaluate stakeholders' perceptions of increasing diversity on corporate boards, and its potential impact on board effectiveness. The study focuses on the component diversity types of gender, age, background education, qualification level, experience, and nationality. This develops the scope of research in the field (indeed, many previous studies focus only on one or two diversity types). Two methods of data collection are used: a secondary data analysis and qualitative semi-structured interviews. The secondary data analysed in this study offers insights into the context of the study and it informs the semi-structured interview questions. The research presents thirty semi-structured interviews with different stakeholders from the Saudi Arabian stock exchange. The findings highlight significant changes in attitude in the country as a whole and improvements in corporate governance. Looking through the lens of institutional logics reveals that the Saudi market comprises two diversity logics, namely, traditional diversity logic and new diversity logic. The findings also demonstrate shifting and resisting pressures in relation to the new logic at different levels: individual, organisational and societal. Change is required, and yet social dimensions such as culture, regulations, religion, and norms, work to resist and slow down the shift to new diversity logic. The study also explores the potential benefits of board diversity on the Saudi Vision 2030, and it offers recommendations to policymakers and stakeholders on ways to enhance boardroom diversity and the governance framework. One of the crucial recommendations highlighted in the thesis is the need to mandate diversity within Saudi boardrooms.

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I wish to thank my God, Most Gracious Merciful (Alhamdulillah), who granted me the ability to finish this journey and overcome all of the challenges and complexities that I faced.

First of all, I would like to thank my brilliant supervisors, Professor Jill Atkins and Dr Sharif Khalid. Jill and Sharif were supportive, motivating, and inspiriting, and I am grateful for their guidance and feedback. I was lucky to have them as supervisors; they never disappoint students, and are always available to help students when needed. I would not have finished my PhD journey without their support. Indeed, I greatly appreciate their efforts during my learning journey. Also, I am very proud to be the first student that has completed his PhD under the supervision of Dr. Sharif.

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There were also many friends and colleagues, who had studied or were studying for a doctorate at the same university. We benefited by sharing our mutual experiences and opinions. In particular, Dr. Almoatazbillah Hassan was a close, very supportive friend, Dr. Hussam Fallatah helped me greatly at the start of my PhD journey, while Majed Khairallah, Dr. Abdulrahman Ajina and I spent some seasonal vacations together and shared many happy times in the UK, which helped to refresh my mind during my PhD journey. Further friends and colleagues who studied at Sheffield University are Ahmad Al-Harbi, Yousef Alanazi, Faisal Alotaibi, Omar Mowafi, Khaled Alshammari and Yazan Alwaal. We supported each other strongly.

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Finally, I wish to thank everyone who supported me during my PhD journey. I ask my God to bless them all for all of their kindness and support.

Dedication

This thesis's efforts are dedicated to my whole family:

My mother and father, and my brothers and sisters.

Also, to my wife, two daughters, and two sons.

To my Mother-in-law and especially to my Father-in-law and with my prayers, who passed away during my PhD journey.

Declaration

I, the author, confirm that the thesis is my own work. I am aware of the University's Guidance on the Use of Unfair Means (www.sheffield.ac.uk/ssid/unfair-means). This work has not been previously been presented for an award at this, or any other, university.

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List of Abbreviations

A dummy variable signifying whether the company is financial or not – IND

Board Member – BM

Capital Market Authority – CMA

Chief Executive Officer – CEO

Chief Financial Officer – CFO

Corporate Governance – CG

Corporate Governance Code – CGC

Corporate Social Responsibility – CSR

Education Background – EB

Education Level – EL

External Stakeholders – ExStak

Financial Reporting Council – FRC

Financial Sector Development Program – FSDP

Grounded Theory – GT

Guidance on Board Effectiveness – GBE

Gulf Cooperation Council – GCC

Human Resources – HRInternal Stakeholders – InStak

Nomination and Remuneration Committee – NARC

Organisation for Economic Co-operation and Development – OECD

Organization of the Petroleum Exporting Countries – OPEC

Ownership Structures – OS

Resource Dependency Theory – RDT

Saudi Arabian Monetary Agency – SAMA

Social Capital Theory – SCT

Statistical Package for Social Sciences – SPSS

Sustainable Development Goals – SDGs

The Middle East and North Africa – MENA

United Nations – UN

Women on Boards – WOBs

CHAPTER 1: Background to the Study

1.1 Background

The role of the board of directors is a vital mechanism of corporate governance, and the composition of the boardroom is important in order to enhance this mechanism (e.g. Cadbury, 1992; Buse et al., 2016; and Abad et al., 2017). According to Solomon (2021), board diversity can contribute to the effectiveness of the board of directors. In response to research undertaken into boardroom composition and diversity, many government organisations have reviewed their governance codes to introduce some kind of boardroom diversity. Terjesen et al. (2016) report that sixteen governance codes now deal with gender diversity in the boardroom, and thirteen countries have sought to address gender quotas. However, according to the OECD (2019) none of the MENA countries have adopted such regulations, except for the UAE which has adopted these rules only for state owned companies. Kemp (2020) suggests that academic researchers and practitioners need to re-think and re-see issues concerning women's development in Arab countries. In a setting like Saudi Arabia, in regard to its geographical area, and religion and culture, the issue of female empowerment is emerging as an important aspect of the research relating to board diversity.

Previous studies discuss the importance of boardroom composition and how diversity in the boardroom can enhance corporate governance. Moreover, most research undertaken agrees that there is a relationship between boardroom diversity and a firm's performance (Lucas-Pérez et al., 2015; Campbell and Mínguez-Vera, 2008; Carter et al., 2003; Terjesen et al., 2016; Ferrero-Ferrero et al., 2015a; Gordini and Rancati, 2017). However, there are a few exceptions to this trend (Rose, 2007; Carter et al., 2010; Gallego-Álvares et al., 2010). Additionally, recent research focuses mostly on gender diversity rather than on other elements of boardroom diversity, such as nationality, age, background education, qualification levels, and expertise. Terjesen et al. (2016); and Ferrero-Ferrero et al. (2015a) suggest that investigating a combination of diversity types can lead to a better understanding of boardroom diversity. Also, a study by Sarhan et al. (2019) recommends that looking at other components such as educational background, experience and age might offer new insights.

Recent research into boardroom diversity has mostly been undertaken in developed countries, while only a few studies have been undertaken in emerging economies. Moreover, studies undertaken in different parts of the world often produce different results (Abdullah, 2014; Loukil and Yousfi, 2016; Mahadeo et al., 2012; Alshareef and Sandhu, 2015; Makhlouf et al., 2018; Sarhan et al., 2019; Issa and Fang, 2019). In Saudi Arabia, recent changes made to its corporate governance code (CGC) have shifted the governance framework, but it still faces challenges to ensure board of director effectiveness (Naif and Ali, 2019). In a nutshell, many Saudi Arabian corporate boards are still not effective (Alamri, 2018; Altobashi, 2019). Indeed, the new Saudi CGC still does not afford importance to boardroom diversity. According to a study by Piesse et al. (2012) the effectiveness of Saudi boardrooms is open to question, because these boards are usually controlled by dominant major shareholders (who generally have a family concentration, or by the state ownership). Al-Janadi et al. (2016) also note that Saudi Government ownership of Saudi firms has a negative impact on director effectiveness, because the Government influences the monitoring of firms, and this negatively impacts on corporate governance and the provision of quality information. Furthermore, one of the main goals of the Saudi Vision 2030 is to reform corporate social responsibility and corporate governance, and this goal has provided an incentive to conduct the current study (see Vision 2030, 2017). Indeed, the current study seeks to evaluate stakeholders' perceptions about increasing boardroom diversity to advance boardroom effectiveness in Saudi Arabian listed companies.

The current study is exploratory and it uses two main methods of research, namely, secondary data collection and qualitative interviews. The secondary data was collected from the Saudi Arabian stock market *Tadawul*, but previous research findings already reveal strong evidence to suggest low female representation in boardrooms in Saudi Arabia, and that diversity is influenced by ownership structures and industry sectors (see for example Piesse et al., 2012; Alshareef and Sandhu, 2015; Alhejji et al., 2018; Sarhan et al., 2019; Issa and Fang, 2019). However, the interviews with the participants reveal how corporate governance and boardroom effectiveness is influenced by boardroom diversity in Saudi Arabia, from the stakeholder perspective. A study by Sarhan et al. (2019) suggests that qualitative in-depth interviews about board diversity in MENA countries, including in Saudi Arabia, could be afforded further insight. This current research approaches this gap to provide in-depth insights about board diversity effectiveness in Saudi Arabia.

1.2 Research Gaps and Problem Statement

Six main limitations of previous studies have been identified, and the proposed study plans to address these limitations as outlined below:

Recent studies focus on gender diversity more extensively than on other types of boardroom diversity such as age, expertise, educational background, qualification levels, and nationality. Studying different combinations of diversity will help extend knowledge by revealing the impact of different types of boardroom diversity on boardroom effectiveness, and will address the limitations of studies that only explore gender diversity (as suggested by (Terjesen et al., 2016). Exploring multiple types of diversity can also enhance an understanding of boardroom relationships and business outcomes (Ferrero-Ferrero et al., 2015a).

Numerous studies addressing boardroom diversity have been carried out in developed countries, but fewer have been undertaken in developing countries. Loukil and Yousfi (2016) note that only a few empirical financial studies have been conducted in emerging economic. This means that little attention has been given to the role of boardroom diversity in emerging economies. Furthermore, even though some research has been undertaken in this field in emerging economies (notably by Abdullah (2014); Loukil and Yousfi (2016); Mahadeo et al. (2012); and Alshareef and Sandhu (2015)), studies report different results when compared with each other and when compared with other studies carried out in developed economies. The inconsistency of the results provides incentive to undertake further study.

Additionally, a significant amount of research undertaken in this field generally does not explore barriers such as culture, religion, regulation, the norms experienced by women directors, and election to the boardroom, in terms of both gender diversity and other types of boardroom diversity (see Gordini and Rancati (2017); (Alexander, 2016; Carter et al., 2003, 2010; and Kakabadse et al., 2015). Loukil and Yousfi (2016) suggest that future research needs to explore the importance of the intervention of social dimensions on boardroom composition. Exploring social dimensions in different countries might go some way towards explaining why the number of women serving on boards has not really increased in recent times, in spite of the potential that women can bring to enhancing boardroom effectiveness (Chen et al., 2016).

The majority of previous studies about boardroom diversity have been conducted using quantitative rather than qualitative methods. Using qualitative research will encourage an in-depth understanding of what takes place in the boardroom. Kakabadse et al. (2015) argue that more qualitative research about boardroom diversity will help to remedy the methodological restrictions of prior studies. Moreover, qualitative research offers the opportunity to gather information about boardroom diversity that is not in the public domain. This will provide an opportunity to gain deep insight into the contributions and roles of different members of the boardroom and of corporate governance (Terjesen et al., 2016; Chen et al., 2016).

Most previous quantitative researchers have examined boardroom effectiveness in relation to just one or two specific roles, rather than looking at a combination of roles that include: monitoring, independence, decision making, and assessed risk management/internal control, and how these elements work with board diversity. Ben-Amar et al. (2013) suggest that diversity in the boardroom does not always assure the independence of the board across a variety of ownership structures. In contrast, Byoun et al. (2016) suggest that diversity boosts monitoring schemes and reduces agency problems. What these two studies show is that exploring only one or two elements of boardroom effectiveness is not sufficient to reveal the impact of diversity on the effectiveness of a boardroom. Thus, investigating boardroom effectiveness in relation to different elements gives a clearer picture.

Some scholars argue that boardroom diversity can send a positive signal to stakeholders, but, nevertheless, stakeholder perspective has yet to be explored in detail (Kakabadse et al., 2015). Terjesen et al. (2016) confirms this view, and suggests that diversity reflects a company's ethical behaviour in the public eye. However, it would be valuable to explore what these signals mean to stakeholders in relation to boardroom composition.

Based on the research gaps above, the following research problem is derived. In Saudi Arabia, there is a lack of diversity within the make-up of the corporate board. For example, boards are mainly run by men rather women, and only a few women have been appointed to boards in comparison to men. According to the Saudi Stock Market, *Tadawul* only nine women have been elected to boards out of a total 1,454 directorship members in 2016/17. This constitution and structure could be one reason why effectiveness is an issue. However, the diversity of board members has not yet been given any importance in Saudi Arabia legal codes. Many scholars argue that diversity would contribute to the effectiveness of the boards and to corporate governance in general (Adams and Ferreira, 2009; Ferrero-Ferrero et al., 2015a; Buse et al., 2016; Byoun et al., 2016; Chen et al., 2016). The proposed study aims to evaluate stakeholders perception on increasing boardroom diversity to advancing boardroom effectiveness in Saudi Arabian listed companies.

1.3 Research Questions

After identifying gaps in current research, the main questions of the proposed research can be outlined as follows:

To what extent does boardroom diversity exist in Saudi Arabian listed companies? (Diversity includes gender, age, expertise, educational background, qualification level, and nationality.)

How might social dimensions such as culture, norms, religion, and regulation affect boardroom diversity?

How might diversity affect board effectiveness through different mechanisms, such as monitoring, independence, decision making, and assessed risk management/internal control?

To what extent might the Saudi Vision 2030 contribute to increasing boardroom diversity?

What recommendations might be drawn in practice for enhancing board diversity and effectiveness, based on the findings of the interviews?

1.4 Significance of the Research

Terjesen et al. (2015) report that Saudi Arabia scores as the second lowest country in the world for gender diversity on corporate boards. These results are based on statistical percentages taken from data collected across sixty seven countries (see Figure 1.1) from a variety of different studies. Thus, exploring the reasons for this would create a potentially important study, and help us to understand the theoretical phenomena behind this issue as well as suggesting possible solutions.

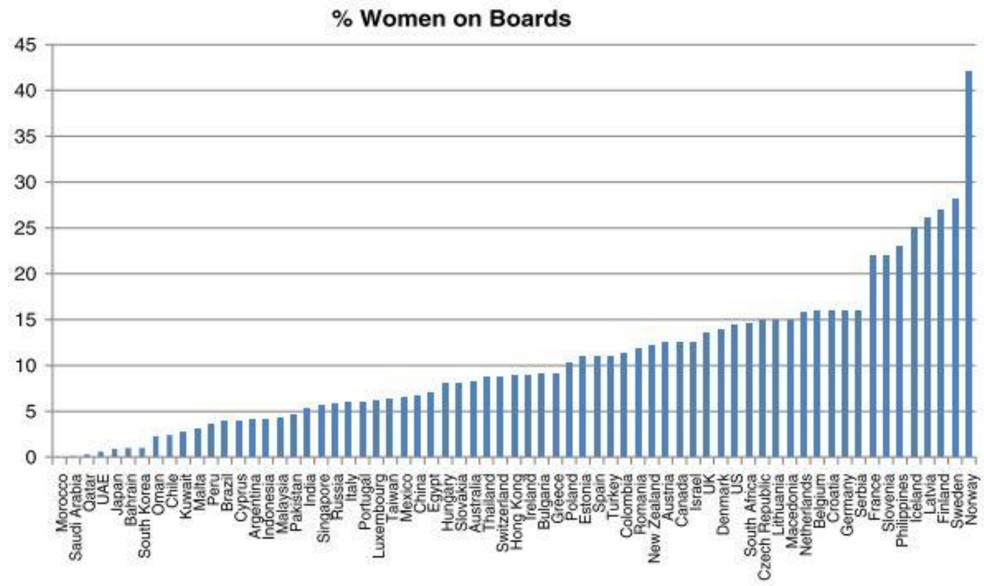


Figure 1.1: Women on Boards - Source from Terjesen et al. (2015, p. 234)

Alexander (2016) argues that three elements should be considered when analysing the impact and effectiveness of the boardroom, and one of these aspects is the development level of the country. Saudi Arabia is an interesting country to focus on for the context of study because it is a developing country. Saudi Arabia is one of the biggest oil exporters in the world, but there is a paucity of Saudi Arabian research about boardroom diversity. This is particularly the case in relation to corporate governance studies (Ghabayen, 2012).

Recently, the Saudi Government announced the Saudi Vision for 2030 for economic development. According to the official report made for this national development plan for 2030 (available at http://vision2030.gov.sa/en/ntp), part of the vision is to focus on creating diverse revenues for the country. Moreover, it outlines plans to attract international investors into Saudi markets, and to develop human capital by empowering future leaders (both men and women) and improving policies. Therefore, understanding how diversity works in the boardroom, and corporate board effectiveness, will enhance the mechanisms of corporate governance, in order to contribute towards encouraging the objectives of the Saudi Vision 2030.

1.5 Research Methodology

The researcher applied an interpretive paradigm to inform the data collection and analysis methods used. This study is exploratory in nature and applies two methods of data collection and analysis: a secondary data analysis and semi-structured interviews with a variety of stakeholders. The secondary data analysis provided insight into the context, but it highlighted a general lack of research and availability of data streams in the specific context (see Sarhan et al., 2019). Two methods were chosen to assess local understanding and improve the existing theoretical interpretations (Kelle, 2006). The secondary data examined was descriptive data which was used to provide an understanding into the context of the study and to formulate and analyse the semi-structured interviews.

The secondary data was collected from the Saudi stock market *Tadawul*, and from associated financial reports, board reports, and other online data. The sample size comprised 176 companies and 1,454 board member seats for 2016/17. Variables were analysed for diversity (gender, nationality, educational background, and qualification levels) and company variables (average pay, classifications, sectors, regions, foreign ownership, family ownership, institutional ownership, firm size, performance, leverage, IND, and Tobin's Q). The test applied to these variable correlations was non-parametric (Spearman's RHO correlation coefficient), and used nominal variables (Kruskal-Wallis). The analysis programme used was SPSS software; the SPSS programme is one of the most popular statistical software tools used in social science research (Miller et al., 2010).

Interviews were the main method used to answer the research questions. Thirty interviews were undertaken during June 2018 to September 2018. The interviewees comprised boardroom members, executives, regulators, committee members, and governance practitioners. The procedure used for analysing the interview data was the grounded theory method, following Charmaz (2006) coding techniques (initial coding, focused coding, and theoretical coding). NVivo qualitative software was used to organise and analyse the interview data; this software is useful for examining large amounts of qualitative data that needs to be coded, connected, and interpreted (Ghauri and Gronhaug, 2010).

1.6 Thesis Structure

The entire thesis comprises nine chapters, and is divided up as follows:

Chapter One presents the background to the study and looks at gaps in research. It outlines the problem statement and the aims and questions of the study, and it details the significance of the research. It also gives a brief description of the methodology used in the research, and it summarises the thesis structure.

Chapter Two looks at the context of the study and its social structure, including its political, economic, and cultural background. Moreover, it details religious and cultural perspectives relating to gender, ethnicity, and age in the Saudi context. It also offers a brief historical background of listed companies in Saudi Arabia, and the legislation framework of the market. It goes on to explain the implicit statue of diversity and how this relates to the new corporate governance code. Finally, it looks at the objectives of Vision 2030 that relate to boardroom diversity.

Chapter Three presents the literature review, focusing on corporate governance and its definitions and mechanisms. It looks at the boardroom mechanisms used to protect shareholders, including the composition of the boardroom, as well as previous studies that address these mechanisms (including those that examine selection and nomination, ownership, the role of the chairperson, and the structure of the boardroom). It then examines previous studies relating to boardroom diversity, which deal with the definitions of diversity and functional and demographic diversity types. The chapter also explores previous definitions and attributes of board diversity, and how these are connected to board effectiveness. Finally, the chapter reviews corporate governance and board diversity in MENA countries and in Saudi Arabia.

Chapter Four explains the institutional logics lens used for this research. It outlines the most popular theories used to examine boardroom diversity in previous research before offering background information about and a definition of institutional theory. It details the historical development of institutional theory and different perspectives about the theory. The standpoint adopted for this research is institutional logics theory, and explanations about why this perspective suits the current research will be offered, together with how shifts towards and resistances to different logics work at different levels (the individual, organisational, and societal levels). Lastly, this chapter explores the motivations for adopting this lens for the current research.

Chapter Five outlines the methodology design for the study and the research philosophy, which is interpretive. An inductive approach is used to link theory to the data gathering and analysis, in order to give meaning to social actions. Grounded theory was also adopted as a research strategy and used to collect and analyse the qualitative data. Two methods of data collection were used, namely a secondary data analysis and semi-structured interviews. The last part of this chapter looks at how the findings were consolidated, and it details ethical considerations that align with the University of Sheffield's standards.

Chapter Six presents the empirical results of the research relating to each type of boardroom diversity examined, such as gender, nationality, qualification level, and educational background. Also, it outlines the correlation matrix of each variable, and links the results with those of previous studies to provide informative illustrations in context.

Chapter Seven details an analysis of the semi-structured interview data results. It presents the findings according to the responses from different interviewee groups, namely, board members (BMs), internal stakeholders (InStaks), and external stakeholders (ExStaks). From the results, main themes emerged about understandings of the concepts of board diversity and board effectiveness from various perspectives. The interviews reveal beliefs held about board diversity in the Saudi market and the extent of board diversity. The chapter presents an in-depth analysis of responses given relating to different diversity types and the impact of adopting board diversity. The results show that board diversity can contribute to board effectiveness in various aspects, and offers views about the importance of board diversity on CG and the Vision 2030. Finally, it explores the challenges of board diversity and CG in the Saudi market.

Chapter Eight consolidates the results of the secondary data analysis and the semi-structured interviews using the lens of institutional logics. Two main logics emerged from the research: a traditional logic and new diversity logic. The chapter also explores pressures that are influencing the shift to the new diversity logic at different levels, as well as resistance to the shift. The chapter also looks at how board diversity might contribute to the Saudi Vision 2030, and, lastly, it examines policy recommendations to increase board diversity and enhance CG.

Chapter Nine presents the conclusion of the thesis. It reviews the research findings according to the research questions, and illustrates the contributions of the study at different levels, including theoretical, methodological, empirical, and practical. It explores the generalisability of the study and the implications of the study. It also details the limitations of the research and avenues for future research. Finally, it reflects on the impact of Covid-19 on board diversity.

1.7 Chapter Summary

This chapter has discussed important aspects of the research, such as research gaps, problems with previous research, the aims and questions of the current research, and its significance. It has given a brief outline of the methodology adopted by the researcher, and it summarises the thesis structure. The next chapter will present the context of the study.

CHAPTER 2: The Context of Saudi Arabia

2.1 Introduction

This chapter will outline the contextual background of the study. Saudi Arabia is the second largest country in the Middle East and North Africa (MENA) in terms of land mass, after Algeria, and is one of the biggest exporters of oil in the world. Saudi Arabia is a unique setting in terms of culture and society. This chapter will explore the social structure of Saudi Arabia in terms of the context of the study and will provide a general background of the political, economic, cultural, and family environment found in Saudi Arabia. The researcher will also explore how religion impacts on different types of diversity in the country. Religion plays an important role in Saudi society, driving the culture of Saudi Arabia. This chapter will explore how listed companies emerged over time in Saudi Arabia, how the corporate governance system operates in relation to the boardroom, and how this impacts on diversity. The roll-out of Vision 2030 aims to implement significant changes to the Saudi business environment, and, therefore, the objectives and plans of this Vision will be discussed in relation to the context of this study, in terms of the changes that are due to take place. Lastly, the chapter will explore the changes in society that are taking place in Saudi Arabia.

2.2 Saudi Social Structure

Saudi Arabia is located in the south-west of Asia, and is one of the Middle Eastern countries. The land area of the country is about 2,250,000 square kilometres, and the total population of Saudi Arabia in 2020 is 34,218,169 (GASTAT, 2020). Riyadh is the capital city, which is located in the middle of the country, and the country is divided into thirteen geographical regions. The Makkah and Al-Madinah regions are significant in terms of importance because these areas are home to the two most Holy Mosques in Islam. More than a billion Muslims from around the world have travelled to Makkah to offer prayers. Makkah is recognised as being at the heart of Islam for most Muslims, and around twenty million Muslims visit Makkah each year for religious purposes (GASTAT, 2020). Islam is the country's religion, as well as the main driver of the country's legal system. The Islamic religion drives modern Saudi Arabian culture. According to Al-Saif (2019), it is important for researchers who study Saudi society to understand its social and religious structure and how this impacts on political, economic, cultural, and family life in the country. Islam is intertwined with Saudi culture to a large extent, and, for Muslims, Islam offers clear meaning and a comprehensive picture of life.

2.2.1 Politics

The political path of the Kingdom of Saudi Arabia began in 1902 when King Abdul-Aziz Al Saud unified 13 regions which became the Kingdom of Saudi Arabia in 1932. This king is known as the father of all the seven kings who have served afterwards (Saud, Faisal, Khaled, Fahd, Abdullah, and Salman). The King also acts as the Prime Minister of the country. According to Al-Saif (2019), one of the main commitments of the State is to legally integrate the principles of Islam into the social and cultural make-up of the country. This is to help preserve cultural and moral values associated with Islam. In 2015, King Salman bin Abdul-Aziz Al Saud ascended the throne after his brother, King Abdullah, died.

For many years, the Kingdom undertook regular appointments of leadership positions to its ministries and authorities, but this approach has changed recently after long-standing members of the senior royal family passed away. Certain positions had been occupied by senior leaders for a quite while. For example, Prince Saud Al Faisal was Minister of Foreign Affairs from 1975 to 2015, but when he died, leaders and government departments had to readjust due to the loss, and the structure of some ministries and government departments has changed in recent years.

King Salman has made significant changes to some ministries and authorities, including combining, deleting and creating ministries. However, the changes have not stopped at re-organisation. Decision making powers have now been given to the younger generation and women have been placed as leaders in some departments and ministries for the first time. One significant appointment made by the King was the appointment of Prince Mohammed bin Salman as the Crown Prince. People in the Kingdom have nicknamed Prince Mohammed the Prince of Youth (AlArabiya, 2017) because he was just 33 years old when he was appointed. He embodies the kind of youthful energy which is seen as appropriate for leading the ambitious national Vision 2030.

Another example of a change of approach was the appointment of Princess Reema bint Bandar Al Saud as the first female ambassador in the history of the Kingdom (Alves, 2019). Previously, women were not represented at the higher levels of Saudi Government. Furthermore, in 2013, the Government amended Article Three of Shura Council Law to enforce a 20% female quota to the highest government level boards[1] (Article Three, Shura Council Law, 2017). This amendment aimed to broaden the knowledge and expertise of the Shura Council boards. Thus, the Kingdom has recently undertaken changes in order to develop the country for a prosperous future.

[1] The Saudi Shura Council is equivalent to the UK Parliament.

2.2.2 Economics

Before discovering oil in the eastern region in 1932, the Kingdom depended on the yearly pilgrimage tax as its main source of income (McHale, 1980). The discovery of oil saw improvements in the Saudi economy and the development of different divisions of the country. Further changes made in 1980 relating to the price of oil made a considerable difference to earnings on the foreign exchange, which exceeded the totals of Africa and the totals of South America (McHale, 1980). Since then, Saudi Arabia has been among the largest exporters of oil worldwide (OPEC, 2019) (see Figure 2.1). As a developing country, Saudi Arabia depends on oil as an essential source of economic income.

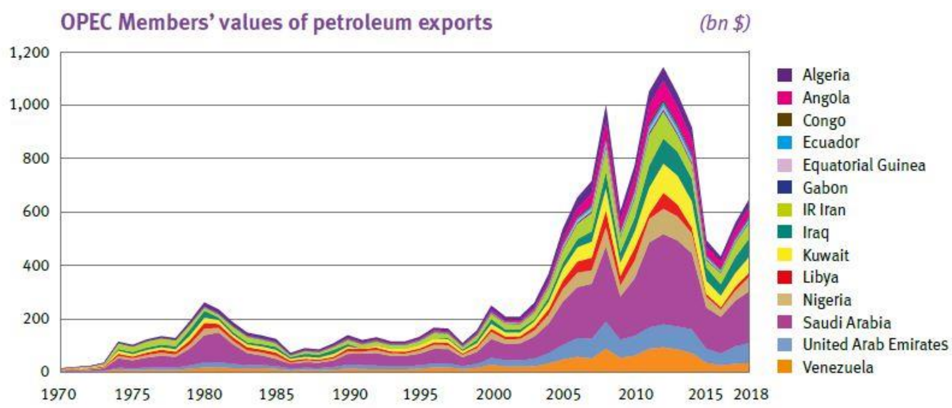


Figure 2.1: OPEC Annual Statistical Bulletin 2019

The Saudi Arabian Gross Domestic Product (GDP) was valued at 644.940 billion USD in 2016, which is lower than its highest reaching point in 2014 of 756.35 billion USD (Trading Economics, 2019) (see Figure 2.2). However, the recent drop in oil prices globally is the main reason for the decline of GDP. This has also coincided with the implementation of sustainable development goals (SDGs) as outlined by the United Nations (UN) in 2015 (Un, 2020). In response, the Government of Saudi Arabia, under the leadership of King Salman and Crown Prince Mohammed bin Salman, launched its Vision 2030 in 2016, which aims to diversify the country's income (Vision 2030, 2017). The concept of thriving economics is one of the pillars of the Vision and is applicable to this research (see section 2.4 below on Vision 2030). At the end of 2018, Saudi Arabia still had the second-biggest oil reserves among OPEC members (OPEC, 2019) (see Figure 2.3).

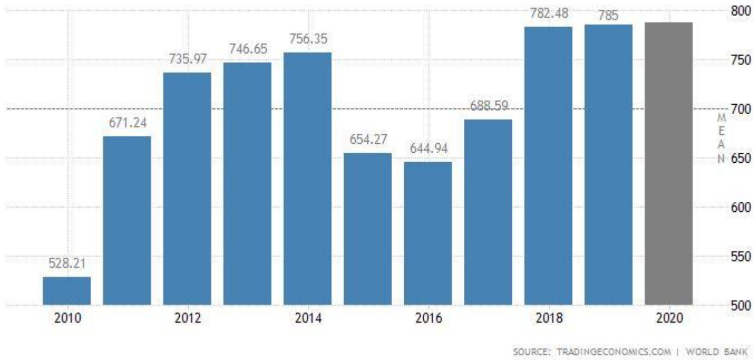
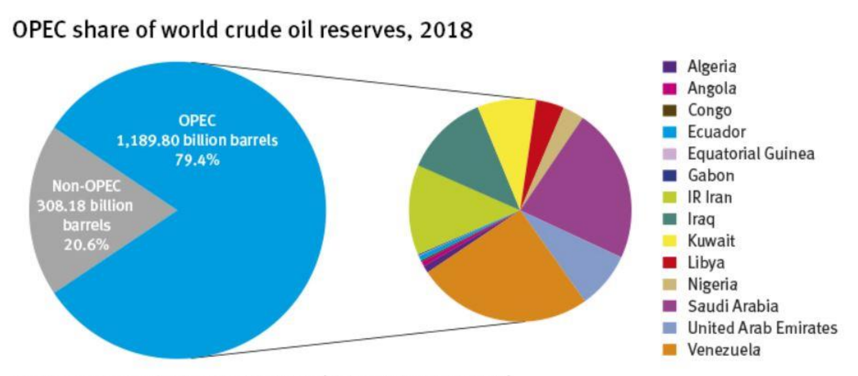


Figure 2.2: Saudi Arabian GDP (billion USD) - TradingEconomics.com / World Bank



OPEC proven crude oil reserves, at end 2018 (billion barrels, OPEC share)

Venezuela	302.81	25.5%	Kuwait	101.50	8.5%	Algeria	12.20	1.0%	Gabon	2.00	0.2%
Saudi Arabia	267.03	22.4%	UAE	97.80	8.2%	Ecuador	8.27	0.7%	Equatorial Guinea	1.10	0.1%
IR Iran	155.60	13.1%	Libya	48.36	4.1%	Angola	8.16	0.7%			
Iraq	145.02	12.2%	Nigeria	36.97	3.1%	Congo	2.98	0.3%			

Source: OPEC Annual Statistical Bulletin 2019.

Figure 2.3: OPEC Annual Statistical Bulletin 2019

2.2.3 Culture

Saudi Arabian culture dates back over one million years, and archaeological evidence exists to prove the depth of this civilisation (SACM, 2017). The culture of Saudi Arabia is influenced by Islamic heritage. A study by Hill et al. (2015) explains that business in Saudi Arabia is conducted according to Islamic culture, which influences corporate governance. However, the Gulf states, which includes Saudi Arabia, all have different cultural, economic, and social environments, and they also differ from other nations (Alharbi, 2014). Tribal society and the

Islamic religion drive variations between these countries and between the Gulf States and other countries.

Different scholars have studied the phenomenon of culture and offer different definitions of culture, including the notable contributions of Hofstede and Ibn Khaldūn. Pribadi (2014) explains that Khaldūn's methodology seeks to identify social reality, and is a useful tool for trying to understand the social human being. According to Pribadi (2014), Khaldūn, as an Islamic academic, perceives that Arabs are split into two main communities, namely the Bedouin and Hadar communities, and each community has its own cultural characters. A recent study by El-Kholei Ahmed (2019) explains that Khaldūn examines the history of the region as a way of understanding how religion and culture have emerged as central to understanding the Arab world. This understanding is essential in the context of this research, which seeks to holistically outline the basic concepts of Saudi Arabian culture and religion in relation to boardroom diversity.

The work of Geert Hofstede is also useful for understanding the cultural context of Saudi Arabia (Cassell and Blake, 2012); in particular, Saudi organisational culture was addressed by Hofstede in his analysis of cultural dimensions. Table 2.1 below provides a summary of Hofstede's cultural dimensions. The score of 80 for 'power distance' is high in the Saudi context. This means that there are inequalities of wealth and power within in the community (Cassell and Blake, 2012). For example, in terms of discussion in the boardroom, a key decision maker is likely to remain silent in a meeting while the less important person talks (Taylor and Butler, 2020). Stanger et al. (2017) summarise how the Saudi power hierarchy works (see Table 2.2). As a result, Saudi society has grown to depend extensively on foreign technical labour (Idris, 2007). Additionally, Al-Saif (2019) explains that, traditionally, agricultural and commercial occupations have enjoyed high status as jobs in Saudi Arabia, while craft occupations hold a lower status. Nowadays, the community places high esteem on government employment (i.e. the civil service and the military). According to Al-Kibsi et al. (2015), 70% of Saudi Arabian citizens are employed in some way in the government (public) sector.

Power Distance (80)	**Individualism vs. Collectivism (38)**	**Masculinity vs. Femininity (52)**	**Uncertainty Avoidance (68)**
Inequality is acceptable.	We rather than I	Values good relationship with supervisors.	Risk averse.
Rigid/authoritative structural vertical hierarchies.	A focus on tradition.	Is caring/compassionate.	Very formal business conduct with lots of rules and policies.
Centralised decision making.	Collaborative.	Favours small scale enterprises.	Needs and expects structure.
Respect for authority.	Success and position ascribed.	Values cooperation.	Fears change.
Large gaps in compensation, authority and respect.	Work for intrinsic rewards.	Values employment security.	Differences are avoided.
Fear of authority.	Time is in God's hands, and delays are the result of fate.		
Individuals in power are privileged.			

Table 2.1: Hofstede's Cultural Dimensions for Saudi Arabia (Taylor and Butler, 2020; Cassell and Blake, 2012 p: 153, 154, 155, 156).

The Country's Government
Religious Leaders
Tribal Authorities

Family Elders
Parents
Husband (for married women only)
Individuals

Table 2.2: Power Hierarchy in the Saudi Community (Stanger et al., 2017, p. 5).

Saudi Arabia scores 38 for individualism versus collectivism, which means that the community is more collectivist and demands long-term loyalty to the group (e.g. the family and extended relatives etc.) (Taylor and Butler, 2020). This collectivist culture impacts on business organisation in that more emphasis is placed on the family and loyalty to a group in terms of recruitment and promotion (Idris, 2007). A study by Al.Harbi et al. (2017) argues this trend leads to the cultural issue known as *'Wasta'*, which results in unfair treatment in employment and performance evaluation. For example, a firm might employ less qualified family members rather than a more qualified employee. In this respect, Idris (2007) also notes that there are fewer terminations of employment for low performing employees, mainly because of their relationship with the employer. This trend might be cultural, but it is unacceptable.

For masculinity versus femininity, Saudi Arabia's score is 52, which reflects the division of roles among the genders (Taylor and Butler, 2020). This scores over an average of 50.2 (Hofstede et al., 2010). This result reveals that employment is structured according to traditional gender roles. It is worth mentioning here that the segregation of females and males in the workplace is one most influential factors that determines how all organisations and institutions work in Saudi Arabia. Another point relating to gender is that women were unable to drive vehicles until a Royal Order by King Salman bin Abdulaziz changed this in September 2017. Moreover, until recently, women were unable to travel without a guardian male, but this has recently changed too (Bbcnews, 2019).

For the uncertainty avoidance category, Saudi society ranks in at 68 on Hofstede's scale. This indicates that Saudi society has a low level of tolerance of uncertainty (Taylor and Butler, 2020). In this respect, rules, regulations, policies, and laws seek to reduce levels of uncertainty. Saudi society favours the involvement of the Government in all aspects of life, including in business. Cassell and Blake (2012) explain that this rigid system impacts on organisational productivity and the corporate environment, and accounts for a slower rate of privatisation in the country.

In relation to foreign nationals living and working in Saudi Arabia, the drive towards Saudi-ization presents a challenge not only on a personal level, but on a corporate level. Saudi-ization enforces a quota of Saudi employees at all firms. This aspect of business life works well for Saudi citizens, in order to reduce unemployment, but, internationally, it is considered a barrier to foreign investment and expertise entering the country (World Investment Report, UNCTAD, 2017). This has been a cause for concern since Saudi Arabia became a member of the World Trade Organisation in 2005. This policy also has the potential to affect the country economically, by limiting foreign investment and expertise.

2.2.4 Family

The family is an essential element of Saudi society. According to Al-Kibsi et al. (2015), the family will need to play a significant role in driving change. In particular, the status of younger people and women must be raised in order to shift the economy in three areas: education and training, careers, and expenditure (Al-Kibsi et al., 2015). The family is the basis of Saudi society, as stated in the Saudi Basic Law (Article 9). Moreover, as stated above, Saudi society is collectivist and based on the group and the family. In terms of corporate governance, many relatives serve as board members. This is because the Saudis value strong social ties (Alrubaishi and Robson, 2019). The Islamic religion also encourages Muslims to communicate and value relationships with family members. Alesina and Giuliano (2010) explain how important family ties are to the national economy; this study shows that family groups lead many companies and this influences the selection of boardroom members. Therefore, emphasis placed on the family might affect diversity and boardroom effectiveness in this unique social setting.

2.2.5 Religion and Diversity

The primary source of legislation in Saudi Arabia is the Islamic religion. According to the Saudi Arabian Basic Law of Governance, the constitution is formed from Quran, the Sunnah and the Hadith of the Prophet Mohammad. To some extent, religion drives individual behaviour in Saudi Arabia. Saudi Arabia is the birthplace of the Islamic religion, and is home to the two most holy mosques in Islam, which, every year, Muslims from around the world visit in pilgrimage. Islam has also been exported around the world. The Islamic religion influences culture and society in Saudi Arabia, and, therefore, examining how religion operates in Saudi Arabia in relation to the concept of diversity is essential to the context of this current project. The following sections will examine the Islamic view towards gender, ethnicity, and age.

2.2.5.1 Gender and the Islamic Religion

The subject of gender and Islam invites a complicated debate. According to Charrad (2011), scholars have recognised substantial variance concerning views on gender in Islam, depending on era and location, especially relating to women. Some scholars claim that Islam itself cannot be charged with the promotion of the inequality of women. This why some scholars have now shifted their focus to identifying how the legislations and cultures of different countries impact on gender ideology in societies (e.g. Doumato, 1992). Furthermore, there is disparity in scholarly interpretations of Islamic sources (i.e. the Quran and Sunnah) among different Muslims working across different eras (see Ahmed, 1992; Tucker, 1998; Esposito, 2001; Charrad, 2001; Keddie, 2012).

In Saudi Arabia, restrictions are placed on socialising between men and women, to conform to Islamic principles. These constraints divide opinion. Some think that inter-gender socialising should be prohibited, and that men and women should be separated at all times, except for family members. Others believe in following basic restrictions only. According to Sheikh Abdel-Aziz bin Baz (1912-1999), an important religious scholar in Saudi Arabia, even shaking the hand of the opposite gender should be prohibited, unless between close relatives (e.g. uncle/aunts and grandmother/father etc.). He also suggests that women should be well covered (they must wear a hijab) and should not try to 'impress a man' by wearing make-up and accessories. He also suggests that women should speak formally when they interact with men in a work setting, and avoid any actions that might lead to an informal relationship such as flirting. He notes that women often talked to the Prophet Mohammad (peace be upon him) and his companions (*as-sahabah*) without violating Islam (Binbaz, 2020).

In practice, it is possible to adopt the above restrictions in the boardrooms of Saudi Arabia. For example, by prohibiting the shaking of hands, and placing enough physical distance between men and women. Under these conditions, the boardroom could take advantage of the skills of different genders. It is possible that distance between genders might lead to more independent decisions being made in the boardroom. For example, according to Abdullah (2014), the presence of women on boards in Malaysia is positively associated with board independence.

Khadija (570-632), the wife of the Prophet Mohammed (peace be upon him) was a businesswoman who employed the Prophet as a worker (Sidani, 2005). Indeed, women participated in all social activities in the communities of early Islam, and their contributions were essential (Decker, 2019). Thus, the Islamic perspective values women's participation in different social areas, because they represent half of the community, as Allah (God) says in the Quran:

"We have created you male and female, and have made you nations and tribes that you may know one another. The noblest of you, in the sight of God, is the most righteous of you."[2]

۞ يَا أَيُّهَا النَّاسُ إِنَّا خَلَقْنَاكُمْ مِنْ ذَكَرٍ وَأُنْثَى وَجَعَلْنَاكُمْ شُعُوبًا وَقَبَائِلَ لِتَعَارَفُوا إِنَّ أَكْرَمَكُمْ عِنْدَ اللَّهِ أَتْقَاكُمْ إِنَّ اللَّهَ عَلِيمٌ خَبِيرٌ ﴾.

Islam does not prevent women from working or doing business. However, sometimes cultural restrictions, lifestyle regulations, and/or economics act as barriers for women becoming involved in work life. Ross (2008) argues that, in the Middle East, men dominate society, not only because of the Islamic religion, but because of economic dependency on the male dominated oil production sector; he suggests that the male dominated economics of oil production impacts on social structure. In Saudi Arabia, women have been working for many years as teachers and doctors, but they do not usually work in the political, legal and economic fields (Sidani, 2005). Saudi culture does not favour women working in the private sector because of the male dominated economic business structure and some of the strict religious perspective.

2.2.5.2 Ethnicity and the Islamic Religion

Islam discourages ethnic discrimination and encourages relationships between people regardless of ethnic background. In the rest of verse 13 taken from the Quran as quoted

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[2] Al-Hujuraat, Verse 13.

previously, God explains that diversity in ethnicity is for the purpose of identity separation only. Moreover, in his final lesson during his last pilgrimage, the Prophet Muhammad explains that no favours should be given to certain people just because of their ethnicity and background, because all people originated from Adam. He explains that people are favoured by God because of what they do in their life not their ethnic background. Islam prohibits differentiation between people because of their ethnicity and nationality (Danladi and Sule, 2019). The Prophet Mohammed (peace be upon him) says the following:

> *"O people, your Lord is one and your father Adam is one. There is no favour of an Arab over a foreigner, nor a foreigner over an Arab, and neither white skin over black skin, nor black skin over white skin, except by righteousness."*[3]

> قال الرسول ﷺ ﴿يَا أَيُّهَا النَّاسُ أَلَا إِنَّ رَبَّكُمْ وَاحِدٌ وَإِنَّ أَبَاكُمْ وَاحِدٌ أَلَا لَا فَضْلَ لِعَرَبِيٍّ عَلَى أَعْجَمِيٍّ
> وَلَا لِعَجَمِيٍّ عَلَى عَرَبِيٍّ وَلَا لِأَحْمَرَ عَلَى أَسْوَدَ وَلَا أَسْوَدَ عَلَى أَحْمَرَ إِلَّا بِالتَّقْوَى﴾

In spite of these words religion has been a source of conflict and distinction between races and nationalities. However, avoiding conflict helps to build-up a society educationally and economically (Adetiba and Rahim, 2012). Previous studies show that diversity of nationality in business activities results in better financial results (e.g. Homroy and Soo, 2020). Also, at board level, previous studies show that diversity offers better ways of presenting information to management (Hashim et al., 2019). According to Islam, there should be no discrimination between nationalities and ethnicities. However, this principle does not always translate, because culture plays a role also (Salehi et al., 2019).

[3] Musnad Aḥmad 22978.

2.2.5.3 The Islamic Religion and the Elderly

The Islamic religion teaches that people must respect the elderly. In Islam, one's parents are the most important elderly relatives. The Quran mentions this many times. For example, a Muslim should not curse their parents for any reason, and they must always speak to them respectfully.

> *"And your Lord has decreed that you not worship except Him, and to parents, good treatment. Whether one or both of them reach old age [while] with you, say not to them [so much as], "uff," and do not repel them but speak to them a noble word."*[4]
>
> ۞ وَقَضَىٰ رَبُّكَ أَلَّا تَعْبُدُوا إِلَّا إِيَّاهُ وَبِالْوَالِدَيْنِ إِحْسَانًا ۚ إِمَّا يَبْلُغَنَّ عِندَكَ الْكِبَرَ أَحَدُهُمَا أَوْ كِلَاهُمَا فَلَا
> تَقُل لَّهُمَا أُفٍّ وَلَا تَنْهَرْهُمَا وَقُل لَّهُمَا قَوْلًا كَرِيمًا ﴿

Esteem for the elderly is relevant in the context of this study because this principle relates to the demographic of age and experience in the boardroom. Some people argue that age is not associated with experience (e.g. de Freitas et al., 2010). Furthermore, age differences can impact on communication between younger and older people in the boardroom (Talavera et al., 2018). The attitudes and values prevailing towards older people can be useful to enhance social ties, because older people have experience and wisdom, Islam encourages the respect of older people generally, not just parents. The Prophet Mohammed notes this, but also notes the rights of younger people too. The Prophet Mohammed (peace be upon him) says as follows:

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[4] (Al-Israa, Verse 23).

“*Anyone who does not show mercy to our young nor acknowledge the rights of our old people is not one of us.”*[5]

قال الرسول ﷺ ﴿ليس منَّا من لم يوقِّر كبيرَنا، ويرحَم صغيرَنا﴾

Previous research has acknowledged that building respect between younger and older executives can enhance the boardroom; Mahadeo et al. (2012) anticipates that respect between the younger and elderly executives contributes towards enhancing dynamics in listed companies in Mauritius. Nevertheless, this study recommends further in-depth research to prove this. However, encouraging social ties in the boardroom can lead to a culture of ‘rubber-stamping’ and reduce independence (Fink, 2005). A study by Nakpodia and Adegbite (2018) notes that the power of older people working in corporate governance in Nigeria can lead to them being exempt from liabilities and punishments. Also, some older boardroom members might not be grilled or questioned adequately, and this attitude might not be healthy for the board, because it can increase a culture of ‘rubber-stamping’ among younger directors who do not feel that they can stand up to the older group.

2.3 Saudi Arabian Listed Companies

2.3.1 Background

The Saudi stock market (Tadawul) is a newly developing stock market in comparison to more established stock markets, such as those based in London or New York. The Saudi stock market

[5] Al-Mufrad, A.-A. *18 the Elderly (163), Chapter: The Excellence of the Older Person, English Translation: Book 18, Hadith 355* Online. Available: https://sunnah.com/adab/18.

started informally in 1935 when the first Saudi share company was founded (Sulaiman, 2018). There was no regulation for share companies back then, and the market was regulated under Commercial Courts Law (Al-Baqmi, 2019) (see Table 2.3 which shows the historical timeline development of the Market). The first companies law was issued in 1965, and renewed in 2015 (Al-Baqmi, 2019). However, there have been updates between these two periods. The Market started to be monitored formally under Government supervision in 1984, by the Saudi Arabian Monetary Agency (SAMA) (Sulaiman, 2018).

The next step of development began when the Market started to be monitored by the Saudi Capital Markets Authority (CMA) in 2004. There was increasing demand for trading shares, and this reached its highest points record of 20,635 in February 2006 (Argaam, 2020). However, at the end of 2006 there was a market crash which sustained losses of 65%. At that time, the first Corporate Governance Code (CGC) was issued. In February 2007, the Market recorded around 8,000 level points. In the same year, the Government established the Saudi Stock Exchange (Tadawul) as the sole entity responsible for securities trading (Tadawul, 2020a). Moreover, it followed the capital market laws of CMA. The Market continued to develop and the number of companies listed on it increased.

In 2015 the current stage of development began. This saw the renewal of company laws, which were previously issued in 1965, as mentioned above. Also, in 2015 the Market adopted the NASDAQ’S X-Stream INET system, which speeds up and increases trading quality, and it became more regulated. For example, the second CGC draft was issued 2016 and approved in 2017, with more rules than were previously seen in 2006. The Government is now targeting more foreign investors as part of the Vision 2030 scheme. Therefore, over the years, there have been many changes in terms of market quality, regulations, and inclusion with other indexes (e.g. the MSCI World Index). This has increased the flow of money into the Saudi markets.

Table 2.3: Timeline development and events of the Saudi Market of listed companies.

Year	Events
1931	The legislation of shares companies in Saudi Arabia under Article 14 of the Commercial Courts Law, promulgated by high order.
1935	The first shares company (Alarabi Cars).
1955	Six shares companies in existence.
1956-1958	The monetary and financial crisis.
1965	The introduction of the first corporation law (including rules for shares companies).
1965	Seventeen shares companies in existence.
1975	Fifty four shares companies (this included thirty seven utilities companies from the electric companies group, which were Government listed offering a guaranteed dividend of 15%).
1980	Forty eight shares companies in existence. There was shrinkage in the number of listed companies by the end of the year after the market opened with ninety eight listed companies. This was because electricity companies were merged from sixty separate companies into four big leading companies and six sub-companies.
1981	Fifty two shares companies in existence.
1984	The formalisation of the Market into a stock market. The Government entrusts the Saudi Arabian Monetary Agency (SAMA) with the task of operating and regulating the daily markets and they established the Saudi Equity Registration Company to settle equity-related transactions through working banks.
1989	The listing of the Al-Rajhi Banking Corporation where the IPO amount was covered six more times.
1990	Computerised trading ESIS introduced.
1997	Markee added to IFC.
2000	Contract with the Canadian EFA to develop the market system to Realtime.
2003	Started trading on the Internet.
2003	Royal decree established the Capital Market Authority (CMA).
2004	The stock market moved its monitoring system from the SAMA to CMA by royal decree.
2006	There was a market crash that saw for 65% of its value wiped.
2006	The first corporate governance code (CGC) was introduced (comprising 5 parts and 19 articles).
2007	Establishment of the Saudi Stock Exchange Company (Tadawul).
2010	The CGC was amended (five parts and nineteen articles).
2012-2014	ISO 7001 introduced.
2015	NASDAQ’S X-Stream INET system introduced.
2015	New Corporate Law introduced.
2017	New CGC (twelve parts and ninety eight articles) introduced.
2018	The FTSE Russell confirmed SA as an emerging market.
2019	Amended the CGC (12 Parts, 98 Articles)
2019	Inclusion in the MSCI World Index.
2019	Saudi Aramco IPO was the most valuable company in the world.
2020	One hundred and ninety nine shares companies in existence.

Source from Tadawul, SAMA, CMA, and Argaam, (Sulaiman, 2018; Al-Baqmi, 2019).

2.3.2 The Market Regulations Framework

The Saudi stock exchange (Tadawul) is a new stock market that is moulded by regulations from different governmental agencies; see Figure 2.4. The Capital Market Authority (CMA) is the primary and direct supervisor of the stock exchange market (Capital Market Authority (CMA), 2020). Its duty is to regulate (e.g. apply corporate governance), to protect, to develop, and to monitor the Market. The Saudi Arabian Monetary Authority (SAMA) is the national reserve bank system; it deals with regulations for the financial sector, such as banks, insurance firms, creditors, and investment fund companies etc. and SAMA also monitors credit information through the Saudi Credit Bureau (SIMAH) (SAMA, 2020).

The Ministry of Commerce (MC) is responsible for the private sector in general and it implements company law (MC, 2020). The Ministry of Investment (MISA) is in charge of formalising the business investment environment (MISA, 2020) by evaluating investment in the Kingdom and mitigating barriers faced by the investor. The Saudi Organization for Certified Public Accountants (SOCPA) works with the MCI to develop the auditing and accounting sector; it is responsible for the auditing offices that undertake auditing work for listed companies and accounting standards for financial reports (e.g. adopting IFRS) (SOCPA, 2020). The General Authority of Zakat &Tax (GAZT) is supervised under the Ministry of Finance; it is in charge of regulating, evaluating, and collecting the Islamic tax (Zakat) and corporation tax (GAZT, 2020).

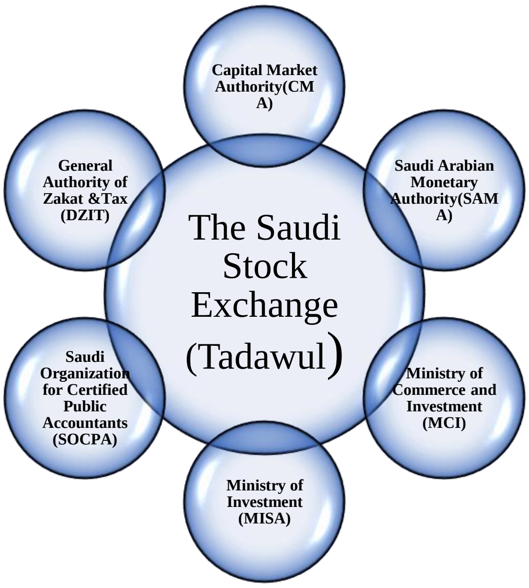

Figure 2.4: Market Regulations Framework (Tadawul, 2020b).

2.3.3 Boardroom Diversity and the New Corporate Governance Code (CGC)

Enhancement of the boardroom and its mechanisms are main objectives of the Saudi CGC (Capital Market Authority (CMA), 2019). The CGC tries to make sure that boards can make the right decisions and protect stakeholder rights by putting in place a general framework that ensures companies work with different stakeholders. Shareholders' protection is a critical part of the work of the stakeholders' group. The CGC obligates boards to work on the behalf of shareholders and deal with shareholders equally and fairly (Article 4). Directors of the boardroom should provide shareholders with accurate and reliable information to allow them to make correct decisions (Articles 6 and 7). Therefore, the board is an essential mechanism of corporate governance, because it is the link and the channel between the company and its stakeholders.

The chairperson of the board plays a vital role in fulfilling the communication role of the boardroom to others (e.g. shareholders) (see Article 27). One of the main duties of the chairperson is to ensure that contact with shareholders is maintained, and that the opinions of shareholders are heard by board members for discussion. The chairperson must create a meeting agenda to ensure that issues raised by shareholders are discussed by different members of the board and acted on. Furthermore, regular meetings must be set up with non-executive directors (NEDs) or independent directors (IDs). The chairperson is usually the best placed person to identify direct and indirect issues of interest for the attention of board members. Thus, leading the boardroom and effectively ensuring it completes its tasks, as well as maintaining effective communication with shareholders, are the primary duties of the chairperson.

Article 21 deals with board responsibilities, including those relating to shareholders and maximizing company wealth value. Also, it allows for the delegation of parts of its powers, but not all authority, to individual committees or third parties. Article 22 deals with the practical concerns of the board in terms of: planning, supervision, review, asset risk, internal control, budgeting, monitoring, ensuring accurate reporting, communicating with stakeholders, setting out rules (including conflict of interest rules), and shareholders' recommendations. The tasks that the board carries out are not easy. As a result, board member competence is vital to carry out these responsibilities.

The board should provide information about the nomination of board members (Article 8) and should give details about how relevant each member is to the board. This helps shareholders make the right decisions when they are nominating board members in the general assembly. Board structure in terms of size, experience, ability, knowledge, and independence should be relevant to the company's size and activities, as noted in Articles 16 to 18. For example, if a company's main business is selling women's products, or women make up at least half of the firm's customers, then a gender mix should be represented in the structure of the boardroom, because this is representative of company activities. Similarly, for high tech companies, youth is essential to a company's activities, because this represents the future of the industry.

The CGC places emphasis on the experience and education of board members, making both conditions for selection. Furthermore, according to the CGC law, the experience and education of board members must be disclosed before the nomination of board members and yearly in the board reports (see Articles 8 and 90). This reveals that the CGC favour diversity of experience and education (Articles 28/2 and 41/d). However, the CGC does not mention any other types of diversity, even though it is explicit with regard to experience and education. This might be because regulators do not have a problem with gender, and expect different genders to be represented in the boardroom. However, gender diversity is not mandatory in Saudi Arabia (as it is in other countries) in the boardroom or elsewhere; instead, decisions about gender diversity are left for each company to decide.

The CGC law suggests that some positions require a specific background and a certain number of years' of experience. However, this ignores the importance of other employment positions. For example, the secretary of the board is usually required to have a background in law, finance, accounting, or management, and have at least a bachelor's degree (Article 38), with no less than three to five years of work experience. Furthermore, members of the audit committee are required to have an accounting and finance background. However, members of the remuneration and nomination committee do not need a human resources (HR) background, even though their duties are to select, compensate, and assess directors, among other obligations (Articles 60 to 69) that demand a HR background. On the other hand, the assessment of board members is listed as guidance rather than something that is compulsory (Article 41). It is crucial to assess board members in order to eliminate bad directors (e.g. 'rubber stampers'). Doing this might increase director turnover in Saudi Arabia's boardrooms, and allow younger directors and female directors to become board members (see Griffin et al., 2017).

2.4 Saudi Vision 2030

The Vision 2030 was launched in 2016 in three pillars. It proposes a revolutionary plan for the country on different levels (see Figure 2.5). The Vision 2030 builds on three main pillars; a vibrant society, a thriving economy, and an ambitious nation (Strategic Objectives Vision 2030, 2018). These three pillars also comprise overarching objectives, branch objectives, and strategic objectives. The overarching objectives total six main objectives (two objectives for each pillar), and the branch objectives are made up of twenty seven objectives that contain more detail than the overarching objectives. The strategic objectives comprise ninety six detailed objectives, of which twenty seven objectives deal with the achievement of plans and development.

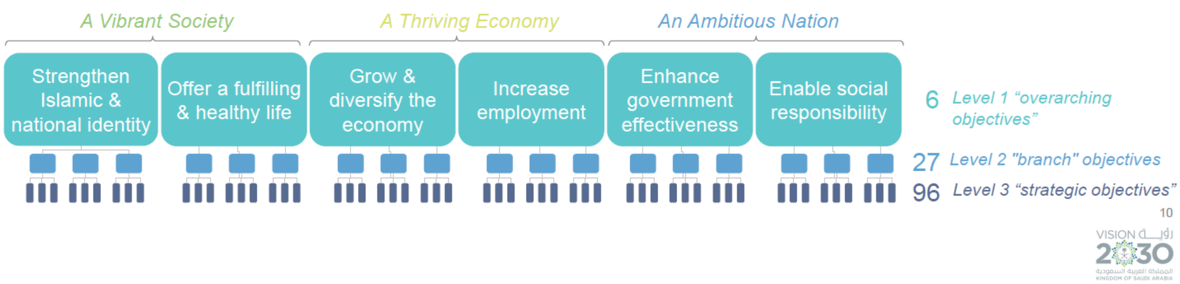

Figure 2.5: Strategic Objectives Vision 2030 (2018, p11)

The Vision 2030 is broad, and this is why it is divided into pillars and objectives. This study will focus on the pillars and objectives relevant to the research context. The thriving economy pillar is the main pillar that relates to the goals of this research. The current study will also focus on two main objectives out of the six first level objectives: number three (which relates to growing and diversifying the economy), and number four (which relates to increasing employment). Both these goals have economic elements relating to developing the country's income and human capital. Thus, the following sections will assess both objectives individually, as well as focussing on second and third level objectives.

To achieve Vision 2030 thirteen different programmes have been established, known as Vision Realisation Programs (VRPs). These programmes are structured like committees, each with a programme chairman. The duties of the chairmen are to work on the allocated direct and indirect objectives and to develop initiatives that move towards achieving the objectives (see Figure 2.6). Each VRP is allocated key performance indicators (KPI's) to track the allocated objectives. Monitoring should also take place, including tracing indicators, such as progression, on macro-economic progress as a whole, and looking at whether or not the programme is targeting its allocated objectives.

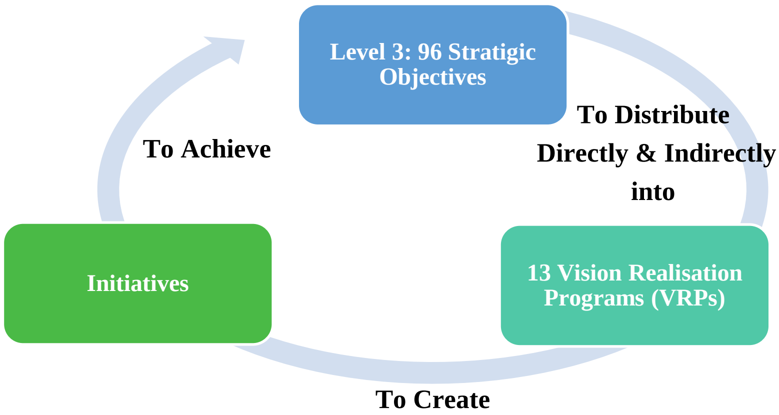

Figure 2.6: The Vision 2030 Achievement Plan

2.4.1 Growing and Diversifying the Economy

The Saudi economy is among the top twenty economies in the world. It has experienced an average of 4% annual growth over the past twenty five years (Vision 2030, 2017). However, for a more sustainable future, it needs to diversify, and not depend solely on oil income. To achieve this goal it has developed seven branch objectives (Strategic Objectives Vision 2030, 2018). Objective number one is to grow the private sector, and number six is to further integrate the Saudi Economy regionally and globally. These objectives are relevant to the current research, because they link to the operation of corporations in general (see Table 2.4).

Good corporate governance can help lead to the speeding up of slow economic growth (Morck et al., 2004). Corporate boards work as an internal mechanism, setting up strategic plans for corporations, and contributing to the direction of corporations. Therefore, firms play an essential role in the strategic economic vision. For example, boardroom diversity could have an impact on future economic advantage (Lopes and Ferraz, 2016).

In terms of *growing the private sector*, this objective comprises seven different strategic objectives, but only two relate to corporations which are: *to ensure the formation of an advanced capital market* (number 3.1.4) and *to attract foreign direct investment* (number (3.1.6). Development of the capital market (for example listed companies) is one objective that is delegated to the Financial Sector Development Programme (FSDP, 2018). It is a key macro-economic objective, which allows for more investment and diversified funding tools into the capital market. Attracting foreign investment and funding is another key objective, which is designed to expand the capital market. This objective is delegated to a different programme, known as the Strategic Partnerships Programme, which has not yet published a report. However, according to the FSDP (2018) Report, one crucial target for developing the capital market is to attract foreign investment. Therefore, this objective is indirectly related to the Financial Sector Development Programme (Strategic Objectives Vision 2030, 2018).

The FSDP (2018) has translated each of their objectives into initiatives. One of the initiatives for developing the capital market and attracting foreign investment is to '*assess the feasibility of establishing an independent regulatory structure to oversee public company audits'* (FSDP, 2018 p: 50). This means that governance mechanisms (to regulate auditors) must be improved to achieve investor confidence. It is only by providing quality information to investors that it is possible to reduce investment risks, and promote more transparency. This initiative will be lead by the Capital Market Authority (CMA).

Initiatives designed to improve corporate governance mechanisms only might be not be enough to help develop the capital market and attract foreign investment. The corporate governance of other elements, such as investor rights and board members etc. is crucial for achieving all the objectives of Vision 2030. A study by Das (2014), which details samples collected from across thirty seven countries finds that fund managers prefer to invest in foreign companies that have robust governance systems, especially those with good boardroom features and independent auditors. Moreover, Das (2014) highlights the importance of shareholders rights on a country level for attracting potential foreign investors.

According to Kim et al. (2011) enhanced corporate governance promotes the development of investment and the stock market, and this is related to enhanced macro-economic growth. Moreover, to attract capital investment, it is necessary to enhance firm performance and reduce investor risk, and this requires good governance practices (Heenetigala and Armstrong, 2012). The current research looks at board member diversity as an internal mechanism to enhance corporate governance and gain investor trust.

2.4.2 Integrating the Saudi Economy Regionally and Globally (Objective Number 3.6)

The integration of the Saudi economy is a branch objective that has three different strategic goals under the Strategic Partnerships Programme. This goal aims to achieve economic synergy between Saudi Arabia and other regional Gulf countries (GCC) as well as the global economy (SSP, 2020). It is by making partnerships and deals, and capturing new opportunities, that it is possible to build relationships locally and internationally. This is an essential goal that corresponds with the goal of attracting foreign investment and keeping up with global economic trends. This programme has not yet made progress, but will be relevant to the transformation of the Saudi economy in general.

Level 1 - Overarching Objectives	Level 2 - Branch Objectives	Level 3 – Strategic Objectives	Vision Realisation Programmes (VRP)
3 Grow & diversify the Economy	3.1 Grow the contribution of the private sector in the economy.	3.1.4 Ensure the formation of an advanced capital market.	Financial Sector Development Programme (direct). National Industrial Development and Logistics Programme (indirect). Fiscal Balance Programme (indirect).
		3.1.6 Attract foreign direct investment.	Privatisation Programme (indirect). Strategic Partnerships Programme (direct). Public Investment Fund Programme (indirect). National Industrial Development and Logistics Programme (indirect). Financial Sector Development Programme (indirect).
	3.6 Further integrate the Saudi economy regionally and globally.	3.6.1 Push forward the GCC integration agenda.	Financial Sector Development Programme (indirect). Strategic Partnerships Programme (direct). Public Investment Fund Programme (indirect). National Industrial Development and Logistics Programme (indirect). National Companies Promotion Programme (indirect).
		3.6.2 Develop economic ties beyond the GCC.	
		3.6.3 Develop economic ties with global partners.	

Table 2.4: Direct and indirect programmes allocated to relevant strategic objectives.[6](1)

2.4.3 Increasing Employment

Increasing employment is the second goal relating to the thriving economy pillar, and it aims to develop human capital in the country (Vision 2030, 2017). This goal reveals the importance of developing human capital in education, skills, talent, and equal opportunities to drive the vision of success. It is an overarching objective comprised of four different branch objectives (Strategic Objectives Vision 2030, 2018). The first objective is to focus on the educational system in general, and to develop human capital education to keep up with the job market. The

[6] Strategic Objectives Vision 2030 2018. Saudi Arabia Vision 2030 Strategic Objectives and Vision Realization Programs Overview.

second objective is to concentrate on equal opportunities for the young, for women, and for those with disabilities. The third objective concerns generating more jobs from different organisations operating in the market (e.g. SMEs, family businesses, and entrepreneurship). The fourth objective is to attract foreign talent in order to benefit from outside experience and knowledge sharing with Saudis. The following section will look at these objectives as they relate to the current study.

2.4.3.1 Equal Entry into Jobs (Objective Number 4.2)

2.4.3.1.1 Preparing the Younger Generation for the Market

This branch objective has three strategic goals that aim to prepare young people and encourage corresponding entry into the workforce for women and those with disabilities. Developing younger people for the jobs market is an essential element for future sustainability. It is one of the strategic targets of the National Character Enrichment Programme NCEP (see Table 2.5). The purpose of the programme is to promote Saudi Arabia's reputation internationally by empowering its citizens overall (Strategic Objectives Vision 2030, 2018). This can be done by enhancing generational identity, national and Islamic values, personality, and mental attitude. These elements will work to influence future hopes and prosperity, and this will impact on the nation positively in general, and from a political, economic, and moral point of view. However, the programme leaders have not yet published plans relating to initiatives for the young (NCEP, 2020).

Level 1 - Overarching Objectives	Level 2 - Branch Objectives	Level 3 - Strategic Objectives	Vision Realisation Programmes
4 Increase employment	4.2 Ensure equal access to job opportunities.	4.2.1 Improve the readiness of youth to enter the labour market.	National Character Enrichment Programme (NCEP) (direct).
		4.2.2 Increase women's participation in the labour market.	National Transformation Programme (NTP) (direct).
	4.4 Attract relevant foreign talent to the economy.	4.4.1 Improve living conditions for expertise.	National Transformation Programme (NTP) (direct). National Character Enrichment Programme (indirect). Lifestyle Improvement Programme (indirect).
		4.4.2 Improve working conditions for expertise.	
		4.4.3 Source relevant foreign talent effectively.	National Transformation Programme (NTP) (direct). Strategic Partnerships Programme (indirect). Public Investment Fund Programme (indirect). National Character Enrichment Programme. (indirect) Lifestyle Improvement Programme (indirect).

Table 2.5: Direct and indirect programmes allocated to relevant strategic objectives.[7] (2)

2.4.3.1.2 Women's Empowerment

Increasing the number of women in the workplace is a strategic objective to achieve equal opportunities, and it is one of the goals of the National Transformation Programme. The programme includes ten initiatives to increase women's participation in the workplace (see Figure 2.7). These initiatives include women taking on leadership positions. For instance, the Government has started to hire women in top management positions, such as ambassador and

[7] Strategic Objectives Vision 2030 (2018). Saudi Arabia Vision 2030 Strategic Objectives and Vision Realization Programs Overview.

vice-minister for the first time. This might impact on hiring trends in the private sector. Recently, a woman has been elected for the first time as a CEO of a financial listed company.

AlRabiah and AlHadithi (2018) suggest that one idea for promoting female leadership in Government sectors in Saudi Arabia is to prove their capabilities to society as a whole, so as to empower other women. These findings imply that the involvement of women has originated from a willingness to change and develop the community. This shows how important it is for the Government to step forward and hire more women in leadership positions.

The central reason for involving more women in leadership positions is to train and develop their skills. AlRabiah and AlHadithi (2018) explain that, at present, preparations for women entering into leadership positions are weak, and there is a shortage of written procedures for leadership. Although the new initiatives aim to increase the number of women taking up leadership positions, they ignore a lack of written procedures. Salih and Al-Dulaimi (2017) suggest that one of the best ways of boosting women's leadership practices is to compile a written system of best experiences. This might lead to an enhancement of training and the development of skills (Salih and Al-Dulaimi, 2017; AlRabiah and AlHadithi, 2018).

The new awareness of the empowerment of women in the workplace is an essential initiative which will increase the number of women in the workforce. However, there are cultural, religious, and community barriers in this respect that need to be eliminated (Hodges, 2017). AlRabiah and AlHadithi (2018) suggest that awareness of this issue could be facilitated through conferences, media, and showcasing successful women leaders. These different channels will enhance the abilities of women workers and the number of women entering into the labour market.

Improving equality rules for recruiting women is also a crucial way of enhancing hiring mechanisms, but currently HR mechanisms do not offer much detail on how to improve the situation. However, facilitating existing standards could prove to be a trap that prevents women entering into leadership positions, but there are also dangers in writing new standards (AlRabiah and AlHadithi, 2018). For example, employment conditions such as experience, achievements and skills are needed for boardroom membership. However, some believe that human resources should be based on the development of talent to help create a non-discriminatory environment (Hodges, 2017). Thus, a review of regulations inside of an organisation (by HR) is essential for acquiring more female talent.

A decision recently made by the Government was to allow women to drive in Saudi Arabia, including being able to drive alone. This decision has eased problems associated with transport for both men and women. This initiative will also help more women access the workforce, and it will go far to change cultural attitudes towards women. These new rules mean that women can travel independently by car, which is an indication that the Government is taking steps towards empowering women in Saudi Arabia. Indeed, the Islamic religion has nothing to do with women driving (BBC, 2018), the decision not to allow women to drive until recently was mainly based on cultural attitudes in Saudi Arabia about women travelling alone (see Dar al Iftaa Al Missriyyah, 2020). However, reversing this position has taken pressure off the Government.

Lastly, boosting the number of tele-workers, introducing flexible work, and equipping the workplace with more childcare services will enable more women to enter the jobs market. These measures will remove some of the barriers women face that prevent them from working. For example, flexible work and working hours can reduce employment turnover and promote work comfort (Shanmugam Merlin and Agarwal, 2019). Consequently, these measures will increase the participation of women at work, which will lead to women gaining more work experience. The quality of work could also increase as job satisfaction is raised (Ruppanner et al., 2018). Acquiring new skills and experience will grow into access to leadership and management positions for women.

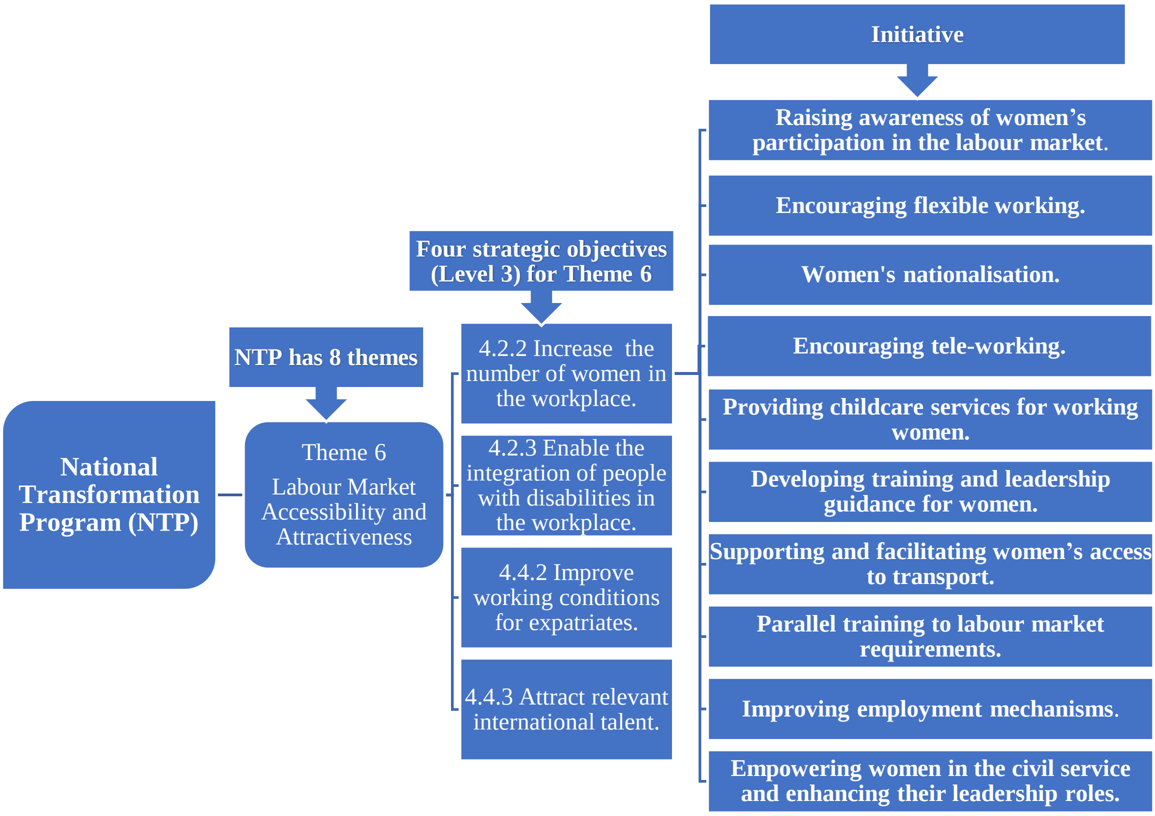

Figure 2.7: NTP and Women Initiatives[8]

[8] Ntp 2018. National Transformation Program | Saudi Vision 2030.

2.4.3.2 Attracting Appropriate Foreign Expertise (Objective Number 4.4)

There are three main objectives relating to bringing in external expertise. Firstly, improving the living environment for foreign workers is essential, so that experts coming in from outside of the country can enjoy living and working in Saudi Arabia and become more engaged in society. In this respect, six initiatives have been developed to achieve this objective (see Figure 2.8). The objectives aim to boost living quality in Saudi Arabia, promote a respect for cultural differences, and integrate expert foreigners and their families into Saudi society.

According to the GTCI Index (2020), Saudi Arabia ranks 42nd out of 132 countries in relating to quality of life experienced by outside talent. This is one of the components used to measure the attractiveness of different nations to global talent. The NTP shows an indicator of global rank for living conditions, but it does not give any other information (NTP, 2018). It reports that Saudi Arabia ranked 61st in 2016, and Saudi Arabia sought to achieve 50th place by 2020. If we look at the Global Talents Competitiveness Index (GTCI) for the years 2015-2016, Saudi Arabia ranked 28th in the 'retain' category (GTCI Index, 2020). Thus, it might be better to provide details of the actual indicator that NTP relies on, or look at GTCI Index to track improved lifestyle for talent in the country.

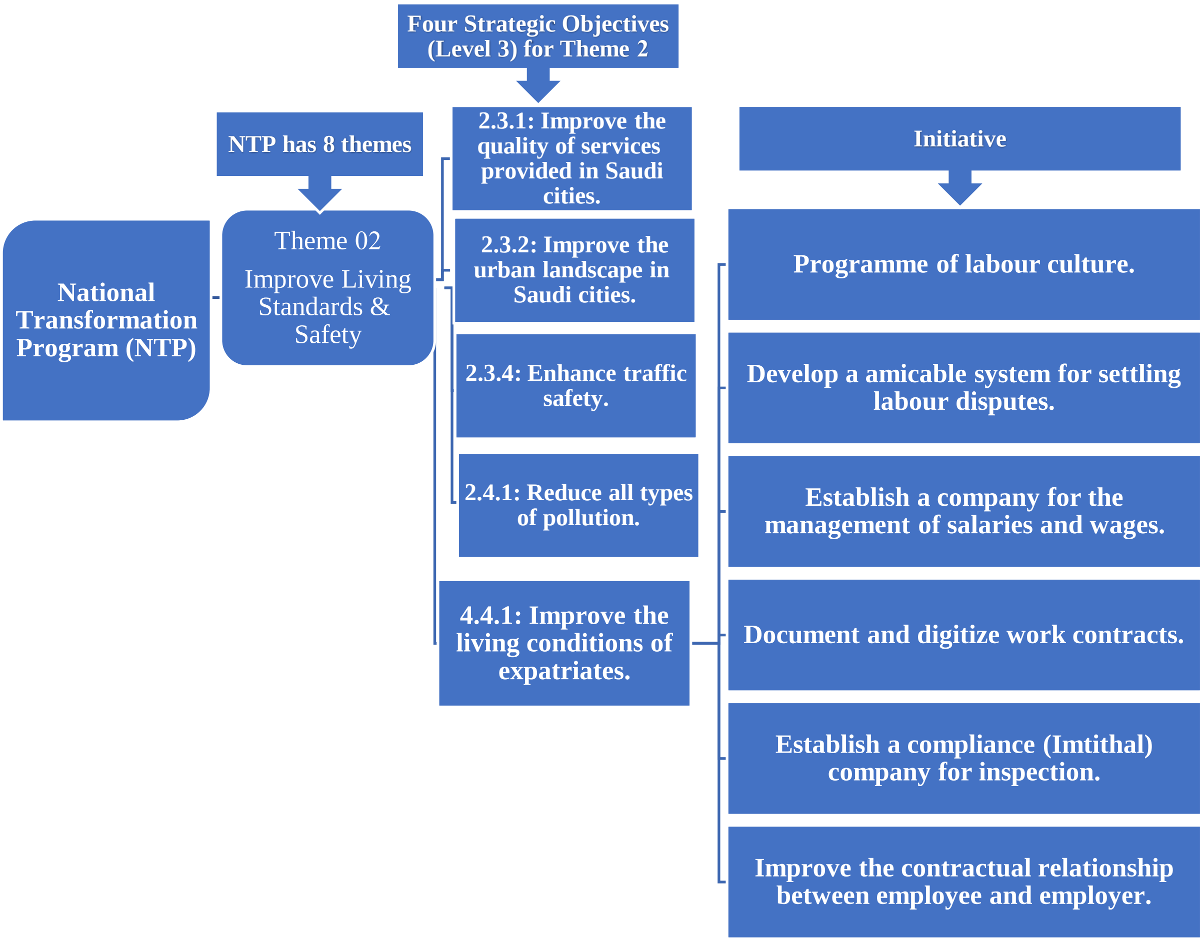

Figure 2.8: Initiatives for improving living quality for foreign expertise.[9]

The second objective relates to all workers and professions in general. It deals with international employment protection and privileges to boost the work environment. Seven initiatives have been developed to achieve this goal (see Figure 2.9). For example, creating a suitable international labour organisation (ILO), and ratifying the number of conventions from sixteen to twenty in 2020 (NTP, 2018). These achievements would lead to an increase in the right workers being employed, it would help to shield workers in Saudi work settings, and make the country an attractive atmosphere for foreign talent and workers. Furthermore, improving these elements might lead to more foreign investment (see Sornarajah, 2017).

[9] Ibid.

Three initiatives have been designed for achieving the third objective of attracting more professional talent into the workforce. These efforts can be encouraged by facilitating more convenient living in the Kingdom. For instance, residency cards enable workers to reside in a country for some time without having to apply for a visa, it is like the ‘green card’ in US. Recently, the Minister of Labour launched the initial stages of the ‘gold card’, which can be used to reside for a maximum of thirty two months for work purposes (Arab News, 2019).

The Vision 2030 plan seeks to develop an electronic platform to speed up recruitment procedures. This achievement would help individual talent to move up between different levels in a more manageable way. Also, it could help improve the quality of foreign talent working in the country, thus, promoting Saudi’s GTCI ranking. Saudi Arabia ranked 42 out of 118 countries in 2017, and in 2020, it ranked 40 out of 132 countries (GTCI Index, 2020). The GTCI has six different pillars: to enable, to attract, to grow, to retain, has VT skills, and has GK skills. Saudi Arabia scored in each component as follows: 56.97, 56.14, 45.61, 59.15, 57.08, and 33.97 respectively. Nevertheless, each pillar includes some component of measures which a country has to work on to improve, and these measures work to enhance classification, particularly for categories where a weak rating is scored.

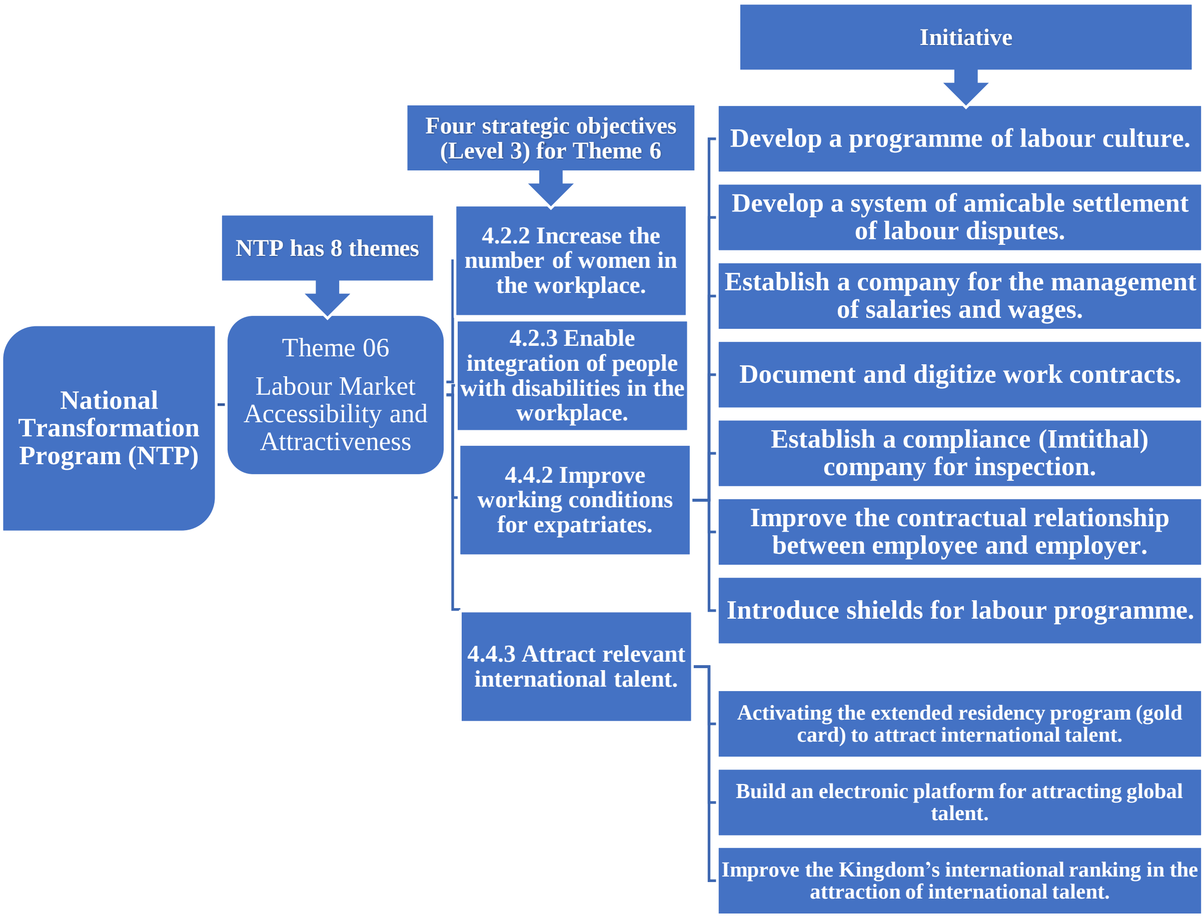

Figure 2.9: Initiatives to improve working conditions for foreign workers and attracting international expertise.[10]

2.5 New Changes to Saudi Arabia's Social Structure

Social change is normal and happens in all societies (Tabul, 2012). However, the speed of change, the scale of change, and the implications these elements have, are the things that make a difference to whether change is successful. Saudi Arabia has undergone tremendous change

[10] Ibid.

over the few past years, since the announcement of the Vision 2030. These changes have impacted on different parts of society. The main change that has made an impact is economic reform. The Government seeks to no longer depend on oil as its main source of income, and in this spirit citizens might have to gradually rely less on the Government to provide everything they need (Young, 2016). For example, value-added tax (VAT) has been introduced and energy support has been removed. According to the Crown Prince, who is leading the ambitious Vision 2030, Saudis should begin to think like their investors, and in this way the Government might be able to build a fertile environment and opportunities for investment (e.g. privatisation, and the reform of regulations).

The empowerment of women is another crucial change that has taken place in Saudi society, and this has impacted on both the social and economic spheres significantly, because women represent half of society. The country has become more open to providing opportunities for women to go to work, and this has had an effect on the community which it is not used to (Al-Saif, 2019), (see Figure 2.10). In terms of the economy, the country decided to let go the work services of more than a million foreigners and replace them with Saudi women workers. Nowadays, it is possible to see Saudi women working in more professions; their working life is no longer limited to certain specific professions (e.g. teachers and doctors, etc.). This means that women have required support to help them qualify to enter the labour market and contribute to the economy. In this respect the nation has overcome obstacles that have prevented women from employment for many years. Indeed, one of the most valuable decisions taken by the Government was to allow women to drive.

صورة تذكارية بمناسبة مرور 75 عاماً على تأسيس الغرفة

صورة تذكارية بمناسبة مرور 50 عاماً على تأسيس الغرفة

Figure 2.10: The Jeddah Chamber memorial picture of 50th anniversary (in right) and 75th (in left) (JCCI, 2020)

Furthermore, the Government aims to reduce levels of religious bigotry and return to the kind of Islamic moderation that was practised before 1979. This idea was championed by the Crown Prince at a future investment conference, and is the key to the success of the changes that are planned to take place (BBC News, 2020). However, according to Islam and Khatun (2015), the word ‘moderation’ has different meanings in eastern and western countries. The West sees moderation as a practical process, such as operating in terms of democratic politics, for example. However, in the East and from an Islamic perspective, the meaning of word is not limited to politics or other single subjects, but encompasses all of life’s characteristics. For example, it refers to lowering the firm authority of the religious police (Young, 2016). The Government has also opened up the country for tourism, instead of just religious tourism only. Further, permission to open up cinemas and hold some concerts has been given. These changes will influence people’s beliefs, their daily life, and social entertaining.

Zamil (2010) argues that the elements that contribute to the success of social change include: eliminating discrimination, controlling the speed of change by using planning and direction, and creating social harmony within society so people are capable of facing change. These elements appear in some of the steps the Government are taking as part of the Vision 2030. Moreover, the Government has made some progress towards facilitating change through the enactment of laws (e.g. racial discrimination and harassment laws). The steps taken are not limited to enacting change, but they also work to remove barriers to social change (e.g. allowing women to drive).

The efforts taken by the Government seek to shift society to create a better nation. Some of the changes will take more time to bear fruit, whilst some will create an impact quickly. These reforms open up the question of how change will affect board diversity in listed companies. For instance, will attitudes towards women and the younger generation change in relation to serving on boards? It is valuable to seek to learn how these new changes to society might increase boardroom diversity. Finally, the potential of Vision 2030 seeks to impact on boardroom diversity in Saudi Arabia.

2.6 Summary

The previous sections of this chapter have outlined background details about Saudi Arabian society and culture. It has explained that in recent years changes have taken place in the country as a whole. These shifts can be observed in different social structure areas. The changes taking place are fast paced, and include changes in politics, economics, culture, and the family environment in the Kingdom. This chapter has touched on how these changes might drive boardroom diversity. These drivers include religion, regulations, and the Vision 2030. Lastly, it has showed how the speed of transformation in society might lead to an increase in boardroom diversity.

CHAPTER 3: Literature Review

3.1 Introduction

This chapter reviews previous relevant research about corporate governance and the boardroom as it works as a principal mechanism of corporate governance. It will examine previous research undertaken about the role of the boardroom, directors' duties, sub-committees, and how the board should work to protect shareholder interests. It will also look at boardroom structure, and the selection and nomination of directors, as well as reviewing the impact of ownership and the chairperson on the boardroom. It will examine previous research undertaken about boardroom diversity in the context of the current study; this part will review previous research relating to the diversity types chosen for exploration in the current study. The chapter will also explore previous studies relating to boardroom diversity, boardroom effectiveness, and different mechanisms of effectiveness will be identified. Organisational performance and how this relates to boardroom effectiveness and diversity will also be assessed. Gaps in previous research will be identified, and an outline of the importance of the current study will be presented. Lastly, background information about board diversity and board effectiveness in the Middle East and in North African (MENA) countries, including in Saudi Arabia, will be given.

3.2 Corporate Governance (CG)

3.2.1 Definition and Background

There is no single definition of corporate governance (CG). However, as noted by Garratt (2017, p. 4) some concepts of corporate governance were first seen over three thousand years ago in Western culture, and the word "governance" is derived from the Greek word *Kubernetes,* meaning "steersman of the ship". The term "corporate governance" has a dual and linked meaning that alludes to providing direction for the future and the prudent control of an organisation (Garratt, 2017, p. 4). A recent study by Shah and Napier (2019) suggests that the concept of corporate governance should be explored more widely, rather than through the narrow lens of economics (e.g. agency theory), for example, to include the political environment etc. The aforementioned study raises the question of why the term "corporate governance" is used rather than the terms "corporate direction", "court of governors" or "board of directors", because the concept relates to how something is managed by a group of people rather just by one governor (Shah and Napier, 2019, p. 338). This argument illustrates how the board of directors is an essential mechanism for the oversight of corporations on behalf of shareholders in particular, and stakeholders in general.

Walker (2009, p. 23) defines CG as follows: "The role of corporate governance is to protect and advance the interests of shareholders through setting the strategic direction of a company and appointing and monitoring capable management to achieve this." It is notable that this definition by Walker mainly concerns the protection of shareholders. However, the role of CG is much broader than this. For instance, creditors, employees, and other stakeholders all stand to benefit from good corporate governance. In this respect, Walker's definition misses an important aspect of corporate governance, which is stakeholder interests relating to business activity.

Another definition by Solomon (2021, p. 7) is presented thus: "Corporate governance is the system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity." Solomon focuses attention on all stakeholders, as well as the social aspects relating to business activities. This definition is broader than the previous definition offered by Walker. It covers all businesses and social environments, which makes it better than Walker's definition. However, Solomon's definition misses the importance of the priorities of different stakeholders (e.g. shareholders, creditors, employees, and other stakeholders). Shareholders have priority over creditors, and creditors might have priority over employees, and so on, depending on context.

According to Rezaee (2009), CG has two main goals, namely, value creation and protection. Value creation relates to enhancing shareholders' profits by using strategy and sustainability. Value protection concentrates on using accountability to protect shareholders and other stakeholders' interests by managing and monitoring the firm. It is hard for a firm to act in the interests of all stakeholders at the same time. This is why Rezaee (2009) divides corporate stakeholders into three tiers: shareholders, creditors, and other stakeholders. Therefore, any CG system might be better when it acts on behalf of the shareholders to promote value creation and protection as a first priority, and then to protect other stakeholders and social interests at a second stage. Shareholders are the most important element of stakeholder layers, because they own the company and can impact indirectly on the CG system.

3.2.2 Corporate Governance Mechanisms

The mechanisms of CG are various, and scholars do not agree on the characteristics of these tools (Jensen, 1993). However, Cadbury (1992, p. 14) offers a basic definition of corporate governance as, "CG is the system by which companies are directed and controlled." Furthermore, it can be argued that the mechanisms of CG are anything that contributes to the direction and control of the company. Moreover, as CG develops, CG mechanisms improve too. For example, recent improvements in CG relate to social and environmental elements (see, e.g. IFC, 2018). However, there is general agreement between scholars that the mechanisms of CG can be identified as both internal mechanisms (those that work inside of the company) such as boardroom and ownership structures and external mechanisms (those that work outside of the company or through the market) such as regulations (Denis and McConnell, 2003; Al-Baidhani, 2013).

Some scholars highlight the important role of wide dispersed ownership as an effective tool for monitoring management and voting for the board of directors (Chen, 2001; Shleifer and Vishny, 1986). Fama and Jensen (1983) talk about the importance of the separation of decision making and control by owners, as an essential mechanism to solve agency problems. Furthermore, Fama (1980) suggests that board structure is a vital mechanism of CG (non-executives who ensure that executives are using systems consonant with the interests of shareholders). The size of the board has also been identified as a governance mechanism (see Beiner et al., 2004). Board composition (e.g. board size, number of independent directors, and diversity) has also emerged as a CG mechanism.

In light of the above, it is reasonable to see why scholars have not found a standard classification of CG mechanisms that apply to all firms in all nations (Weir et al., 2002). The finance and accounting field seems to focus on the inner mechanisms, such as transparency, audit committees, and disclosure to shareholders only, while recent studies concentrate more on the mechanisms associated with the boardroom and its performance regarding its accountability to the stakeholders and society (Brennan and Solomon, 2008). This research considers board diversity as an essential CG mechanism (as suggested by (Bernile et al., 2018)) which can be used to reap social and business benefits.

3.2.3 Boardroom Roles and Duties

The traditional function of the boardroom is to act on behalf of shareholders. This is described in the Cadbury (1992) reports, in addition to other roles, such as applying governance for the company, strategy, leadership, monitoring management, and reporting to shareholders. New

CG mechanisms have expanded to serve both shareholders and stakeholders. For example, guidance on running effective boards issued by FRC GBE (2018, p. 3) states that the boardroom should, "assess shareholder and stakeholder interests from the perspective of the long-term sustainable success of the company." Money and Schepers (2007) explain that raising CG awareness should not only consider shareholder value alone; it should include stakeholder value as well. The effective boardroom should develop its roles to work for the interests of shareholders and stakeholders (Garcia-Torea et al., 2016). In this respect, board duties and functions have changed over time in parallel with CG development.

There are three broadly shared and recognised roles assigned to the corporate boardroom: the control role, the strategic role, and the service role (Zahra and Pearce, 1989). The control duty is recognised by scholars as monitoring executive management (oversight) and company performance (Hillman and Dalziel, 2003; McNulty et al., 2011; Abdullah et al., 2016; Harjoto et al., 2018). This role could be influenced by board independence or independent directors (see Abdullah et al., 2016). The strategic task is not based on daily decisions made, but by more occasional decisions taken by the boardroom that have a primary bearing on the company's existence and health (Bathula, 2008). Many scholars also relate the strategic capabilities of the boardroom to board structure, e.g. diversity (Walt and Ingley, 2003; Terjesen et al., 2008; Kim et al., 2009; Taghavi Moghaddam et al., 2018). The service duty relates to advice that the board provides to executive management and the resources that the board comes up with to contribute to the boardroom (Johnson et al., 1996). These resources include advisory opinion, networking, and other benefits that are provided by directors in line with resource dependency theory as outlined by Pfeffer and Salancik (1978). The service duty also includes an institutional role, including building relationships with all stakeholders, including the shareholders and the community as a whole (Clarke, 2007). These roles are influenced by board structure and are based on previous research (see, Ben-Amar et al., 2013; Abdullah et al., 2016; Goyal et al., 2019).

The above roles constitute the boundaries of the work of the boardroom, while the board itself is a mechanism of governance. Still, the functions attributed to the board differ according to the differences in the laws of corporate governance from one country to another (Brennan, 2006). For example, the UK CGC (2018) outlines the principles of board function and provides more detail and separate guidance for board effectiveness, to help control how boardrooms in the market carry out their roles more effectively; this is a replacement of the Higgs Report of 2006 (FRC GBE, 2018). This approach reduces the occurrence of bad subjectivity by different companies and enhances accountability and governance (Arjoon, 2019). The Saudi CGC provides only guidance on some of these elements. Another observable difference between UK regulations and Saudi regulations is that the UK guidance on board effectiveness requires diversity of board structure, while the Saudi CGC does not. This illustrates the difference between the roles of board directors across different countries, as it is impacted by board composition. A study by Ben Rejeb et al. (2019) reveals that board diversity positively moderates associations between ambidextrous innovation and the boardroom service role and strategy role.

Abidin et al. (2009) outlines the sum of scandals and past failures of corporate boards which have driven new standards of responsibility for boards of directors; failures include market crashes, a shortage of accountability towards stakeholders, the lack of a monitoring role, and management working only for their own benefit (Kılıç and Kuzey, 2016). Hence, it is essential that boardrooms fulfil their functions and duties effectively, because if they do not this might lead to company failure (Nahar Abdullah, 2004). Where Saudi boardrooms are concerned, increasing board diversity could influence board effectiveness and improve the director's role in the market.

3.2.4 Boardroom Committees Diversity

The boardroom committees are considered the mechanism for CG in which decisions are studied and then submitted to the board with opinions for decision-making. To evaluate board diversity's effectiveness, it might be relevant to consider the committees' structure of the boardroom where many decisions are made by these groups of committees (Kesner, 1988). Carter et al. (2007) stated that the impact of diversity (e.g. gender and racial) within the composition of the committee on financial performance appears to be both delicate and complicated. Carter et al. (2010), meanwhile, failed to find any association between gender or ethnicity diversity on substantial committees and company outcomes in US companies. In contrast, Green and Homroy (2018) found an associated effect of female representation on boardroom committees and positive company performance. The number of studies of the impact of diversity on different committees is increasing, but many of these focus on gender diversity alone. For example, Adams and Ferreira (2009) found that women's attendance at committees meetings was better than that of their male counterparts, and that women tended to be more likely to be linked with monitoring committees, such as nomination committee audit committees and CG committees, but less with compensation committees compared to men.

There are mixed results in the literature on diversity within compensation committee. For instance, Adams and Ferreira (2009) showed that there no significant association between gender diversity within compensation committees and CEO pay level. The study reveals that, because of the lower degree of female representation on such committees, the result may not significantly determine this relationship. Strobl et al. (2016) expanded the work of (Adams and Ferreira) by using more variables to explore the relationship between women's representation on compensation committees and CEO pay. Their findings, consistent with the previous study, found no association. Conversely, Bugeja et al. (2016) suggested that one or more women on compensation committees can prevent an increase in CEO compensation. Usman et al. (2018) showed that, in Chinese companies, gender diversity within compensation committees was linked with CEO compensation being more closely linked to company performance, but only in the case of independent women. The study reveals that this relationship appeared more efficient in the case of government ownership, who face critical agency problems in the context.

Gender diversity within audit committees has been studied by scholars in many different ways; for example, audit fees (Lai et al., 2017; Ittonen et al., 2010), quality of audits (Sultana et al., 2020; Lai et al., 2017; Srinidhi et al., 2011), earnings management (Sun et al., 2011; Thiruvadi and Huang, 2011), and an increased number of committee meetings (Thiruvadi, 2012). However, there exist disparities between these studies' results. Chijoke-Mgbame et al. (2020) indicated that women's presence on audit committees was positively associated with company performance in Nigeria. Sultana et al. (2020), meanwhile, argue that, after gender diversity rules were adopted in Australia, the quality of auditing declined in the companies which had gender diversity within the audit committees. Furthermore, Srinidhi et al. (2011) and Thiruvadi and Huang (2011) found that women's representation on audit committees was positively associated with decreased discretionary accruals, which led to higher quality earnings reporting. In contrast, Sun et al. (2011) found no association between women's presence on audit committees and earnings management. Also, Ammer and Ahmad-Zaluki (2017) showed that more women on audit committees may increase the number of errors within earnings forecasts and reduce precision. These studies indicated that there is inconsistency in the literature, and that some researchers focus more on gender while ignoring other types of board diversity concerning committees. Audit committees are considered important by many stakeholders, but their perceptions regarding diversity within these have been less investigated (see Kakabadse et al., 2015). Also, it is difficult to identify a holistic body of knowledge that captures the consideration of diversity's effectiveness when creating boardroom committees.

3.2.5 Protecting Shareholders Rights and Boardroom Diversity

Shareholders are those who own a firm, and they elect a board of directors to act in their interests. The board of directors is an important mechanism of the internal CG system (John and Senbet, 1998). The main job of the board of directors is to represent shareholders' interests and to reduce agency problems that result from the separation of ownership and control of the company (Fama and Jensen, 1983). In other words, their job is to align shareholder and stakeholder interests with management interests. Thus, the board of directors performs an essential function in terms of creating value and safeguarding shareholder funds and other stakeholder interests, and board diversity is one tool that can enhance this role. The connection of diversity to CG relates to the composition of the board and the numerous attributes, separations, varieties, and disparities of board members (Harrison and Klein, 2007).

The diversity of the board has become an important part of corporate governance around the world, and, particularly, at the moment, focus is on gender diversity. The role diversity plays in the boardroom is a hot topic nowadays, due to the growth of big corporations globally (Bell, 2011). Many scholars argue that boardroom diversity enhances CG (e.g. Adams and Ferreira, 2009; Buse et al., 2016; Lucas-Pérez et al., 2015; Abad et al., 2017), and many developed countries now recognise the importance of diversity in their CG system. For example, in the UK, the Tyson Report 2003, the Lord Davies Report 2011, and the Corporate Governance Code of 2012 and 2016 all recognise the importance of diversity. Also, a similar view is taken in other countries such as in Spain, Italy, the US, and in Norway. For instance, Terjesen et al.

(2015) report that sixteen countries operate governance codes that encourage the appointment of women board members, while fourteen other countries have made reporting on women member quotas mandatory. Western based research tells us that there are benefits behind enforcing such laws in business life, but this might be not the case in other countries. Furthermore, opinions about diversity vary in developing countries.

In emerging economies, board diversity is applied to some extent. For example, in Malaysia, the Government adopted a policy in 2011 to enforce quotas for women serving on boards (see Abdullah, 2014). However, Abdullah (2014) finds a negative relationship between gender diversity and company performance. In contrast, a study undertaken in Mauritius by Mahadeo et al. (2012) finds mixed results relating to board diversity (age, educational background, gender, and independence) in connection with short-term performance, and this result is different from the results of studies conducted in developed economies. Nevertheless, these studies do not explore how boardroom diversity influences CG, even though they find that family ownership has a direct impact on diversity in emerging economies.

In other words, in emerging economies, company performance seems to be negatively correlated with diversity in the boardroom. This might be because of the prevalence of family members serving on boards (Abdullah, 2014). Loukil and Yousfi (2016) find that foreign investors are unlikely to invest in Tunisian listed companies that operate a diverse boardroom. However, few studies relating to board diversity have been conducted in emerging markets, and some researchers believe that every country has a unique CG system (Solomon, 2021). Thus, it seems vital to conduct a similar study in Saudi Arabia, which is an emerging economy, and a country concerned with attracting foreign investors. Moreover, an in-depth Saudi Arabian study is needed in order to find out how a diverse boardroom might influence CG in this emerging economy (see Sarhan et al., 2019).

3.2.6 Boardroom Structure

Board composition is one of the most important corporate governance mechanisms. Rezaee (2009) explains that board composition depends on the ratio of independent to executive directors, and the number of directors hired impacts on board effectiveness. However, descriptions of board structure terms often include a dual CEO role (Duru et al., 2016), the size of the board of directors (Jensen, 1993; Lipton, 1992), one or two-tier boards (Belot et al., 2014), independent and non-executive directors (Young, 2000), and, more recently, board diversity (Cheng et al., 2017; Rao and Tilt, 2016). It could be argued that a dual CEO role and weak non-executive directors are among the causes of corporate governance failure, for example Enron in 2001 (Solomon, 2021). Moreover, a study by Erkens et al. (2012) suggests that boards with more independent directors performed better than other boardrooms who hired less independent directors during the 2008 financial crisis. In this respect, and in relation to corporate failure, attention turns to the composition of the board of directors, and the board can play a vital role in preventing or reducing the risk of financial collapse.

In contrast, the one and two-tier board structure is widely used in different countries as a result of adopted laws that influence the operation of corporations. The unitary board is diffuse in Anglo-Saxon countries (e.g. in the UK, New Zealand, Australia, the US, and in Canada) and it relates to the shareholder paradigm of corporate governance (Hayes et al., 2014). At the same time, two-tier boards are determined by the stakeholder paradigm of corporate governance which is practised extensively in nations that depend on civil law (e.g. in France, Germany, Japan, Austria, Netherlands, and in Denmark) (Mallin, 2013; Jungmann, 2006). In the Middle East and North Africa (the MENA countries), around 81% of government authorities have opted to use the unitary board structure, and even in countries with more freedom of choice, such as Tunisia and Morocco, most corporate boards of listed corporations operate a unitary boardroom (OECD, 2019).

Belot et al. (2014) argues that there are benefits in allowing the choice of boardroom structure to be optional, because the unitary board encourages information asymmetry, while the two-tier board structure offers greater monitoring power. The unitary board is used more often in companies that employ first-generation founders (Belot et al., 2014). This might reveal why the unitary boardroom is widely used in MENA countries, because, in these countries, there is considerable ownership concentrated in just a few jurisdictions, such as the family and the government (OECD, 2019).

The process of counselling and monitoring can illustrate the components of board composition (García Martín and Herrero, 2018), in addition to ownership (Thompson Renée et al., 2019). In this respect, there are no conclusive results between scholars about the impact of board size, independent directors, and board diversity. For example, Nguyen and Nielsen (2010) argue that an excellent service can be provided to shareholders by hiring independent directors. However, Samara and Berbegal-Mirabent (2018) contend that the appearance of independent directors might lead to a reduction in company performance; (their research involved examining collaboration and information sharing in Lebanese family businesses which operate in a collectivist cultural environment.)

Board size has sometimes been negatively associated with a company's value, and with the power to override various CG practices (Mak and Kusnadi, 2005). Some scholars argue that the optimal board size is eight directors (Jensen, 1993; Lipton, 1992). Nevertheless, Kalsie and Shrivastav (2016) argue that a larger board size is positively associated with a company’s performance, from both an agency theory and a resource dependency perspective, while stewardship theory favours a smaller boardroom size. The complex operations of companies nowadays often demands a large board with many independent directors, and more comprehensive diversity (García Martín and Herrero, 2018). Furthermore, a larger board is sometimes needed to cover many different operational areas, and to assert the kind of control associated with independent directors. Diversity offers advantages by affording access to a larger amount of knowledge and experience by combining the use of the most qualified directors (García Martín and Herrero, 2018). This current study is about board diversity and effectiveness, and, as such, it is valuable to explore board diversity in relation to other elements such as board size, structure, and independent directors.

3.2.7 Selecting and Nominating of Board Members

The selection and nomination of board members should be informed by the mission, values and vision of an organisation as well as social needs. There is overwhelming support within the existing literature for a structured, consistent board nomination policy within organisations. Pichet (2017) drew from the enlightened shareholder theory in discussing the definition and nomination of independent directors in the boardroom. The article argued that this process should be governed by the value it will add to the long-term objectives of an organisation and its ability to serve the shareholders' interests. In this regard, there is a clear indication that protecting the shareholders' and business needs of an organisation should be a key determinant in this process. Ruigrok et al. (2006) reported that the nomination of board members is influenced by the agency theory, resource dependence-theory and group effectiveness theory, creating a framework that aligns the nomination of board members with the goals of an organisation. The article also reveals that this helps to describe various characteristics of boardroom composition and its effectiveness. Nevertheless, serving the interests of the shareholders only would leave judgments to the management team (or group of main shareholders), which might result in agency conflicts and problems (García Martín and

Herrero, 2018). This may lead to increasing the number of networks that do not necessarily focus on serving the interests of the company (or can be dealt with in a more crude way by increasing the previous status of friends and thus harming the efficiency and diversity of the board) (Pichet, 2017).

Moreover, Withers et al. (2012) observed that director selection and nomination is an important process which is influenced by multiple factors, such as the needs of the organisation (the organisation-level) and the unique competencies of the individual (the socialised-level). The study also emphasised the value of the stakeholders in the process of selecting directors. Previous studies seem to focus on considerable economic interests rather than social benefits and good governance. However, complying with good CG in board selection might achieve both added value for the shareholders through company performance and also serve the social needs in general (García Martín and Herrero, 2018).

The nomination committee (NC) plays a vital role in structuring the boardroom and enhancing its diversity (Pirzada et al., 2017). The notion of boardroom diversity has been supported in the previous management studies, to promote diversity of character (e.g. gender, age, nationality, educational level, background, etc.) among particular types in the boardroom, and the NC has to make a hard decision (Randøy et al., 2006). Mans-Kemp and Viviers (2019) found that increased diversity within the NC is related to diverse boardroom in terms of gender and race types. Moreover, an NC with gender diversity was found to affect positively women's representation on the corporate board (Kaczmarek et al., 2012; Hutchinson et al., 2015). Also, Ruigrok et al. (2006) and Hutchinson et al. (2015) show that different nationality settings in NC are associated with diverse nationality in the boardroom. In contrast, Ruigrok et al. (2006) found no relationship between NC in terms of gender and educational diversity and the diversity in the boardroom related to these types. In developing economies such as Ghana, Appiah et al. (2016) found that gender diversity in the boardroom was not associated with NC. The literature seems inconclusive and there is little emphasis on restrictions on board diversity effectiveness.

An effective NC may check and balance the values and advantages of diversity to form a suitable mixture of new members who can support relevant information, while maintaining adequate homogeneity for making efficient decisions (Randøy et al., 2006). In this regards, knowing the barriers that prevent diversity in the boardroom, arising from different stakeholders, may help to address the issues and so boost board diversity effectiveness, whereas the ultimate purpose of the NC is to ensure the selection of competent, adequate candidate directors from a diverse range of backgrounds to enhance board effectiveness (Kaczmarek and Nyuur, 2016; Eminet and Guedri, 2010; Walther and Morner, 2014).

3.2.8 Ownership

Said et al. (2019) noted that ownership structure comprises of two important dimensions; ownership concentration and ownership type. Ownership concentration is quantitative information which refers to the amount of shares held by investors while ownership type focuses on qualitative information about the identity of the shareholders (Said et al., 2019). These different forms often mean that ownership influences vary across different settings. For instance, in China and India, Saeed et al. (2017) find a negative effect relationship between concentration ownership structure (family and government) and both gender diversity and independent directors, but a positive on women independent directors when the firm operates internationally. The ownership structure can be a potential source of challenges or opportunities within an organisation (Said et al., 2019). For example, Gyapong et al. (2019) suggest that gender diversity diminishes dividend payments, while this relationship rises with a growing concentration of ownership structure. Meanwhile, Ben-Amar et al. (2013) argue that boardroom diversity leads to independent boards, but not under all types of ownership structure.

Moreover, some studies have noted that ownership structure increases boardroom diversity. For instance, Vieira (2018) show that a concentration of family ownership is related to a low number of independent directors, but higher gender diversity and positive performance. The article suggests that the presence of women directors and leverage and size of family ownership boost the company outcomes at times of economic difficulty. At the same time, others find that ownership influences the function of diversity. Ozdemir (2020) finds that, although board diversity is associated with company performance, the level of this relationship is contingent upon the degree of institutional ownership. The study revealed that, in a tourism company, a decrease in the level of institutional ownership impacted the association more positively between diversity and performance. The article suggests that board diversity, as an internal CG mechanism, is essential when the external CG mechanism (institutional ownership) is low. As another example, Thompson Renée et al. (2019) find that, although board members feel that they perform their duties effectively under governance ownership, other respondents thought the opposite. The participants reveal that companies under government ownership experience certain issues, such as long board meetings, deficient training, issues related to hiring new directors, weak disclosure, and low accountability and transparency. There seem to be inconclusive results regarding the impact of ownership structure on boardroom diversity.

As this research focuses on Saudi Arabia, ownership plays a significant role in emerging economies, as there is high proportion of ownership structure, especially state ownership. Said et al. (2019) reported that the majority of listed firms in the MENA region are dominated by companies with government majority shareholding. As such, the influence of foreigners on organisational performance is limited. However, the participation of the government means that these firms benefit from policies that are aligned to their needs. However, foreign-owned firms have access to diverse perspectives and resources which enhance their competitiveness in the host country (Kobeissi and Sun, 2010). In GCC countries, Abdallah and Ismail (2017) find that the association with good CG and company performance increases when the firm has dispersed ownership rather than concentrated ownership (i.e. state ownership and local companies ownership). In Saudi Arabia, Al-Bassam et al. (2018) find that CG disclosure diminishes significantly in companies with increasing ownership structure. Furthermore, Al-Janadi et al. (2016) show a negative relationship between states ownership and governance effectiveness in Saudi listed companies. This shows that the effect of ownership is vital and needs to be studied (see Piesse et al., 2012), as it may increase or diminish board diversity and its effectiveness.

3.2.9 Chairperson

Separating the role of the board chairperson from that of the chief executive officer has been extensively studied in the previous literature (see e.g. Pucheta-Martínez and Gallego-Álvarez, 2019; Sarhan and Ntim, 2019; Arayssi et al., 2020; Piesse et al., 2012). However, the number of dual roles has decreased over time in certain countries and has been abolished from practice by CG law in other countries. For example, according to Spencer Stuart (2019a), the separation of the dual role in US S&P 500 boardrooms decreased by 29% over the previous decade while, in the UK, in the top 150 FTSE boardrooms, the number decreased from 3.3% to 0%. In Saudi Arabia, Piesse et al. (2012) show that 44.6% of the study sample companies had a combined

Chairperson/CEO. However, the new CG code of 2017 adopted a law to segregate the roles of chairperson and CEO[11].

Moreover, Piesse et al. (2012) stated that chairpersons in Saudi and Egypt have the ability to enforce ideas upon the other directors, with full power to control and override the decisions made in the boardroom. Furthermore, the role of a chairperson in the aforementioned countries is commonly occupied by individuals who are older (Piesse et al., 2012). Nevertheless, the new CG code highlights that no individual should be able to takes sole decisions through absolute rule[12]. This indicates that the CG code encourages collective decisions to be made by all directors. Kakabadse and Kakabadse (2007) found that the function of the chairperson of the board of directors in an organisation shapes the group dynamics, role, and contribution for backing and oversight administration. The study reveals that a chairperson holds considerable authority and influence over the decision-making within an organisation, but it might be better to have a diverse group controlled by a chairperson to improve the decision-making within boardroom. Sarhan and Ntim (2019) suggest that managers and companies in the MENA region could enhance the CG quality in order to align themselves with the best practices by having greater diversity in the boardroom.

In this study, the chairperson is described as an individual who can manage the diversity in the boardroom. For example, Kakabadse et al. (2015) indicted the importance of the chairperson's role in promoting board diversity by hiring and assessing directors and their responsibilities under governance considerations. Also, Kanadlı et al. (2020) suggest that the leadership ability

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[11] Chapter 2 - Article 24 (a) Saudi's Corporate Governance Code 2017

[12] Chapter 2 - Article 24 (d) Saudi's Corporate Governance Code 2017

of the chairperson involves moderating the positive relationship between jobs connected to a diverse boardroom and strategic role performance. Kanadlı et al. (2018) find that, when a chairperson acts with open-mindedness within a boardroom environment, this boosts the contribution from minority women. In this study, the chairperson is considered a vital role for increasing and managing diversity in the boardroom. Finally, a chairperson has the ability to balance the boardroom by employing well qualified directors (Nahum and Carmeli, 2020).

3.3 Boardroom Diversity

3.3.1 Definitions and Background

There is no definitive consensus about what board diversity actually means, and this includes categories and types of board diversity (Rose, 2007). Kang et al. (2007) define board diversity as the “mixture of board members” as categorised into observable elements (e.g. gender, age, nationality, and ethnicity) and non-observable elements (e.g. education, functional skills, and experience). Milliken and Martins (1996) suggest that diversity among board members can be categorised according to gender, age, ethnicity, culture, religion, constituency representation, independence, professional background, knowledge, practical experience, and life experience. Moreover, one highly cited definition by Walt and Ingley (2003) talks about a mixed compound of board members' attributes, features and know-how and how these attributes might affect decision making and the boardroom process.

Ben-Amar et al. (2013) define diversity in terms of the kinds of people assigned into specific groups to do specific jobs (i.e. board members etc.). Ben-Amar et al. (2013) also define diversity as the extent one can measure individual demographics such as gender, nationality, culture and experience. Also, demographic diversity can be used to define different experiences, sensitivities, and perspectives (Krawiec et al., 2013). Diversity can also be referred to as “heterogeneous” (as noted by (Mahadeo et al., 2012; Kang et al., 2007; Milliken and Martins, 1996). Inversely, elements of non-diversity can be described as “homogeneous”. Although extensive research has been carried out into diversity, no single definition or categories have been universally agreed between scholars. Furthermore, no agreement has been reached about the effect and impact of diversity in the boardroom. Therefore, the definition used by Kang et al. (2007) is most suitable for use in the context of this current study. Moreover, this study will concentrate on three observable characteristics of board members, namely, gender, age, and nationality, and three non-observable elements, namely, education background, qualification level, and expertise.

A considerable amount of literature has been published on the impact or effects of boardroom diversity on a firm’s performance as well as other aspects of business life such as CSR, remuneration, risk management, board performance, employee productivity, ownership, and mergers and acquisitions (Milliken and Martins, 1996; Carter et al., 2003; Adams and Ferreira, 2009; Ben-Amar et al., 2013; Abdullah, 2014; Kakabadse et al., 2015; Chen et al., 2016; Gordini and Rancati, 2017; Sarhan et al., 2019; Issa and Fang, 2019). There are many beneficial aspects of boardroom diversity for members of the board and the firm. For instance, enhancing creative skills, innovation, and the efficient solving of problems, as well as an increased ability to comprehend the market (Carter et al., 2003). Alexander (2016) shows that firms can increase their performance by operating gender diversity in the boardroom, particularly in social industries and healthcare, where diversity appears to serve a special case that includes social aspects as well as financial. By way of illustration, Kakabadse et al. (2015) argue that the non-financial merits of boardroom diversity are legitimate and can help to improve the image of a firm among its stakeholders, and provide other benefits such as enhanced decision making, and the use of all available skills and resources. As discussed in the section above (on CG) the balance between different stakeholder needs in relation to board decision making is important, thus, understanding the role of diversity in this context adds value to this study.

Terjesen et al. (2015) argue that gender diversity is a business robust benefit, and females can be depended on to produce future resource benefits for the firm, rather than boardroom benefits only. Furthermore, the benefits of female representation in companies that are involved with products consumed by women can be substantial. Moreover, boardroom diversity benefits shareholders by boosting corporate monitoring and helping to resolve conflicts. All these benefits can result in improved manager and shareholder satisfaction (Byoun et al., 2016). Overall, these examples support the view that board diversity enhances the monitoring of the board (Hillman and Dalziel, 2003; Alexander, 2016), while others argue that diversity supports independence, quality control, and transparency (Carter et al., 2007; Terjesen et al., 2015).

Despite the fact that the majority of research comes out to support the benefits of diversity, some research shows that diversity in the boardroom may have some drawbacks, or it might not work to influence expected benefits. A study by Mahadeo et al. (2012) finds that firms that have homogeneity of age in the boardroom develop more effective connections than boards that represent heterogeneity. Homogeneity of age can provide benefits to the firm in terms of how well objectives are understood and communicated, as well as in communicating values, and this works in favour of good firm performance. This might reveal existing reasons as to why or why not boardrooms should increase diversity to correspond with their societies' business needs (Rose, 2007).

Other studies that examine gender diversity in relation to ownership structure find a positive relationship between the two. However, Nekhili and Gatfaoui (2013) show that a mandatory quota of women can impact boardroom performance negatively, mainly because the board's focus is placed on meeting quotas rather than on hiring people based on relevant skills and experience. Also, obligatory quotas for increasing gender diversity in the boardroom might not work to achieve other aims such as: board independence, refreshing old board norms and practices, and enhancing different opinions or views in the boardroom (Gregorič et al., 2017). Sometimes more importance is placed on filling gaps to ensure female representation rather than electing the most qualified females or persons. In addition, this focused approach might decrease the attention paid to promoting other types of diversity in the boardroom. Chapple and Humphrey (2014) report that gender diversity does not play a role in solving agency cost problems. Therefore, it seems that there are challenges when considering board diversity, and all issues cannot be generalised across regions.

3.3.2 Functional Diversity

The functional characteristics of the board of directors comprise non-observable elements, such as experience, educational background, and educational level. These elements are explored in more detail below.

3.3.2.1 Diversity of Experience

Only a few studies have been undertaken about the effects of director experience on corporate boardrooms (Gray and Nowland, 2017). A study by Kroll et al. (2008) describes board member expertise based on the number of prior years that directors have been working as executives or directors in the same sector. A study by Certo et al. (2001) discusses board member experience based on the number of directorships that directors have held. According to Gray and Nowland (2013) shareholders appreciate directors who have held previous directorships; this study finds that the Australian market reacts positively to the appointment of directors who have four or more years of experience, and who have already held two or more board memberships with listed companies, in contrast to directors with less experience. However, Thorsell and Isaksson

(2014) note how earlier studies suggest that tenure and interlocking are appropriate measures to use. Nevertheless, in the long-term after IPO, this is not necessarily the case, since the previous experience of directors is less relevant, especially when it comes to operating in different institutional contexts.

Some scholars link the age of a director with their experience, in that it is perceived that older directors have gained more experience over time (Bodnaruk et al., 2008; Kang et al., 2007). However, limiting the definition of experience to something that is related to age could prevent diversity of both age and gender, and might serve to ignore good candidates that have not had the privilege of previoius board tenure experience. Pitt-Catsouphes et al. (2013) suggests that the development of technology and social shifts that have taken place in recent years means that different generations now offer a variety of different beliefs, values, and work experience. In this context, education and training might work to fill gaps in experience for women and younger directors (Kakabadse et al., 2015). Creary et al. (2019) argue that the skills and competences of directors should be taken in to account as factors in addition to demographic elements. For example, younger candidates with excellent IT experience might not usually be offered a position in the boardroom due to perceptions about age and experience.

A study by Noor et al. (2016) examines the essential role of ICT experience in enabling board members to make investments in IT; this study demonstrates the importance of functional experience in shaping company performance. Furthermore, Kabongo and Okpara (2019) find that diversity of experience on the boards of the African banks helps to speed-up the shift towards entering into foreign markets compared with the non-diverse boardroom. This indicates that diversity of experience might not only depend on age or years of experience; it can be more comprehensive than that, and diverse experience can enhance board effectiveness.

The value of experience held by directors is viewed differently across various theories. For example, in agency theory, it is deemed that director experience contributes to a greater degree of monitoring and to the effective counselling of executive management (Hillman and Dalziel, 2003). In resource dependence theory, the experience of the director is an essential resource that can offer competing services that might be difficult to repeat (Crook et al., 2011). Differences have also been observed across nations. For instance, in the US, a study by Chen et al. (2020) explains that after US Congress announced new trading relationships with China (in 2000), companies who hired external directors with a Chinese background, and were involved in investment with Chinese companies, obtained greater profits, and this impacted US share values.

In Saudi Arabia, Alshareef and Sandhu (2015) reveal that diversity in terms of industry and multi-industry experience contributes to board effectiveness in many ways, including: improved communication between directors on the same board, speeding up development, improving strategy, avoiding risk, creating greater opportunity chances, gaining industry know-how, and creating faster access to relevant networks. In contrast, Nielsen and Nielsen (2013) note that both sector and international experience has no significant effect on decisions made and performance. Nevertheless, Kroll et al. (2008) suggests that boardrooms that employ relevant director experience gain positively from effectiveness, in contrast to boardrooms that appoint viligant directors without suitable knowledge. Thus, it is essential to hire the most appropriate experience from the stakeholders' perspective, and employing diversity on the board of directors can increase and boost effectiveness in this way.

3.3.2.2 Diversity of Educational Background

Educational background has been defined in multiple ways in previous studies about boardroom composition. For example, studies by Mahadeo et al. (2012); Rose (2007); and Ooi et al. (2015) determine and measure educational background according to subject specialisation (e.g. engineering, business managment, and accounting etc.). Studies by Harjoto Maretno et al. (2019); Bernile et al. (2018); and Moser and Shabanaj (2019) measure and define educational background according to educational attainment level (i.e. holding a bachelor’s degree, a master’s degree, or a doctorate etc.). Others such as Bond et al. (2010); and Chen et al. (2008) define and measure background according to the educational establishment attended by the director, i.e. where the director obtained their education. This has led to variations in findings, especially relating to diversity in the boardroom and how this contributes to board effectiveness, as well in relation to different types of diversity. For instance, a director with a postgraduate or high-level of education could expect to have more cognitive ability and might process decisions using reasoning and objectives that take into account all stakeholders and social aspects (Zhi-hua, 2010). However, Rose (2007) suggests that corporate board work does not require any special education.

Educational background is often required implicitly in some CG codes as a requirement for specific committees (e.g. an Audit committee). However, for some posts, educational level does not appear to be a requirement, even implicitly. Therefore, this research will treat educational background in terms of how it relates to a subject or to a specialism, and educational level in terms of the standard of educational attainment that directors hold. This allows the researcher to identify different contributions to help identify stakeholders’ perspectives.

Previous studies reveal mixed results in relation to how a director’s educational background influences diversity and company performance. For example, Rose (2007) finds no link between educational background, diversity, and Tobin's Q. Mahadeo et al. (2012) finds a negative association between educational background, diversity, and ROA, and Kim and Lim

(2010) reveal that educational background can have a positive impact on a company's value. However, Ooi et al. (2015) suggest that adopting greater diversity when it comes to educational background within the boardroom could worsen company performance in the time of crisis. Furthermore, Smith et al. (1994) note that due to the complexity of decision making undertaken by top level management, diversity of educational background can improve boardroom effectiveness. Also, Naranjo-Gil (2009) reveal that younger directors who have a financial background and more limited tenure experience tend to use more innovative administrative and accounting tools. Similarly, in a study of Greek hotel management, Pavlatos (2012) noted a relationship between the CFO with a business background and the application extensive cost-management systems. Sarhan et al. (2019) looks at different types of diversity and recommends further study into educational background.

3.3.2.3 Diversity of Educational Level

Previous studies have considered education level as another form of cognitive knowledge that might contribute to boardroom effectiveness. Wally and Baum (1994) find that the more years of education gained by an executive then the greater the impact the director has on comprehensive decision making strategies. This finding relates to cognitive complexity and the ability to assimilate new opinions and allow innovation. In the US, education level is found to be positively associated with a company's social performance (Harjoto Maretno et al., 2019). In contrast, Zhi-hua (2010) finds that education level is significantly negatively associated with a company's social performance among the top management team. The politics of argumentation might vary from one boardroom to another or from one culture to another. In this respect, Simons (1995) suggests that diversity of education level among top management is beneficial, particularly if this contributes towards the group undertaking open-minded discussion, which leads to variety, debate and teamwork. However, this could also be barrier to diversity as well as a benefit, depending on how dynamic works in the boardroom.

Another barrier to the diversity of education levels in the boardroom relates to ownership structures. In France, Nekhili and Gatfaoui (2013) show that employing highly educated women in the boardroom is negatively associated with family ownership, and that family owned firms tend to hire women with family connections regardless of their qualifications. This trend might also exist because of policies that are in place to increase the number of women in boardrooms, and companies tend to fill these quota positions with females they know rather looking outside of their families and networks for those women who are most qualified (Adams and Kirchmaier, 2015). This reveals an embedded agenda and adherence to norms regardless of any external governance regime (Ilhan-Nas et al., 2018). Therefore, educational level only sometimes applies to proper selection for the boardroom.

Mixed results can be found in studies that explore the effects of educational levels on company outcomes. In the US, Cannella et al. (2008) finds both positive and negative associations. In Malaysia, Adnan et al. (2016) finds that boardrooms are not diverse in terms of educational levels, especially those companies linked to state ownership. In New Zealand, Bathula (2008) finds that the appearance of a PhD qualification among directors is negatively associated with company performance. In contrast, Wincent et al. (2010) suggest that a diversity of educational levels in the boardroom enhances innovative performance. Furthermore, in Jordan, Makhlouf et al. (2018) finds that a diversity of educational levels positively correlates to the quality of reporting (e.g. accounting conservatism). In Indonesia, Darmadi (2013) finds that directors who have obtained a high level of education, especially from prestigious educational institutions, positively correlates with ROA and Tobin’s Q. Also, in Saudi Arabia, a multi-case study by Alshareef and Sandhu (2015) which investigates boardroom diversity and corporate social responsibility (CSR), finds one case where diversity of educational levels enhanced CSR, while no other cases were supported. All this indicates inconsistencies among previous studies which might need to be addressed based upon stakeholders' perspectives.

There is a body of research which explores the quality of education gained and the influence of educational institution and how these elements contribute towards boardroom effectiveness. For example, Kabongo and Okpara (2019) find that companies which expand into global businesses faster, have a board of directors that possess high-level qualifications from overseas managements schools based in the US, the UK, and in Africa. Furthermore, Johnson et al. (2013) suggests that directors with a specific demographical education hold social capital which might benefit firms. For example, in China, during the period from 2010-2011 there was an increase of 2% in the number of females who took the Graduate Management Admission Test (GMAT) among those women who were seeking to undertake a post-graduate education at a prestigious US school, with the ultimate objective of gaining leadership positions in Chinese corporations (Hastings, 2013). Furthermore, Darmadi (2013) suggests that companies with CEOs who hold a degree from a prestigious school enjoy greater profitability compared to their companions. However, Darmadi (2013) study also finds only a marginally significant effect on ROA in companies that have a Board of Commissioners (a two-tier board system).

Overall, further research needs to be undertaken in this area to gain stakeholders' perspectives of how educational background and education level influences their opinions.

3.3.3 Demographic Diversity

The demographic characteristics of board members relate to observable elements such as age, gender, and nationality. These elements will be explored in more detail below.

3.3.3.1 Age Diversity

There are a limited number of studies (which reveal inconclusive results) about age diversity in the boardroom and how this impacts on company financial performance (Ferrero-Ferrero et al., 2015a). For example, some studies find that age diversity is associated with a positive impact on financial performance, especially in US companies (Choi and Rainey, 2010), and in European companies (Ferrero-Ferrero et al., 2015a). Similarly, in Indonesian listed companies, Darmadi (2011) finds that when the board includes younger directors, this impacts on company performance positively. However, in contrast, some studies find that age diversity is negatively associated with company performance (Kunze et al., 2011; Ali et al., 2014; Eulerich et al., 2014; Diepen, 2015; Shehata et al., 2017). Interestingly, Tanikawa et al. (2017) finds that the presence of older directors only moderately lowers the negative correlation between top management, age diversity, and ROE. All this reveals inconsistencies among previous studies about age diversity. Nevertheless, Mahadeo et al. (2012) favours the positive impact of age diversity as a factor that relates to other independent variables, even though their study questions whether age diversity on boards is actually workable.

There is some evidence to suggest that boardrooms, on the whole, are dominated by older male directors. For example, Carter et al. (2003) reveals that the average age of a director serving in a boardroom among 797 Fortune 1000 firms is 59 years of age. In Australia, Kang et al. (2007) also state that in 78% of listed companies a director’s average age is between 51 and 70 years, and, furthermore, former managers can capitalise during their retirement when they are retained to sit on different company boards. In Malaysia, Abdullah and Ku Ismail (2013) report that the average age of a board member is 58 years. Furthermore, Mahadeo et al. (2012) finds that in Mauritius the average age of a director is between 46 and 65 years of age in 63.14% of board seats.

According to Kunze et al. (2011) a lack of age diversity in companies appears to be linked to a climate of discrimination that influences overall company performance negatively, due to the impact of personal commitment. On the other hand, older directors could have more experience than their counterpart younger directors (Mudambi and Treichel, 2005). Houle (1990) stresses that a mixed board composition might ensure the more effective distribution of tasks, because older directors can provide more experience and financial networking support. For example, middle-aged directors might engage more with the administrative duties and younger directors might engage with self-training and expanding their expertise. A study by Mahadeo et al. (2012) adds that younger directors in the boardroom provide the board with bright ideas, but Child (1974) explains that some older managers might have difficulties in accepting new insights and in making organisational shifts.

From a psychological point of view, sometimes, older directors might be more rigid, focused on the short term, and be resistant to organisational shifts, in comparison with their younger counterparts (Kunze et al., 2013). According to Zhi-hua (2010), older directors adopt more conventional ideas which are more risk-averse, and they obey regulations and routines more than younger directors. Thus, clearer insights are needed to learn how age diversity can contribute to the effectiveness of the boardroom (see Sarhan et al., 2019).

3.3.3.2 Gender Diversity

Research conducted by EIRIS which reviewed more than 1,600 companies listed on the FTSE All-World Development Index in 24 developed economies, finds that female board representation comprises just 7.1% (Maier, 2005). Due to this figure, gender diversity is a controversial topic, which has led to an increase in research about corporate governance and work ethics (Mateos de Cabo et al., 2012). According to Terjesen et al. (2009), female representation has risen on corporate boards because of the adoption of policies designed to recruit women, but increasing female representation remains a slow process. A recent study by Tyrowicz et al. (2020) sampled more than 20 million companies in 41 European countries, comprising both developed and developing economies, to find that almost 70% of companies work without women serving on supervisory boards, and 60% have no women in the boardroom. Similarly, in MENA countries, the representation of women in boardrooms remains weak and no regulations are in place to remedy this situation (OECD, 2019; Abdelzaher and Abdelzaher, 2019; Sarhan et al., 2019; Issa and Fang, 2019). This shows that there is a need for further in-depth investigation of different stakeholders about increasing female participation in these countries.

Previous studies are inconclusive about the relationship between gender diversity and company performance (Abdelzaher and Abdelzaher, 2019). For example, Carter et al. (2003) find a significant positive relationship between women in the boardroom, company value, and Tobin's Q. Indeed, Pucheta-Martínez and Gallego-Álvarez (2019) suggest that female representation on corporate boards is positively associated with company performance. Moreover, Erhardt et al. (2003) offer evidence of a positive relationship between gender diversity and company performance, by estimating ROA and ROI. In contrast, Carter et al. (2010) and Rose (2007) find no statistical evidence to support the relationship between female representation in boardrooms and company performance. Furthermore, a recent study undertaken in Bahrain by Jafaar et al. (2019) finds that female representation is negatively associated with company performance. Therefore, previous quantitative research does not offer a conclusive understanding of this issue, neither does it identify the boundaries of gender diversity in boardrooms.

Farrell and Hersch (2005) fail to find a clear indication that female representation equals a value improving strategy, but it might help a company respond to internal and external pressures to hire a board which reflects society at large. This evidence is supported by Hillman et al. (2007), who reveal that companies which adopt more gender diversity in the boardroom are considered more legitimate in terms of CG best practice. Also, Bilimoria (2006) finds that gender diversity in the boardroom might indicate a company's willingness to increase female representation in lower positions. The rising trend of female participation in the boardroom might add financial benefits and meet non-financial objectives (Liao et al., 2015). In the boardroom, females might contribute different points of view and beliefs from those of their male counterparts (see Pelled et al., 1999; and Hillman et al., 2007). In addition, Liao et al. (2015) argues that males and females differ both socially and culturally, and so can offer different perspectives in terms of character, education, experience, and display different communication behaviour. Moreover, the variety of opinions of both males and females might benefit a company when a business sells products and services designed to target either men or women (for example females might have better insight into female consumers) (see Sweetman, 1996; Singh and Vinnicombe, 2004). Therefore, it is important to explore stakeholders' perceptions when looking to increase the number of women serving on boards.

3.3.3.3 Diversity of Nationality

A study by Maturo et al. (2019) which reviews previous research undertaken about board diversity and nationality, concludes that most studies use different theories and methods, some of which point to a negative correlation between nationality and diversity. However, most studies generally support the value of diversity of nationality, and some find a positive association between diversity of nationality and company performance (Ujunwa, 2012; Ararat et al., 2015; Estélyi and Nisar, 2016; Sarhan et al., 2019). In contrast, no significant associations are found by Randøy et al. (2006) and Darmadi (2011), but negative associations are reported by Eulerich et al. (2014); Khan and Abdul Subhan (2019); and Diepen (2015). For instance, in emerging economies such as Pakistan, a negative association between diversity of nationality in the boardroom and performance is noted due variances in cultural outlook and language communication obstacles (Khan and Abdul Subhan, 2019). In nine Middle Eastern countries, including in Saudi Arabia, a study by Salloum et al. (2019) shows that although there is a positive influence linked to diversity of nationality in relation to gender and ethnicity on company performance, this is in the minority of cases, and often leads to reduced performance. This is because there is often a clash between global and local agendas among individuals, there are problems associated with perceptions of legitimacy, and the appointment of foreign directors for global PR reasons rather than because they are crucial for the boardroom (Salloum et al., 2019). Van Veen and Elbertsen (2008) note that international business sometimes imposes practices that clash with those adopted at a national level, especially multi-national companies. On the other hand, Estélyi and Nisar (2016) observe that active shareholders perform an essential function in influencing the adoption of a diverse boardroom. However, Maturo et al. (2017) indicate that institutional shareholders do not usually influence diversity of nationality in the boardroom. This research shows differences between developed and developing countries in relation to the impact of the effectiveness of diversity of nationality, and reveals the motives that drive this kind of diversity in boardrooms, i.e. the influence of institutional shareholders, active investors, or foreign shareholders.

Other studies draw positive indications about diversity of nationality, suggesting that it promotes social and financial benefits. For example, Estélyi and Nisar (2016) find a positive association between diversity of nationality in the boardroom, shareholder diversity, and global company operations. In Jordan, Makhlouf et al. (2018) reveal that board diversity which includes diversity of nationality is positively associated with conservative accounting practices. Harjoto Maretno et al. (2019) suggest that the enhancement of the diversity of nationality in the boardroom advances corporate social responsibility. Furthermore, Fernandez Whitney and Thams (2019) reveal that board diversity which includes diversity of nationality can lead to more efficient management for stakeholders, because the combined experience of directors controls connections between diversity of nationality and gender, as well as connections with stakeholders. In the MENA countries, including in Saudi Arabia, Sarhan et al. (2019) finds a positive relationship between diversity of nationality in the boardroom and company performance, but they suggest that future research is needed to gain in-depth understanding in this area.

3.4 Boardroom Effectiveness and Diversity

Empirical studies have examined boardroom effectiveness from different perspectives, including the roles of board members and of the board itself such as: monitoring, independence, assessed risk management/internal control, and decision making. However, these studies focus on one or two aspects of board effectiveness as a mediator to company performance. For example, Rocio et al. (2020) narrows down the direction to board operational and decision making processes and how they work as a tool of board effectiveness and company performance. The current study evaluates stakeholders' perceptions on how boardroom diversity influences effectiveness, and the contributions of diversity on different effectiveness mechanisms. This is done in order to understand perceptions about increasing diversity in the boardroom. According to Nordberg and Booth (2019), understanding how boardroom composition contributes to effectiveness considerations is essential to draw the agenda for corporate governance research and policy making. Achieving good CG helps to protect the interests of shareholders and stakeholders and works to uphold the social responsibilities of businesses (see Solomon, 2021). The following sections will review mechanisms of effectiveness in relation to boardroom diversity.

3.4.1 Monitoring versus Independence

Monitoring is one of the most important functions that can be improved by boardroom diversity, and this point has been outlined in previous research. Byoun et al. (2016) suggest that boardroom diversity is more effective than homogeneity, and that diversity can help enhance monitoring and reduce agency problems that might result between management and shareholders. Particularly, Lucas-Pérez et al. (2015) note that gender diversity enables the monitoring of unsuitable compositions, functioning, structures, and size. For instance, Loukil and Yousfi (2016) suggest that a boardroom with a large number of members and more women members can increase effectiveness.

Diversity can enhance boardroom effectiveness by influencing monitoring practices in the boardroom. For instance, Srinidhi et al. (2011) suggest that the quality of earnings rises for companies that have a diverse boardroom. In addition, Byoun et al. (2016) find that firms which operate diversity in the boardroom pay more dividends than firms which support non-diverse boards. Also, preventing free cash flow problems can solve agency conflicts and benefit shareholders.

Information asymmetry is another agency problem that can be reduced by applying diversity. For example Abad et al. (2017) show that women serving on boards worked to decrease levels of information asymmetry in firms listed on the Spanish stock market. Furthermore, Upadhyay and Zeng (2014) suggest that boardroom diversity relates to a motivation to boost the image of the company, and that increased monitoring increases the transparency of the information environment. In the same way, Alshareef and Sandhu (2015) suggest that board diversity is an important tool for enhancing the effectiveness of different functions, such as monitoring, strategic and service functions, and CSR in corporate governance.

The independence of the boardroom can, indirectly, enhance performance and boost monitoring functions (Fama and Jensen, 1983; John and Senbet, 1998). Indeed, boardroom diversity can contribute to the effectiveness of the boardroom and this function has been noted by previous researchers. For example, Terjesen et al. (2016) find that women directors boost boardroom effectiveness, as well as board independence, which gives a true signal of the effectiveness of a board. Indeed, Fields and Keys (2003) find that outside directors often enhance the monitoring of management, and this improves boardroom effectiveness. Also, women serving on a board of directors can enhance board independence (Abdullah, 2014).

Ben-Amar et al. (2013) suggest that board diversity might not guarantee the independence of the board across different ownership structures. Indeed, Nekhili and Gatfaoui (2013) provide strong evidence taken from France that family ownership, company and board size all influence the appointment of women to a board of directors. Similarly, in emerging economies such as Malaysia, Abdullah (2014) finds that women are elected to the boardroom by means of a family connection, rather than due to business needs. However, it seems that diversity can boost two aspects of boardroom effectiveness: monitoring and independence. However, failure to achieve board independence might impact the monitoring scheme as a consequence. Ntim (2015) suggests that ethnic and gender diversity can enhance boardroom effectiveness by improving independence and executive monitoring. Therefore, it is important to understand how diversity can impact different aspects of boardroom effectiveness.

Adams and Ferreira (2009) link boardroom diversity with greater CEO turnover, and more sensitivity to performance. However, the effectiveness of a diverse boardroom is reduced when board members are of the same ethnicity as the CEO (Byoun et al., 2016). Indeed, Campbell and Mínguez-Vera (2008) argue that boardroom effectiveness is, essentially, the monitoring of executive management performance based on different elements relating to board members, such as: qualifications, experience, participation in directorships for other firms, levels of ownership, and any compensation system used. In other words, they argue that the characteristics of the members of a board can lead to enhancing or hindering the role of the monitoring scheme. Thus, different types of diversity can influence boardroom effectiveness including aspects that have not been explored in-depth by previous researchers. This confirms the importance of this current study.

3.4.2 Decision Making versus Conflict between Diverse Members

As noted previously, the effectiveness of decision making is another way of determining the effectiveness of a diverse boardroom. For instance, gender diversity in the boardroom promotes the contribution of diverse knowledge and skills, which is needed to fulfil different criteria in the decision making process (Lucas-Pérez et al., 2015; Zelechowski and Bilimoria, 2004; Nielsen and Huse, 2010). Ntim (2015) suggests that ethnic and gender diversity can boost decision making, as well as helping firms to link to their external environment in order to obtain resources. Similarly, Anderson et al. (2011) points out that boardroom diversity inspires different points of view in relation to executive activities and this can benefit shareholders due to the presence of greater monitoring. The role of the board is to represent shareholders' beneficial decisions, and, thus, it is important to look at decision making when determining the effectiveness of the boardroom.

Jiraporn et al. (2009) argue that the effectiveness of the board is achieved by its committees, and this view is consistent with that of Kesner (1988) who points out that committee level is the starting point of most of the important decisions that take place in the boardroom. Naturally, decision making by different group members, such as boardroom members, can lead to more discussion. Indeed, Gul et al. (2011) state that diversity in the boardroom contributes to more reporting and the enhanced disclosure of firm wide and board discussions. According to Lucas-

Pérez et al. (2015) gender diversity not only enhances boardroom equality but also initiates diverse decision making. Coffey and Wang (1998) argue that women can improve the decision making process because they are considered less self-interest oriented. This indicates that different diversity types have different contributions to make in the decision making process.

Different diversity types might produce some conflict across different dimensions. In this context, Hambrick et al. (1996) suggest that team homogeneity is better for speeding-up the decision making process, because a heterogeneous team may produce more disagreements. This indicates that a diverse boardroom composition might not always lead to boardroom effectiveness. In contrast, Carter et al. (2003) suggest that a diverse boardroom provides more understanding of the marketplace, and enhances creativity and innovation, problem-solving, and the effectiveness of corporate leadership. Therefore, elements that might enhance effectiveness in the boardroom might also initiate conflict in the decision making process, resulting from different ideological perspectives; different types of diversity (such as gender, age, education, experience, and nationality) might give rise to conflict relating to decision making.

The Chairperson is the main person who has the power to influence the boardroom, so that it can become effective by involving other members in the selection process, as well as in other aspects of boardroom decision making. For example, in order for females to contribute to the board effectively, the Chairperson must play a vital role in involving them rather than ignoring their input (Kakabadse et al., 2015). Thus, it is vital to consider in-depth how boardroom diversity can be dissected and managed.

3.4.3 Risk Management and Internal Controls

The failure of risk management processes was one of the major causes of the global financial crisis of 2008/9. As a result, corporate governance now plays a vital role in a firm's survival, and it should not be ignored. According to Lucas-Pérez et al. (2015) introducing gender diversity into board composition is the first step towards reforming and recovering businesses reputations, after a previous financial crisis. Davies and Hopt (2013) state that the recent financial crisis proves that shareholders do not have any control over impetuous board actions. Therefore, risk management systems and internal controls need to be in place in the boardroom as part of an ongoing examination of a system's validity and fitness for the future. Internal controls are set up and enforced by management in most cases, and risk is assessed in the boardroom using a special committee or an audit committee. The financial crisis of 2008/9 highlighted the importance of board composition in the corporate governance process, and the need for change, in order to improve board effectiveness (see Ferrero-Ferrero et al., 2015a). An effective board can evaluate if management is aware of risks and put in place internal controls, and such evaluation needs, expertise, or qualified members in order to identify issues properly.

Chen et al. (2016) show that gender diversity can enhance boardroom effectiveness. Particularly, it enhances risk management as well as R&D investment. In contrast, Loukil and Yousfi (2016) find that gender diversity does not impact on total risk, R&D investment, growth, or the opportunity for investment. However, they argue that women board members improve board independence and hence, prevent firms from taking more risk. Due to these inconsistent results, it is important to explore how boardroom diversity and different types of diversity can impact on risk management and internal controls (see Chen et al., 2016).

3.4.4 Boardroom Diversity and Performance

Many scholars put forward different arguments about board diversity as it relates to the performance of the board. Overall, their results in this area are inconclusive. One important indicator used to measure how much benefit is gained from boardroom diversity is the performance of the firm. Most studies that have been undertaken in this context use quantitative methods to test performance related boardroom diversity. Some researchers find a positive impact on a firm's performance (Lucas-Pérez et al., 2015; Campbell and Mínguez-Vera, 2008; Carter et al., 2003; Terjesen et al., 2016; Ferrero-Ferrero et al., 2015a; Gordini and Rancati, 2017). In contrast, others find no significant relationship between boardroom diversity and company performance (Rose, 2007; Mahadeo et al., 2012; Carter et al., 2010; Gallego-Álvares et al., 2010). The inconsistency of previous quantitative research has led the researcher to undertake qualitative research to explore boardroom diversity and effectiveness.

The relationship between a firm's performance and/or its value in relation to boardroom diversity is examined using different tools of measurement by different scholars. These various methods are used to investigate the impact of diversity from various angles. Accordingly, researchers use different types of diversity, such as age, gender, educational qualifications, ethnicity, and nationality (Campbell and Mínguez-Vera, 2008). Furthermore, they use different tools such as stock price, a firm's market value, and Tobin's Q, for example, to examine performance. Carter et al. (2003) examine performance value and board diversity using the Tobin's Q measurement indicator to find that boardroom diversity is positively significant to a firm's value in the context of the Fortune 1000 US Index. These results are consistent with those of Campbell and Mínguez-Vera (2008) who investigate Spain's market using panel data percentages for females, and the Blau and Shannon indicator (Tobin's Q) to arrive at the firm's value. They find a positive effect of gender diversity on the boardroom and on company value. Therefore, they suggest that increasing the number of women in the boardroom would bring economic value or gain to the firm. More female board members can mean that the balance between males and females is improved. However, this positive impact of gender diversity on the value of the company is not seen as significant in the opposite scenario (Campbell and Mínguez-Vera, 2008).

Another study by Lucas-Pérez et al. (2015) undertaken in Spain finds that gender diversity has a positive impact with compensations for top managers being linked with a firm's performance. However, this study focuses on gender diversity alone, rather than examining other aspects such as the qualifications or educational background of the females, or their contributions to the boardroom. Mahadeo et al. (2012) suggest that boards with diverse educational backgrounds and gender can improve performance only if both elements are considered. Another recent study in Spain reveals that age differences among boardroom composition positively affects a firm's performance (Ferrero-Ferrero et al., 2015a). This study applies a new approach to test age differences, but does not test other types of diversity that could be relevant in the context of generational differences and how they contribute towards boardroom success.

Different contexts apply in different countries in relation to perceived boardroom success. For instance, Ntim (2015) finds that in South Africa, ethnicity is valued more than gender diversity on a board. The study reveals a positive and significant relationship between market valuation, and ethnicity and gender diversity, by using market value as a measure. In this study the market values both ethnicity and gender diversity as a signal for improved independence and monitoring of the board. Thus, context might shed light on different relevant diversity types relating to culture and the market environment. In Terjesen et al. (2016) data from 3,876 firms in 47 countries is looked at to suggest that companies employing women on the board produce better financial performance. Moreover, increased gender diversity enhances a firm's image about the perceived positive ethical behaviour of the company. Additionally, independent directorships are related to better company performance, but this also depends on gender diversity among the board.

Other scholars find no significant relationship between board diversity and a firm's performance. Furthermore, the impact of gender diversity on a firm's performance can be complicated (Adams and Ferreira, 2009). Rose (2007) provides evidence to suggest that gender diversity does not impact on company performance in the context of the composition of the board. Rose (2007) rejects the hypothesis for several reasons based around the use of Tobin's Q as a way of measuring diversity, and argues that diversity is not crucial for good firm performance. One reason cited is that non-controversial board members adopt the norms and behaviour of the leaders of the business. Moreover, income raised by the representation of women on the board is never realised or indicated by any chosen financial performance measure. This is because electing higher-level leaders or even accessing the boardroom depends on the decision maker's perspective in their society (Rose, 2007). Similarly, when Carter et al. (2010) examined the data of major companies in the US, they found no effect was made by gender diversity and ethnic minority diversity in the boardroom or on important committees in connection with a firm's financial performance (as measured by Tobin's Q and ROA). In fact, there are a lack of studies that test the diversity balance of gender and other types of diversity. This is one reason why the consistency of the diversity effect in the boardroom cannot be discovered, and why there is digression between scholarly findings.

The skills and education of boardroom directors are vital for influencing the board's performance. However, Rose (2007) suggests that educational background has no influence on a firm's board performance. The logical reason behind this is because boardrooms do not use education as a marker of performance, and board posts do not require the holder to have specific formal qualifications. However, human capital is important in managing the boardroom. The election of board members is usually based on past job success, such as CEO or relevant business experience (Rose, 2007). In contrast, Smith et al. (2006) report that the effect of women on a firm's performance mainly depends on the qualifications they hold. However, studies that measure a single member's contribution to boardroom activities are limited (see Gordini and Rancati, 2017). Determining the different types of diversity that contribute to effectiveness in the boardroom is one of the questions of this current study.

3.5 Boardroom Diversity and Board Effectiveness in the Middle East and North Africa (MENA) Countries including Saudi Arabia

The MENA countries consist of 18 different countries, based on the OECD reports of the CG survey; namely, Mauritania, Morocco, Algeria, Tunisia, Libya, Egypt, Djibouti, Jordan, Lebanon, the Palestinian Authority, Iraq, Saudi Arabia, Kuwait, the United Arab Emirates (UAE), Bahrain, Qatar, Oman, and Yemen (OECD, 2019). These countries' GDP was estimated to be about 3.7 Trillion US Dollars in 2019 (The World Bank, 2020). Most of the listed companies in these countries are largely dominated by concentrated owners, such as the pyramid ownership structure, family ownership, company group ownership, and government ownership (OECD, 2019). For example, Elamer et al. (2019) found that the bank risk disclosure was influenced by the ownership structure as an essential channel, which may affect the CG in MENA countries. The boardroom structure consists of the unitary boardroom in 13 countries and two-tier boardroom in three countries (OECD, 2019). The report also showed that the size of the boards in these countries ranges from 3-15 members, while the appointment of the board of directors for a single session ranges from 3-6 years. These countries share some commonality and differences in terms of CG reform and leadership (see Kabasakal et al., 2012). For instance, the quota of women on the board and statistical rate disclosure have not yet been adopted in the CG codes of MENA countries, except in the UAE, which required government ownership only to disclose the number of women on the board in the CG annual report (OECD, 2019).

Regarding board diversity in these countries, several challenges persist, especially for woman. For example, in analysing board gender diversity in three MENA countries (Tunisia, Morocco, and Egypt), El Jadidi et al. (2020) reveal that obstacles persist regarding women's representation in the corporate boardroom. These difficulties consist of the traditional culture (e.g. social assumptions and attitudes, family responsibilities, and male domination in the workplace) and the glass ceiling (El Jadidi et al., 2020). This is also consistent with the study by AlHares et al. (2019), who stated that men still dominate the boardrooms in MENA countries. Despite that, Sarhan et al. (2019) investigated board diversity and executive pay in MENA countries and found positive associations between diverse gender, nationality, and ethnicity, and company performance. The study reveals that the associations are better in companies with a good CG framework. Similarly, Abdelzaher and Abdelzaher (2019) found that the number of women on the board was positively associated with the ROE and Tobin Q. The study highlighted the legitimacy of increasing the number of women in Egyptian boardrooms of listed companies after the Arab Spring as a positive indicator. Issa and Fang (2019) showed that boardroom gender diversity was correlated positively with the level of CSR in Bahrain and Kuwait, but that this correlation is weak in other countries, such as Oman, Saudi Arabia, Qatar and the UAE. The study concluded that: firstly, this was due to discrimination against women and stereotyping at the cultural and business level; and, secondly, that the low representation restricted women's contribution to the companies' outcomes and decision-making. Many MENA countries still face challenges regarding gender diversity, despite the benefits that women can bring to boardrooms. For example, another study in MENA countries by Sarhan and Ntim (2019) found that board diversity (gender and ethnicity) was associated positively with CG voluntary disclosure. This study is consistent with the study by (AlHares et al., 2019), who found that board gender diversity was positively associated with voluntary disclosure. Thus, it is important to approach these challenges from the stakeholders' perspectives, where most studies measure them by statistics only.

In Tunisian listed companies, Loukil and Yousfi (2016) found that women are positively associated with risk avoidance, as measured by the cash ratio. At the same time, the study found no association between gender diversity and a tendency to take greater risks, either financially or strategically. Further, the study observed that investors from overseas did not invest in companies with gender diversity. On the other hand, a study by Alhejji et al. (2018) explored the gender inequality in British multinational corporation operating in the Middle East, particularly Saudi Arabia, and found that, although the formal institutions seek to promote gender equality, the informal forces, such as culture, traditions, and norms, solidly oppose these attempts. This showed that eastern countries continue to be an understudied region, while transferring diversity practices to these non-Western areas remains challenging (Lauring, 2013).

Moreover, there is still a lack of studies on the different types of diversity (e.g. age and education background). In Jordan, Makhlouf et al. (2018) reported that board diversity in term of gender, education level, and nationality was associated positively with accounting conservatism, except for age diversity, for which they failed to find an association. Also, Ibrahim and Hanefah (2016) conducted a study in Jordan, and found that board diversity variables, consisting of gender, age, independence, and nationality, were positively associated with the CSR disclosure level. There remains a lack of research on boardroom diversity of various types and aspects to understand its contribution to these regions (see Sarhan et al., 2019).

A qualitative study by Alshareef and Sandhu (2015), based on a case study using interviews with two companies in Saudi Arabia, examined board diversity in regard to CSR adoption. The study highlighted the importance of boardroom diversity regarding the type of experience, educational level, functional background, and knowledge and skills. Moreover, the study suggested that board diversity is vital for enhancing boardroom effectiveness and the board's monitoring, strategies, and services roles. However, this study failed to consider factors such as age, gender, nationality diversity, and a range of different companies, as it is was limited to only two companies. Hodges (2017) conducted interviews with 25 professional women in Saudi Arabia to examine the barriers which prevent women from attaining leadership positions. The study found that women face cultural, social, religious, and organisational barriers; these boundaries should be taken into consideration in order to develop policies that prevent inequality with regard to women assuming leadership positions. Naif and Ali (2019) conducted a comparison study of the CG code in Saudi and Malaysia, and found that, while the former had vastly improved, gender diversity was still lacking. Therefore, this study aims to evaluate the range of stakeholders' perspectives regarding the contribution of different types of diversity and their effectiveness in order to offer practical advice on how to increase board diversity.

3.6 Summary

This chapter began with the presentation of different definitions of CG, and it identified the definition most suitable for this research. In this context, the importance of the board of directors as a mechanism of CG was explored. The chapter then moved on to a discussion about the roles and duties of board members, sub-committees, and the protection of shareholder's funds. It reviewed board composition and selection as well as other factors that influence CG, such as power over appointments, ownership, and the role of the chairperson. After this, the chapter began to explore the main topic of the study which is board diversity, offering a definition of this concept and background information. Six types of boardroom diversity were identified for focus as part of the current research. Previous studies relating to board diversity and effectiveness were discussed, as well as different effectiveness mechanisms and studies relating to diversity and company performance. Finally, previous research undertaken in MENA countries was examined, with a focus on the context of Saudi Arabia, noting the lack of research in this field in the Kingdom.

CHAPTER 4: The Theory of Institutional Logics: A Perspective for Understanding the Effectiveness of Boardroom Diversity

4.1 Introduction

Many theories have been developed to interpret corporate governance as it relates to boardroom diversity, including: agency theory, social capital theory, and resource dependency theory, etc. This chapter will briefly discuss the most important theories in this field. In this endeavour, the theory of institutional logics will also be reviewed, because it is relevant to the analysis of the data collected from the interviews undertaken as part of the current study. This new insight aims to capture the fast pace of change being experienced on corporate boards in Saudi Arabia. However, rapid change is usually accompanied by opposite views and some resistance at different levels, including on an individual, organisational, and a societal level. The following paragraphs show how the theory of institutional logics is a useful lens through which to examine boardroom diversity.

4.2 Agency Theory

Agency theory refers to a contract between two parties, where one party is 'the agent', who works for another party, who is 'the principal' (Fama and Jensen, 1983; Jensen and Meckling, 1976). The principal is the owner or the shareholder/s, but it can also be the debt holder/s (Rankin et al., 2012). Agents usually comprise the management or directors of the organisation. Based on this relationship, a bonus plan, a bonus plan hypothesis, and an agency problem can be defined. An agency problem can evolve from different elements, such as information asymmetry and/or a conflict of interests between both parties. Conflict usually arises because humans are self-interested and seek to satisfy personal interests (Daily et al., 2003). This kind of conflict can generate agency costs, which can cover continuing losses, bonding costs, and oversight costs (Jensen and Meckling, 1976). Monitoring costs are the costs incurred via observing and controlling the behaviour of the agent by the principals (Rankin et al., 2012). One important monitoring and controlling mechanism is the board of directors (Walsh and Seward, 1990).

The board of directors enhances its monitoring function using the independence of management (Fama and Jensen, 1983). Many scholars argue that board diversity can enhance monitoring (Byoun et al., 2016; Upadhyay and Zeng, 2014; Hillman and Dalziel, 2003; Alexander, 2016), while others support the assumption that boardroom diversity enhances independence and quality control (Carter et al., 2007; Terjesen et al., 2015). However, some factors are important to consider when evaluating diversity, such as ownership, because board independence sometimes relates to ownership structure (Ben-Amar et al., 2013). In some cases, the board can be influenced by agents and by concentrated ownership, and, thus, it can lose its independence, because agents or owners strive to serve their self-interest rather than the interests of minority shareholders. However, boards that operate good monitoring systems and have greater levels of independence can reduce agency costs and perform a vital role in corporate governance. Diversity in the boardroom should work to boost the monitoring and independence function. Indeed, boardroom effectiveness allows firms to overcome agency problems and reduce agency costs. Agency theory is examined in the following studies: (Adams et al., 2010; Abdullah, 2014; Alexander, 2016; Carter et al., 2007; Carter et al., 2010; Ben-Amar et al., 2013; Terjesen et al., 2015). Nevertheless, looking through the lens of agency theory can not help a researcher assessing the impact of increasing diversity on boardroom effectiveness.

4.3 Social Capital Theory

Social capital theory (SCT) is widely used across many disciplines, but it is often viewed and defined differently among scholars. Indeed, different academic disciplines drive the different definitions of SCT. Generally, SCT is defined as sharing and making use of the value norms of diverse individuals in order to solve current and future problems (Ostrom, 2009). According to Franke (2005) SCT can be used to examine social cohesion, confidence, reciprocity, and institutional effectiveness. One of the most important aspects of SCT is its ability to examine social networks (Coleman, 1988). Thus, based on these definitions, SCT can be used to explain the interactions of social individuals (e.g. their norms, networks, and cohesion etc.), and it can be used to examine the effectiveness of groups. Hence, SCT might be a suitable theory to look at when seeking to examine interactions between diverse boardroom members, and the effects of diversity on boardroom effectiveness and on corporate governance.

Yangmin and Cannella Jr (2008) explain that social capital can influence the selection of board directors on both an individual level and on a group level. On an individual level, the selection of a director might be made due to his/her connections with others within and outside of the company. On a group level, board effectiveness might be influenced by the social capital of the board based on business and social relationships and on the resources that can be gained from those relationships. In a recent study by Ooi et al. (2015) about tourism firms in four Asian countries, social capital was significantly and positively related to boardroom diversity and company performance. Moreover, Ooi et al. (2015) suggest that new boardroom recruits should be hired based on the benefits of diverse social capital rather than human capital, but they also argue that an over-diversified board can have a significant negative impact on company performance.

According to Carpenter and Westphal (2001) social capital can be linked to a company's strategic knowledge and can be a vital contributor to good corporate governance. In summary, SCT be used to explain the selection of board directors, and associated factors such as resources, and how the relationships of directors can influence the effectiveness of the boardroom and corporate governance.

4.4 Resource Dependency Theory

Boardroom diversity can be explained using resource dependency theory to interpret the research findings. RDT views board members as a channel that link the organisation with external resources, in order to address the organisation's environmental needs (Pfeffer and Salancik, 1978; Pfeffer, 1973). However, it is looking to explain board diversity rather than concerned with barriers related to increasing boardroom diversity. Although agency theory is widely used to study boardroom dynamics, RDT has been more successful for examining empirical evidence in relation to boardrooms (Hillman et al., 2009). This is because RDT looks at board member characteristics, and, thus, employs a different perspective from agency theory. Pfeffer and Salancik (1978) suggest that board members can bring four benefits to a firm, namely: advice, access to resources, legitimacy, and providing connective channels between information and the contingent environment. These benefits can be gained due to a variety of diverse boardroom characteristics.

RDT looks at a variety of different characteristics, such as: background education, gender, age, expertise, and nationality, and these characteristics create networks and connections to boost a company's performance (Alexander, 2016). In the case of gender diversity, RDT views female directors as unique and valuable resources in the boardroom, who can enhance a company's performance (Terjesen et al., 2016). Moreover, if boardroom gender is diversified, then this can impact positively on the independence of the board of directors and work towards creating a positive company performance (ibid.). It can be noted that RDT often focuses on board diversity from the firm's economic outcome perspectives (Reddy and Jadhav, 2019). Therefore, the use of RDT for this current research to understand different types of diversity can not help a researcher in assessing the impact of increasing diversity and its potential social benefits.

4.5 Institutional Theory

4.5.1 Background and Definition

Institutional theory has been used since the 1970s to explain reality in many fields of study, including in economics, politics, and in sociology etc. (Scott, 2001). Scholars from different fields have worked to develop different pillars of the theory (Scott and Davis, 2015). In this respect, scholars of economics and politics tend to place emphasis on the elements of the regulatory pillar, while sociologists place emphasis on the elements of the normative pillar, and anthropologists and organisational scholars often look at the elements of the cultural-cognitive pillar. Consequently, different scholars define what is meant by an 'institution' differently. Indeed, Alvesson and Spicer (2019) argue that everything can become an institution, and there is no agreed definition of what an institution is. However, Scott (2001, p.48) tries to define an institution as follows:

> 'Institutions are composed of cultural-cognitive, normative, and regulative elements that, together with associated activities and resources, provide stability and meaning to social life.'

Here, an institution is defined as comprising different elements. Some scholarly definitions are clear, but others are not so explicit in their definitions (Scott and Davis, 2015). For example, Meyer and Rowan (1977) define an institution as comprising duties, social procedures, or facts that take on a role similar to thoughts and social acts. This definition is different from that offered by Scott (2001). In this context, Dillard et al. (2004, p.508) define institutional theory as follows:

> ‘Institutional theory is a way of thinking about formal organisation structures and the nature of the historically grounded social processes through which these structures develop.’

This definition alludes to a mix of normative and cultural-cognitive pillars. Furthermore, Alvesson and Spicer (2019) explain that scholars working in this field tend to cover everything that is ‘institutional’. Scott’s (2001) definition is comprehensive and encapsulates a wide perspective of institutional structures (e.g. not just the regulatory pillars). This current study looks specifically at mature corporations, and any developed institution usually embodies a mixture of the three main elemental pillars (Scott and Davis, 2015). Institutional theory looks at organisational structures and procedures in order to perceive meaning, rather than examining organisational targets, for example (Lincoln, 1995). For the current study it is particularly relevant to use institutional theory to assess diversity and boardroom structure. However, Alvesson and Spicer (2019) stress the importance of providing researchers with a clear understanding of what comprises an institution and what institutional theory actually means.

4.5.2 The Three Institutional Pillars

Regulatory systems and institutions work to a set of rules and laws (and this drives the activity of corporate governance). These regulations affect the behaviour of organisations and the people working within them (Scott and Davis, 2015). The regulatory elements of an institution are usually visible and are designed to be modified, but these rules do not always apply to normative and cultural-cognitive elements (Evans, 2004; Roland, 2004). Table 4.1 below outlines the three main institutional pillars (elements) of an organisation.

	Regulative	**Normative**	**Cultural-Cognitive**
Basis of Compliance	Experience	Social obligation	Taken for granted-ness and shared understanding.
Basis of Order	Regulative rules	Binding expectations	Constitutive schema
Mechanisms	Coercive	Normative	Mimetic
Logic	Instrumentality	Appropriateness	Orthodoxy
Indicators	Rules, Laws and Sanctions.	Certification and Accreditation.	Common beliefs and the shared logic of action.
Basis of Legitimacy	Legally sanctioned.	Morally governed.	Comprehensible, recognisable and culturally supported.

Table 4.1: The Three Institutional Pillars (Scott (2001,Table 3-1, p.52).

Normative systems deal with the institutional framework in terms of the conduct and behaviour of individuals in a social context (Scott and Davis, 2015). The norms and values of an individual drive their practices and performance (e.g. gaining certification or accreditation) (see Parsons, 1956; Selznick, 1949; Selznick, 1948). This perspective encapsulates elements of institutional theory and legitimacy theory, in that institutions connect with the systems of their social environment (Schiopoiu Burlea and Popa, 2013). Nevertheless, some theorists prefer to explain the structure and behaviour of the institution rather than its meaning in society. For example, legitimacy theory would look at how people feel about boardrooms, while institutional theory would focus on how boardrooms work inside companies, and how they cope with pressures derived from society.

The third pillar relates to the cultural-cognitive systems in which an institution works (Scott and Davis, 2015). DiMaggio and Powell (1991) refer to this as, "The new institutionalism in organizational analysis." Scott (2001) also explains that the cultural-cognitive pillar relates to how meaning is created in the frame of social reality. Scott and Davis (2015) explain that cultural-cognitive elements work on a profound level according to certain norms and rules. Moreover, these elements are often inflexible, and include certain beliefs and inherited traditions.

4.5.3 The Development of Institutional Theory and Institutional Logics

In order to understand institutional logic, it is important to understand the development of institutional theory in general. According to Greenwood et al. (2008), the development of institutional theory has passed through various critical stages. Firstly, it considered and analysed the nature of the organisation and the institutional environment (Selznick, 1948; Selznick, 1949; Parsons, 1956). Parsons (1956) explains that institutions are connected to other organisations in the community via a network of overarching principles, authorities, and contracts. According to Scott (2001), this early stage was more concerned with the history of social science; institutional theory developed as a more focused theory in the 1970s. The early stage of the development of the theory was general, whilst the next stage of development, in the 1970s, became more focused.

The next stage of the development of institutional theory was undertaken by Zucker (1977) and Meyer and Rowan (1977) who examined the emerging role of culture in institutional analysis. Alvesson and Spicer (2019) explain that, at this time, institutional theory was in its infancy, mainly because these first stages only worked to identify a conceptual framework of the theory (e.g. isomorphism). Meyer and Rowan (1977) argue that rationalised institutional rules form a formal institutional structure within organisations, which gives these structures legitimacy.

Therefore, in this way, different organisations often display a similarity of shape (isomorphism). Also, institutions are structured to work separately rather than to coordinate with and evaluate each other, and this set up is based on trust.

The work of Meyer and Rowan (1977) and Zucker (1977) influenced further research that placed emphasis on the characteristics of isomorphism. Another crucial stage of research was entered into by DiMaggio and Powell (1983) who began to look at coercive, normative, and mimetic isomorphism in relation to the role of culture. Their research focuses on the organisational level rather than the societal level (see also Zucker, 1983). Moreover, DiMaggio and Powell (1983) undertook revolutionary empirical research, which coined the term 'the new institutionalism' (see Greenwood et al., 2008). This stage rejected the perspective of rationality that had supported previous research, whilst supporting the view that the institution has to be legitimate for its survival and success (Tolbert and Zucker, 1983). Another study by Tolbert (1985) looks at the power of institutional processes. Furthermore, the importance of professional networks in the operation of institutionalisation is examined by (Baron et al., 1986).

The current stage of the development of institutional theory began when Friedland and Alford (1991) initiated new approaches to institutional analysis, including using institutional logic, in order to offer a complete picture of institutions. Although, the idea of institutional logics had already been alluded to by (Meyer and Rowan, 1977; Zucker, 1977; DiMaggio and Powell, 1983) among others, in the context of the role of cultural cognitive shaping and the structure of organisations, Friedland and Alford (1991) developed the idea much further. Rather than focusing on similarities (isomorphism) across different fields (societal or organisational) Friedland and Alford examined the impact of institutional logics on different individuals, organisations, businesses, sectors, and other group structures (Greenwood et al., 2008). Further, Friedland and Alford use diverse levels (ranging from micro to macro) to understand these structures (Thornton et al., 2012). Also, multiple logics were applied to understand institutional change and what situations and rules constitute institutional structures (Grosvold and Brammer, 2011; Currie and Spyridonidis, 2016).

In addition to the important studies mentioned above, other theorists have explored institutional theory from different angles (e.g. see Alvesson and Spicer, 2019; Scott and Davis, 2015). However, Thornton et al. (2012) explain that institutional logics is a relatively new idea that mainly looks at institutions from a social perspective. Thus, looking at the theory of institutional logics as a lens through which to examine the issues of this current study is crucial in order to gain a clearer understanding of the complexities of the project.

4.5.4 Different Perspectives of Institutional Logics

Institutional logics looks at forms of strength that organise and influence institutional systems and institutional practices. Friedland and Alford (1991. p 248) explain the importance of institutional logics to western society as follows; they describe it as a, "set of material practices and symbolic constructions which constitutes its organising principles and which is available to organisations and individuals to elaborate." They give several examples of institutional logic, including capitalism, regulation, democracy, family, religion, and science which are all explained on different symbolic grounds, and in the context of different organisational, political and cultural structures. However, the elements of institutional logics are not limited the examples given by Friedland and Alford (1991). Further eelaboration of the theory might open the way for its further expansion (Thornton et al., 2012). This is because the theory is related to the construction of social reality and activity within the community (Friedland and Alford, 1991).

Thornton et al. (2012, p. 2) explain institutional logics as follows: “The institutional logics perspective is a meta-theoretical framework for analysing the interrelationships among institutions, individuals, and organizations in social systems.” This definition confirms that institutional logics is useful tool to analyse institutions on different levels, for example on an individual and social level. According to (Cloutier and Langley, 2013), the institutional logics perspective offers a practical lens for viewing different beliefs and norms, plural organisations, for describing procedures of change, and for exploring what constitutes the institutional. The institutional logics perspective is an extension of the neo-institutional perspective, and uses a meta-theoretical framework to explain the institutions that comprise organisations in terms of similarities as well as dissimilarities. This contrasts with the neo-institutional perspective which explains culture similarities only (Thornton et al., 2012). Thus, this new lens offers a better image of how institutional logics work at different institutional levels, as well as capturing changes in logics and variances.

Thornton (2004) claims that institutional logics functions through four important instruments; 1) Form and meaning, and relevance, and legality; 2) Defining the issues and problems of logic; 3) Offering solutions; and 4) Shifts in logic. The idea of institutional logics is particularly useful for examining change and the processes of resistance to change, and this has been the main focus of many articles and published research about this topic in the first part of the 21st century (see Alvesson and Spicer, 2019). Finally, the institutional logics perspective offers a holistic way of investigating change in the context of shifts towards new ways of thinking and/or new beliefs.

Based on the above presented definitions and explanations, the sections that follow will explore how institutional logics can be applied to explain reality in the boardroom. All the actors of the boardroom have a role to play in establishing and changing logic, and institutional logics connects to rationality and behaviour (Thornton, 2004). The idea will be used to look at change and resistance to change on different levels (both on a micro-individual level, a meso-organisation level, and a macro-societal level). Investigating these different levels using a logics perspective is essential for understanding institutional complexity (Thornton et al., 2012).

4.6 Institutional Logics

To understand how institutional logics drives this current study, different definitions offered by different scholars will be presented in order to provide background and explanation. According to Friedland et al. (2014, p.334) institutional logics is, “an order of production composed of distinctive subjects and objects mediated by a regime of material practice.” This is a very tight definition of the idea. Thornton and Ocasio (1999, p.804) define it as, “the socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organise time and space, and provide meaning to their social reality.” This definition offers a very open meaning of institutional logics which serves the purposes of this current study.

Diversity within the boardroom must be constructed by the actors within a company, and it might be subject to social pressure from outside of the organisation. A corporation is one of the six institution types listed by Thornton et al. (2012), and each type of institution uses a different logics that shapes its practices. The extent of the diversity logic would give a clear picture of how individuals think about diversity within the organisation. Furthermore, this logics offers opportunities to explore differences in variables such as age, experience, education, ethnicity, and gender etc. According to Abrutyn and Turner (2011) it is individuals who comprise a board, not corporate units. The main focus of institutional logics is on the individual players who must solve problems and find solutions, those who are expected tonavigate the shift between old perceptions and new changes, and find real practices and solutions (Powell and Bromley, 2015).

4.6.1 Resistance to Change

Resistance to change can be explained by looking at the barriers that prevent a shift to a new logic. For example, Kakabadse et al. (2015) explore why some women are resistant to applying gender quotas in the boardroom. Zucker (1977) finds that the greater the extent of institutionalisation then the higher resistance to change will be. Another study by Kim and Chung (2018) finds that when changes are made from a local to a global logic of corporate governance, then the chances of resistance to change are also high, and those with power within an organisation resist the change. These actors represent institutional power that opposes a shift of logic. This kind of resistance might shows how hard it is for people to change their views to embrace the institutional diversity logic.

4.6.2 Shifting to the New Logic

Diversity logics also offer a holistic understanding of the social reality of applying diversity in the boardroom. It shows the advantages of diversity based on different stakeholders' experiences and perspectives. Washington (2008) suggests that future studies could expand to investigate shifts between different logics, as well as the affects of these shifts. For example, one widely cited study by Reay and Hinings (2009) analyses shifts of institutional logics in healthcare to show how different logics such as ‘business-like’ and ‘medical professional’ come into conflict in the healthcare environment. Thornton et al. (2005) finds that institutional change can result from market capitalism rather than cultural factors at societal-level. The same study finds that historical patterns have borne the transformation of culture, which sways towards stability rather institutional change.

According to North (1990), one of the important points of analysis relating to institutional change is exploring the mental environment in which actors operate, including those environments which might give more understanding of complexity. Another is trying to discover the culture adopted by the actors of an institution. Addressing these issues is an essential element for evaluating the role of different stakeholders and understanding the complexity of change based on their experiences and thoughts about diversity. Complexity, change, and variation in practices are three research areas that contribute towards perspectives about institutional logics (Powell and Bromley, 2015). Doldor et al. (2016) also suggest that it is necessary to recognise the contribution of all stakeholders in order to understand opportunistic interests in relation to changing of logic.

The shifting acceptance and resistance regarding logic can be understood by looking at the pressures that exist across different levels . These levels have already been referred to above as the micro, the meso, and the macro levels (see Thornton et al., 2012). Understanding shifts in acceptance and resistance according to certain pressures that exist across all three levels is essential in order to work out how and why to increase diversity, and how diversity might impacts on boardroom effectiveness. Abrutyn and Turner (2011) suggest that looking at links that exist across different institutional levels might be beneficial to support the new logic. However, studies by Thornton et al. (2012), Friedland and Alford (1991) and others tend to focus on the macro-level more extensively. Thornton et al. (2012) try to identify and develop the idea of examining pressures across the different levels (the micro, the meso, and the macro) based on cognitive and social psychology. The following sections will examine these three different levels in more detail in the context of the current study.

4.6.3 The Individual Level (Micro)

Stakeholders include board members, and the beliefs and preferences of the board members can either increase or decrease diversity. These beliefs might be reflected in boardroom composition. Moreover, the experiences and opinions each individual has about diversity can impact on board diversity. Shropshire (2010) suggests that studying the experiences, individual variations of experience, and opinions, of directors can provide stakeholders with a more comprehensive understanding of board structure and board effectiveness.

Taking a closer look at the barriers to boardroom effectiveness, for example, a lack of gender diversity, can provide a holistic picture from which it is possible to evaluate perceptions about diversity, in order to accelerate diversity and capture its potential effectiveness in the boardroom (Adams and Kirchmaier, 2015). Adams and Kirchmaier (2015) argue that it is important to understand barriers rather than regulations. Thus, looking at individuals might help us to understand issues surrounding diversity, starting from the bottom up (at the organisational and societal levels). Furthermore, Thornton et al. (2012) explain that some social actors do not wish to merge identities and goals, when they are not driven by a specific culture of institutional logic. This might be reflected in certain organisational practices that might or might not lead to change internally and externally. This theory might prove relevant to understanding social interactions within the corporate board environment (see Terjesen et al., 2009).

4.6.4 The Organisational Level (Meso)

This level concerns the practices undertaken within corporations. How can these practices bring about diversity? Or how do they prevent diversity? The culture of an organisation is one element to take into account when trying to identify pressures that might lead to more or less diversity. For example, board selection procedures that operate inside a corporation work at an organisational level. These procedures might result in more diversity within boardrooms or might reveal resistance to diversity. Grosvold and Brammer (2011) talk about the importance of country-level practices, and suggest that further research is essential in order to understand the influence of certain pressures at an organisational level. They argue that implementing quotas relating to gender diversity might not work to bring about change if there are significant levels of gender disparity within other organisations. At a corporate level, there might be shifting or resistance factors that affect diversity in the boardroom.

Thornton et al. (2012) recommended that further research will provide opportunity to open the lens wider to look at the processes of institutional logics that leads to change, including both identities and practices that exist inside of and outside of organisations. Some studies that look at boardroom diversity, such as those by (Grosvold et al., 2015; Adams and Kirchmaier, 2015; Terjesen et al., 2009) imply that more research is needed at board level which also takes into account what his happening on a country level (e.g. national practices and policies). Thus, looking at procedures that operate at an organisational level can help us to understand different elements and barriers that might prevent diversity in an organisation.

4.6.5 Societal Level (Macro)

Organisations work within the general environment of society which has its own regulations, cultures, religions, and norms. This is explained in more detail in Chapter Two of this project. For example, in Saudi Arabia women have recently been allowed to drive as part of an initiative to empower the position of women in society. Also, new initiatives are included in the Vision 2030 Project. What happens in a country overall affects both individuals and the practices of organisations.

Furthermore, stakeholder perceptions of what takes place at a societal level influences the extent to which diversity is embraced. Grosvold et al. (2015) reveal that the role of regulatory institutions and economic practices are closely linked, and this includes practices concerning the presence of women in the boardrooms of companies. All of these factors are important to the process of evaluating perceptions about increasing diversity in the boardroom. Grosvold and Brammer (2011) also argue that the adoption of new regulations and affirmative action should take place when there is resistance based on cultural traditions.

Looking at what happens at a societal level provides a more comprehensive picture of barriers to diversity in an organisation and in the boardroom. Adams and Kirchmaier (2015) explain that boardroom diversity varies across nations according to the levels of constraints placed on individuals and organisations by society. When restrictions are increased on corporate activities, then targeting boardroom diversity might be not enough to achieve governance and/or meet diversity goals. Alternatively, diversity regulations that address these restrictions could lead to more efficiency.

An evaluation of corporate governance changes can be linked to the diversity logic that is applied within boardrooms. A change in the rules made by government might lead to a shift in boardroom structure, and facilitate a shift towards a new internal organisational logic (see Shipilov et al., 2010). Thornton et al. (2012) describe shifts towards a new logic in practices, evaluation, narrative, and corporate governance as an ‘elaboration’ of developmental change. Furthermore, Ocasio et al. (2016) argue that shifts towards a new logic can change the historical understanding of past events, which can result in new societal conceptual forms of past, current, and future understanding.

4.6.6 Using Institutional Logics

The current study looks at institutional logics as a lens through which new insights about boardroom diversity can be obtained. This is especially relevant given the significant changes that have taken place within Saudi corporate environments in recent years, and the speed of this change. In this context, institutional logics is a useful tool that can be used to understand how acceptance and resistance to change works on three different levels (individual, organisational and societal). These different levels are those associated with the appearance of and shifts in institutional logics (Abrutyn and Turner, 2011; Thornton et al., 2012). In the context of this study institutional logics is applied in order to understand how shifting pressures might increase or decrease diversity in the boardrooms of Saudi listed companies, and how these boards can strive towards greater board effectiveness. Adams and Kirchmaier (2015) also suggest looking closely at the levels of family and policy in order to understand gender diversity barriers and enhance diversity and the effectiveness of boardrooms. Shropshire (2010) stresses the value of analysis at different levels when examining diversity in the boardroom. Shropshire places emphasis on looking at the outside experience and the individual dissimilarities of board members.

(McPherson and Sauder, 2013, p.166) institutional logics concerns, "how social actors translate logics into action as they engage in everyday organisational activities or how these micro-level activities help reproduce or transform organisational structures." However, there is a paucity of research about institutional logic, and in this respect Terjesen et al. (2015) suggest further research to examine the institutional perspective on how different stakeholders can shape gender quotas in the boardroom. Grosvold (2011) feels that applying institutional theory to study boardrooms is essential because there is a deficiency of studies about corporate boardrooms to date. Using institutional logics to understand boardroom diversity is crucial in the context of the current study about Saudi Arabia, where culture and religion play an important role in forming company policy and structure.

Lastly, drawing on Laughlin (1995) for the middle-range thinker, the "skeletal" in this research entails using an institutional logics theorising framework with a more open mind to understand the material actuality that is distinct for diversity logics. This requires empirical details about essential, rich data (Laughlin, 1995). Consequently, this empirical evidence could "flesh" out the diversity logics within the boardroom. The previous studies showed that there exists less diversity within the boardroom in many contexts (e.g., see Terjesen et al., 2015). The theoretical framework could support the researcher to identify the diversity logics and surrounding pressures that might shift or resist diversity implementation. This may enhance our understanding regarding how to increase boardroom diversity.

4.7 Summary

This chapter has reviewed various theories of corporate governance as they are applicable to the issue of boardroom diversity. It looked at the theory of institutional logic, which was identified as a main theory for focus. Definitions of the theory were given, the development of the theory was traced, and its concepts were explained in order to outline how the theory is important to the current research. The next chapter will outline the methodology of study.

CHAPTER 5: Methodology and Methods

5.1 Introduction

This chapter describes the research methodology and methods used in this research. The tools used will be clarified, and the justification for the methods chosen and their appropriateness will be explained. Both exploratory and qualitative analyses were conducted for the purposes of this study.

5.2 Methodological Design

The methodological design of any research informs how it is conducted, as well as the choice of tools and strategies used to collect data. Creswell (2009, p.6) describes research methodology as "approaches to inquiry" or simply as "inquiry". This term originates from "strategies of inquiry" which Creswell defines as, "types of qualitative, quantitative or mixed methods designs or models that provide a specific direction for procedures in a research design." The choice of methodology signifies the research philosophy taken, and the clear and precise decisions undertaken by the researcher.

According to Creswell (2009) the experiences of individual researchers are important factors that drive research design. The design of research can be viewed as the strategy that conforms to the research philosophy, and that which formulates the procedures needed to undertake the research. The research design is a strategy used to find solutions to the research questions (Saunders et al., 2009), and the strategy or structure used for analysing and combining data (Wilson, 2010). Research design incorporates three main stages: identifying the philosophy, planning strategies and methods, and putting the research into practice. The research methodology design used in this study is shown in Figure 5.1 A further explanation of the methods used is given in the section below. In particular, this research will follow the guidance of Saunders et al. (2009), a book that describes the different stages of research as a "research philosophy", and as "approaches, strategies, and methods".

Figure 5.1 The Methodological Design of the Research

5.2.1 Research Philosophy

Research experts define what a research philosophy is in different ways. For example, Saunders et al. (2009, p.107) define a research philosophy as an, "over-arching term" that relates to, "the development of knowledge and the nature of that knowledge." Neuman (2000) refers to it as, research methodologies on a large scale. Moreover, different experts use different words to refer to the same thing: for example "world-views" (Creswell, 2009, p. 6); "paradigms" (Kuhn, 1970; Guba and Lincoln, 2005); and "epistemologies and ontologies" (Crotty, 1998). Overall, research philosophies fall into four main categories, as follows:

1. Positivism (or Post-Positivism);
2. Interpretivism (Constructivism);
3. Realism (Advocacy/Participatory); and
4. Pragmatism

(Saunders et al., 2009; Creswell, 2009)

Each one of these categories makes its own ontological and epistemological assumptions. Saunders et al. (2009, p.110-112) defines ontology as being, "concerned with the nature of reality" and epistemology as, "what constitutes acceptable knowledge in a field of study." Ontology uses two main approaches, namely: objectivism and subjectivism (Saunders et al., 2009). The ontological assumption underlying this research is subjectivism, because multi-reality pertains to an understanding of the board members and the nature of the relationships of diversity which embody gender, age, education levels, background education, nationality, and expertise. The composition of the board room will be investigated in relation to how all the aforementioned elements influence boardroom effectiveness and corporate governance. Subjectivism is the phenomena generated from the individual actors' comprehensions, and the involvement of their presence (Saunders et al., 2009).

To explore the subjective meaning underpinning this research, an interpretivist philosophy was adopted in order to understand the motivations of the social actors (Saunders et al., 2009). Thus, the epistemological assumptions of this study, according to the researcher's accepted knowledge, can be identified as interpretivism, or in other words, social constructivism as described by (Creswell, 2009). This is because the research is perceived according to the researcher's interpretation of the views of the participants (such as interviews with boardroom directors). Those who advocate interpretive philosophy argue that researchers must understand the interactions between different human (social actors) within social situations (see Neuman, 2013; Saunders et al., 2009). According to Saunders et al. (2009) an interpretivist philosophy assumes the researcher's understanding of social actions (phenomena) and depends on exploring the participants' motivations.

Exploring boardroom diversity involves looking at how a group of people behave in relation to the goals or objectives expected of them. It is about how interactions between people, and sharing their experiences and ideas helps them to achieve what is required of them. This involves understanding the world, and detecting ways to make meaning of it, without any bias against diversity types (e.g. gender, education, nationality, and age). Therefore, an appropriate philosophy to adopt for this study is interpretivism (social constructivism). This is suitable in order to understand interactions between diverse people. Culture is a vital aspect of these interactions, as well as the subjectivist view (Saunders et al., 2009). Moreover, this fulfils the needs of the qualitative methods used in this research.

5.2.2 Research Approach: Inductive

The research approach encapsulates the link between theory and the technique of collecting and analysing data (Bryman and Bell, 2015). There are two main approaches used to undertaking research in a social setting: a deductive and an inductive approach (Saunders et al., 2009). The deductive approach refers to testing a theory, and the inductive approaches refers to developing or generating a theory (Creswell, 2009). Saunders et al. (2009) argue that it helps to make a link between the research approach used and the research philosophy. Creswell (2009) refers to this link as the translation of the approach into practice, by bringing the research philosophy in line with the research design and the research methods. Moreover, Saunders et al. (2009) links the deductive approach to positivism, and the inductive approach to interpretivism. As mentioned above, Creswell (2009) emphasises that the inductive approach is concerned with generating or developing a theory by a researcher who interprets data, rather than testing a theory deductively. The link between the philosophy (worldview) and the approach is the interpretation (meaning) of the actions of the social actors and how this generates (or develops) the theory inductively.

The inductive approach seems more appropriate to achieve the aims of this study, as the intention is to determine the influence of boardroom diversity on corporate governance and board effectiveness. This will be achieved by conducting interviews with boardroom participants and stakeholders and interpreting the outcomes accordingly. This will contribute towards developing current knowledge in the field of corporate governance and boardroom diversity. Nevertheless, it is also worth noting that the inconsistency of previous deductive research studies undertaken into diversity and its different aspects (e.g. performance) is one of the main reasons why the researcher decided to opt to conduct inductive research (see Campbell and Mínguez-Vera, 2008; Lucas-Pérez et al., 2015; Terjesen et al., 2016; Rose, 2007; Mahadeo et al., 2012; Sarhan et al., 2019).

5.2.3 Research Strategy: Grounded Theory

Saunders et al. (2009, p.136) describe a research strategy as a, "general plan of how the researcher will go about answering the research questions." Therefore, researchers should choose and apply the strategy that enables them to answer their research questions and meet their objectives successfully, and to extend current knowledge within the available time and recourses available (Saunders et al., 2009). Wilson (2010) and Saunders et al. (2009) classify research strategies into five main categories: grounded theory (GT), case study, experiment, action research, and survey.

The strategy chosen for this research is grounded theory. According to Strauss and Corbin (1998, p.12) GT is, "a theory that was derived from data, systematically gathered and analysed through the research process". Glaser and Holton (2004, p.12) explain how GT is a theory that, "stands alone as a conceptual theory generating methodology and it can use any data, but obviously the favourite data to date is qualitative." Additionally, Charmaz (2006) views GT as a set of rules and exercises that provide flexible guidelines throughout the research journey and process; she explains how GT can be supplemented by other research methods. This research will follow the guidelines laid down by Charmaz (2006) for collecting and analysing data. The main reasons for choosing GT can be listed as follows:

1. It offers a useful approach that formulates the collection and analysis of qualitative data gathered from complex interactions between situations and people, organisations, and behaviours.

2. In context, and where no similar previous studies have been undertaken, it can be used to provide an appropriate understanding of phenomena within the context. For example, Karim Sorour and E. Howell (2013) use GT to explore the phenomena of the corporate governance bank sector in Egypt, which had not been investigated before. Moreover, Hansen and Kautz (2005) argue that human activities tend to involve various people, and, thus, it is impossible to separate the directors from their context.

3. It complements the strategy for the inductive approach, which has been adopted for this study.

4. It helps theorise phenomena from a boardroom perspective, where other methodologies have failed, in relation to the effectiveness of the boardroom.

5.2.4 Research Methods Used

According to Kurnar (2005) and Robinson (2002) the data collection methods used in research are influenced by three main aspects: questions, objectives, and methodology. All these aspects have influenced the choice of methods chosen for this research. The primary method used will be the semi-structured interview, and this method is complemented by the collection of secondary data. Therefore, multi-methods are adopted for this research. Teddlie and Tashakkori (2003) define the multi-method approach as the combining of two methods when collecting and analysing data. However, this can involve using qualitative or quantitative methods, or both. A combination of these two methods is frequently used in social sciences research (Collis and Hussey, 2014; Saunders et al., 2009). There are benefits in using this multi method approach to answer the questions of this research.

According to Saunders et al. (2009) there are two advantages of applying a multi-methods approach. Firstly, each method can be used for a different purpose. Secondly, it gives the researcher the confidence to delve into important issues. Robinson (2002, p.370) states that the most important reason for using the multi-method approach is to reduce, "inappropriate certainty" when conducting research. For this study the researcher collected secondary data in order to get closer to the research problem. This allows more insight into key issues before moving on to conducting the interviews (Saunders et al., 2009). Moreover, it helps the researcher feel prepared to formulate interview questions and coding for the interviews stage.

As noted above, a secondary data analysis was undertaken to provide in-depth insights, to help gain a better understanding of the context, and to answer the first main question of the thesis, see

Table 5.1. The secondary data analysis complemented the interview data to provide an understanding of the extent of board diversity in Saudi Arabian companies. The questions of the research were answered in full, based upon the analysis of the interviews and the secondary data collection.

Questions	Research Questions	Data Collection Methods Used
Q1	To what extent does boardroom diversity exist in Saudi Arabian listed companies? (Diversity includes gender, age, expertise, educational background, qualification level, and nationality.)	Secondary data and semi-structured interviews.

Q2	How might social dimensions such as culture, norms, religion, and regulation affect boardroom diversity?	Semi-structured interviews.
Q3	How might diversity affect board effectiveness through different mechanisms, such as monitoring, independence, decision-making, and assessed risk management/internal control?	Semi-structured interviews.
Q4	To what extent might the Saudi Vision 2030 contribute to increasing boardroom diversity?	Semi-structured interviews.
Q5	What recommendations might be drawn in practice for enhancing board diversity and effectiveness, based on the findings of the interviews?	Semi-structured interviews.

Table 5.1: Research Questions and Methods Used

5.2.4.1 Secondary Data Methods

According to guidelines issued by (Bryman and Bell, 2015; Robinson, 2002; Neuman, 2000; Saunders et al., 2009), secondary data collected is usually divided into different categories and classifications. For example, Saunders et al. (2009) divide secondary data into three sub-groups as follows: documentary data, survey-based data, and multiple sources. Documentary data includes written materials (e.g. reports to shareholders, meeting minutes, books, and newspapers, etc.) Bryman and Bell (2015) explain that data can include a firm's statements which can be used to create statistical data. Robinson (2002); and Saunders et al. (2009) explain that data can also include non-written documentation such as pictures, videos, and voice recordings. The documentary data that applies to this research is secondary data, because it consists of written documents such as firms' reports, board reports, and firms' websites.

Kabanoff et al. (1995) employ a broad range of organisational data to study the value and composition of leadership in companies. Furthermore, Hakim (1982) recommends that a secondary data analysis helps the researcher get closer to the theory and to the aims and question of the research. Also, secondary data methods enable users to produce "triangulation" which can improve research findings and the reliability of primary data methods (Insch et al., 1997; Cowton, 1998). Furthermore, online access makes this a low-cost option (Hakim, 1982), although, sometimes, combined data sets are not affordable. Secondary data sources also give an indication of what has happened over a certain period in time, while data collected by questionnaire or interview only provides information on recall (Harris, 2001). Thus, applying a secondary data collection and analysis adds practical value to achieve the aims of the research at little cost.

For the purposes of this research, the required documentary data was found on the website www.tadawul.com.sa. All the data variables used in this research were found on this website: the data comprises financial statements, board reports, and company profiles. This is a public website, and it requires no special access permissions. This approach saved time and money for the researcher because no charges were required to access this public data and no travelling costs were incurred in collecting this data. Easy access to this data enabled the researcher to devote enough time towards collecting qualitative data. According Saunders et al. (2009) one advantage of using secondary data is that the researcher might discover unexpected results that are undiscoverable by using primary qualitative data collection methods alone.

5.2.4.2 Semi-Structured Interview Methods

This study aims to explore the intersections of different individual and corporate decisions made by firms within the specific context. Therefore, the methodology used must be appropriate in order to gain an understanding of these complicated situations, which will lead to gaining deep insight. This is the nature of the inductive approach. As stated above, the main method used to collect data for this research is semi-structured interviews. Kahn and Cannell (1957) (cited from Saunders et al., 2009, p.318) state that, “An interview is a purposeful discussion between two or more people.” Semi-structured interviews are classed as a method used for collecting primary data, which can be supplemented by secondary data, in order to help the researcher gain descriptive information. In this research, the semi-structured interview was used to collect qualitative data from the boards of directors of listed companies in Saudi Arabia. Interviews were undertaken in order to enhance the researcher’s knowledge and understanding of processes, attitudes, and situations, in order to provide insight into boardroom diversity effectiveness in Saudi Arabia.

According to (Saunders et al., 2009, p.321), semi-structured interviews are used, “not only to reveal and understand the ‘what’ and the ‘how’ but also to place more emphasis on exploring the ‘why’.” This implies the chance to investigate and explain meanings, behaviours, conversations, and situations relating to the individual practices of the board of directors working at the listed companies chosen. According to Arnold and Silvester (2005) and Saunders et al. (2009) employing semi-structured interviews helps a researcher gain elasticity to go in-depth with the script when questioning the interviewee, as well as generating new questions that make the interviews worth discussing.

Although there are many benefits of using semi-structured interviews, there are also some drawbacks. According Saunders et al. (2009) there are four main problems associated with using semi-structured interviews: reliability, forms of bias, validity, and generalisation. Therefore, it is important that the researcher is impartial when undertaking interviews and also when interpreting them, in order to ensure quality. This is needed to enhance the reliability of the research and to form a question to examine the research problem. However, referring to secondary data can go some way towards overcoming the above-mentioned disadvantages. Finally, in a situation when time is available and researcher bias can be controlled, semi-structured interviews can be a highly valuable way of collecting data.

5.2.5 Data Collection and Analysis

Secondary data collection and analysis was undertaken in order to gain a greater understanding of the context of the research and to inform the semi-structured interviews. It provided the researcher with comprehensive data that could be used to devise appropriate interview questions. The interviews targeted the top management and directors of listed companies. The familiarity of the researcher with the broad market picture, together with the collection of valid data, meant that the researcher was able to engage with the participants successfully. It was important to be able to approach the interviewees formally and informally, so it was useful to find out details about them via Tadawul.

5.2.5.1 The Collection and Analysis of Secondary Data

Descriptive data was collected from the Saudi Stock Market in order to provide exploratory insight into the market. The researcher examined 1,454 board members from 176 firms for the year 2016/17 to check diversity types relating to: gender, nationality, qualification levels, and educational background. The population sample used was quite similar to that used by Mahadeo et al. (2012) who examined firms in Mauritius, but only checked 371 board members from 39 firms. Also, Kang et al. (2007) sampled 100 firms on the Australian Stock Market, and 820 board members in total.

The data used in the current research was collected from company profiles listed on the Saudi Stock Market, Tadawul. Moreover, the researcher used DataStream databases to obtain the firms' performance measures, and to speed-up the collection procedure. Additionally, Excel and SPSS programmes were used to analyse the collected data. Diversity types were tested for correlation coefficients against firm variables, such as: average pay, foreign ownership, family ownership, institutional ownership, firm size, performance, leverage, IND, and Tobin's Q. Moreover, board size was classed as a dependent variable according to guidance from (Kang et al., 2007; Mahadeo et al., 2012). Nominal variables such as member classification, sectors, and regions were tested for differences against all the above-mentioned variables. All variables used for the measurements are shown in (Appendix 1). An analysis of the data collected is presented in Chapter Six (see also Appendix 2 correlation table).

5.2.5.2 Data Collection and Analysis: Semi-Structured Interviews

The researcher undertook thirty interviews with both male and female directors. This allowed the researcher to gain in-depth insight and to explore complicated human interactions (Culpepper and Gilbert, 1999). When conducting a semi-structured interviews a researcher must apply flexibility to remove or add questions and change the order of questions from one interview to another, to fit the researcher's needs in the context (Saunders et al., 2009). For this research, this allowed the researcher to manage the interviews from firm to firm, from group to group, and from one gender to another, for example. In this research, the researcher benefited from using secondary data in order to explore and formulate the interview questions (Appendix 3 details the interview questions). This enhanced the chances of obtaining valuable views and insights, and exploring the relationships of the boardroom in Saudi Arabia. Furthermore, it helped the researcher to establish, explore, and evaluate how boardroom diversity influences board effectiveness and corporate governance. This enabled the researcher to prepare before undertaking the interview data collection.

Semi-structured interviews can be undertaken either face-to-face, by telephone, and via the Internet (Saunders et al., 2009). In this case, the researcher attempted to undertake recorded face-to-face interviews. There are some drawbacks to recording interviews, but more advantages can be gained if the process works (Saunders et al., 2009). In this research, it was important to keep in mind the challenges faced when getting in touch with board members; the snowballing technique and looking up existing contacts in Saudi companies were important tools used by the researcher to overcome these obstacles and to gain access to interviewees.

The interview data was collected during the period from June 2018 to September 2018. The researcher travelled to three Saudi Arabian business city locations. Travel costs and expenses were funded by the Sheffield Management School. The city locations visited were Riyadh, Jeddah, and Dammam. Riyadh is located in the middle of Saudi Arabia, and is the capital city; it is also where all government organisations are located. Jeddah is in the Western region; it is an important port and serves as the gate to Makkah. Dammam is in the Eastern region, and is an important port where many oil industries are located. These locations are diverse regions and all operate different cultural norms (see Al-Saif, 2019). According to Kumar (2011), explaining a case phenomenon or problem in qualitative research is more important than sampling considerations. For this research, participants were chosen from different cities, and a diversity of ages, education, genders, sectors, and groups were targeted.

The interviewees were classified into three groups: Board Members (BMs), Internal Stakeholders (InStaks), and External Stakeholders (ExStaks). These categories included fourteen, nine, and seven individuals, respectively. The interviews lasted approximately sixty minutes. Each respondent was assigned a code for use in place of their name, to ensure anonymity, and no participant names are shown in Table 5.2, 5.3 and 5.4. The characteristics of each interviewee were noted (i.e., their gender, qualifications, nationality, locality, and age). The participants were chosen to represent a diverse range of characteristics, to ensure a rich understanding of the central concerns of the thesis, and to ensure quality research.

Table 5.2: Board Members (BMs)

No	Code	Position	Sector	Gender	Qualification	Nationality	Classification	Region	Age
1	BM1 (M)	Board of Directors	Capital Goods	Male	First degree	Saudi	Non-Executive	East	45
2	BM2 (M)	Board of Directors	Commercial & Professional SVC	Male	Postgrad degree	Saudi	Independent	West	44
3	BM3 (M)	Board of Directors	Utilities	Male	Postgrad degree	Saudi	Independent	Middle	40
4	BM4 (M)	Board of Directors	Banks	Male	Postgrad degree	Saudi	Independent	East	45
5	BM5 (M)	Board of Directors	Materials	Male	First degree	Saudi	Independent	Middle	51
6	BM6 (M)	Board of Directors	Insurance	Male	First degree	Saudi	Independent	East	43
7	BM7 (M)	Board of Directors	Consumer Discretionary	Male	Postgrad degree	Saudi	Non-Executive	Middle	52
8	BM8 (M)	Board of Directors	Capital Goods.	Male	Postgrad. degree	Saudi	Independent	East	62
9	BM9 (M)	Board of Directors	Healthcare..	Male	First degree	Saudi	Independent	West	50
10	BM10 (M)	Board of Directors	Real Estate	Male	First degree	Saudi	Independent	Middle	59
11	BM11 (M)	Board of Directors	Banking.	Male	Postgrad. degree	Saudi	Independent	West	64
12	BM12 (F)	Board of Directors	Insurance.	Female	Postgrad. degree	Saudi	Non-Executive	West	29
13	BM13 (M)	Board of Directors	Food & Beverages.	Male	Postgrad. degree	Saudi	Executive	West	57
14	BM14 (M)	Board of Directors	Insurance.	Male	First degree	Saudi	Non-Executive	Middle	32

Table 5.3: Internal Stakeholders (InStaks)

No	Code	Position	Gender	Qualification	Nationality	Sector	Region	Age
1	Exec1CEO (M)	CEO.	Male	Postgrad. degree	Saudi	Consumer Discretionary	West	45
2	Exec2 CM (M)	Auditor & Audit Committees	Male	First degree	Saudi	Capital Goods	Middle	40
3	Exec3CFO (M)	CFO.	Male	Postgrad. degree	Saudi	Banking	Middle	47
4	Exec4CM (M)	Governance Committee Member	Male	Postgrad. degree	Saudi	Banking	Middle	33
5	Exec5CM (F)	Governance Committee Member	Female	First degree	Saudi	Banking	Middle	39
6	Exec6 BS (F)	Secretary of the Board & Governance Committee Member	Female	Postgrad. degree	Saudi	Consumer Staples	West	63
7	Exec7CM (M)	Auditor & Audit Committee	Male	Postgrad. degree	Saudi	Utilities	West	50

8	Exec8BS (M)	Secretary of the Board	Male	First degree	Non-Saudi	Consumer Discretionary	West	51
9	Exec9BS (M)	Secretary of the Board	Male	First degree	Non-Saudi	Insurance	West	38

Table 5.4: External Stakeholder (ExStak)

No	Code	Position	Gender	Sector	Nationality
1	Reg1 (F)	Regulatory	Female	CMA	Saudi
2	Reg2 (M)	Regulatory	Male	CMA	Saudi
3	Reg3 (M)	Regulatory	Male	CMA	Saudi
4	Reg4 (M)	Regulatory	Male	CMA	Saudi
5	Reg5 (M)	Regulatory	Male	SIMAH	Saudi
6	GP1 (M)	Governance Practitioner	Male	Corporate Governance Consultant	Saudi
7	GP2 (F)	Governance Practitioner & Board Training Programmes	Female	Board Directors Training Institution	Non-Saudi

All the semi-structured interviews used the same guided questions, with some wording modifications for each group. New questions were developed where necessary. The interviews were conducted face-to-face in the participant's office as planned. However, some were undertaken by phone for convenience. Most of the interviews were recorded with each participant's permission. One interviewee did not want to be recorded, and so the researcher took detailed notes.

The participants included both Saudis and foreigners working at a top management level, and some interviews were conducted in English and others in Arabic. All the interviews were eventually translated into English. The researcher offered each interviewee the option to answer in either English or Arabic. This allowed participants to speak more confidently and coherently. The transcripts were generated based on the language used for the interview. The Arabic interviews were transcribed into Arabic, and the analysis was conducted using the original interview language to ensure meaning was not lost, before the researcher translated the code only from Arabic to English. According to Al-Amer et al. (2016), rather than translating the interviews during the first phase of data collection, the analysis of interviews in any language should be undertaken in the same language, until the researcher has reached a higher level in the data analysis process (e.g. the thematic level) before being translated. This is done to avoid losing the meaning. For the current research, the researcher consulted another person who spoke both languages fluently, in order to verify the correctness of the translations.

An analysis of the data was undertaken to provide an understanding of it and to make it useful for the purposes of the research. For qualitative research, data analysis is used to create new concepts, theories, and relationships which are meaningful. However, data analysis procedures and techniques can vary from one research approach to another. Basically, in GT, data collection involves heavy reading and going back-and-forth over transcripts of interviews and descriptions in paragraphs, sentences, or words. The descriptions used for qualitative data analysis must be frank and objective (Glaser and Holton, 2004). Also, data analysis for qualitative research must be undertaken at the same time and be continuous (Creswell, 2009). Therefore, the researcher has to keep in mind any important information obtained throughout the data collection and analysis stage.

As mentioned above, GT was used to analyse the qualitative data collected during this research. A study by Komives et al. (2005) explains that GT concentrates on developing new theoretical phenomena based on the participants' views and experiences in a specific case. This is because it is designed to offer flexibility during explicit stages of the collection and analysis of data (Charmaz, 2006). The theoretical results were derived from data analysis by means of coding and categorising the interview scripts. Strauss and Corbin (1998, p.3) describe coding as, "The analytic processes through which data is fractured, conceptualised, and integrated to form theory." Identifying coding techniques applying to the research was crucial.

Coding strategies used for building a conceptual pattern can vary among different scholars (see Strauss and Corbin, 1998:2008; Charmaz, 2006; Birks and Mills, 2011; Glaser, 1978; Glaser and Strauss, 1967). Each of these scholars adopts a different way of analysing and coding interview transcript data see

Table 5.5. For this research, the researcher adopted the coding steps proposed by Charmaz (2006) after undertaking a comparison of all the different ways. This coding technique involves three main steps: initial coding, focused coding, and theoretical coding sequentially (Charmaz, 2006).

Reference	First Level	Second Level	Third Level
(Glaser and Strauss, 1967)	Coding and comparing incidents.	Integrating categories and properties.	Delineating the theory.
(Glaser, 1978)	Open coding.	Selective coding.	Theoretical coding.
(Strauss and Corbin, 1998)	Open coding.	Axial coding.	Selective coding.
(Charmaz, 2006)	Initial coding.	Focused coding.	Theoretical coding.
(Birks and Mills, 2011)	Initial coding.	Intermediate coding.	Advanced coding.

Table 5.5: Coding Strategies: Source Birks and Mills (2011, p. 112)

As shown above, grounded theory comprises at least two stages of coding: the initial phase and the focused phases (Charmaz, 2006). Initial coding is considered the first step as outlined by Charmaz (2006) in his grounded theory strategy. This comprises a preliminary stage, which involves naming and categorising the data, and trying to find segment commonality and variances in the data, or important words (Birks and Mills, 2015; Charmaz, 2006). The researcher begins this stage by identifying themes and highlighting text. This is done to develop the themes as much as possible. and to make the most valuable use of the data. It is a basic process used to investigate unknown concepts, to find new insights, and to protect the data from researcher bias (Charmaz, 2014). This process also allows the researcher to get close to the data, see Table 5.6.

1.	What do you understand by board effectiveness?
	An effective boardroom is the engine that supports executive management, "from a strategic point of view."
Company Strategic Goals.	Achieving the strategic goals for the company.
Involvement. Understanding the business. Relationship with management.	1- How much are they involved in the company itself? 2- The relationship with management. 3- Their strategic direction. 4- Their understanding of the sector they are in.
Adding value. Developing FR and HR.	Adds value to the company and shareholders via developing HR & FR. Contributing to the National Economy. Hard to measure because of "management style" but it can be evaluated throughout the meeting and via participation. Short term (operational goals) and long term strategic goals.
Interferes when necessary. Board objectives. Good at reading reports. Protecting shareholders.	Monitor, mandates, regulates, and interferes when necessary. Achieves the board objectives. Monitoring the performance and reward system. Good at reading financial statements, and reports. Add Values and protects shareholders and suppliers.

Table 5.6: Sample of Initial Coding

The next step is focused coding, which is described by Charmaz (2006, p. 46) as follows, "a focused, selective phase that uses the most significant or frequent initial codes to sort, synthesise, integrate, and organise large amounts of data." At this stage, the researcher concentrates more on the initial coding and identifies connections between different codes. Also, relationships with other codes can be found so as to allow the merging of codes into one.

Focused coding involves applying the most relevant and repeated initial codes to filter vast volumes of data (Charmaz, 2014). The purpose of this process is to improve classification (Saldaña, 2015). Indeed, Saldaña (2015) explains that focused coding needs the input of researcher decisions to obtain a general picture of analytic thought. The researcher must then use qualitative software.

The NVivo programme was used by the researcher to obtain more accurate results and to speed-up the coding procedure. According to Ghauri and Gronhaug (2010), qualitative software data analysis is useful when a large volume of data needs to be coded, connected and interpreted. For this current research, this process was helpful for comparing different groups of participants. NVivo was created for use in grounded theory research (Mortelmans, 2019), and numerous versions of this software are now available for use. The researcher used this programme to ease the coding procedure. Counting was accompanied by the use of the NVivo programme after the initial coding stage, to complete the focused coding, see Figure 5.2.

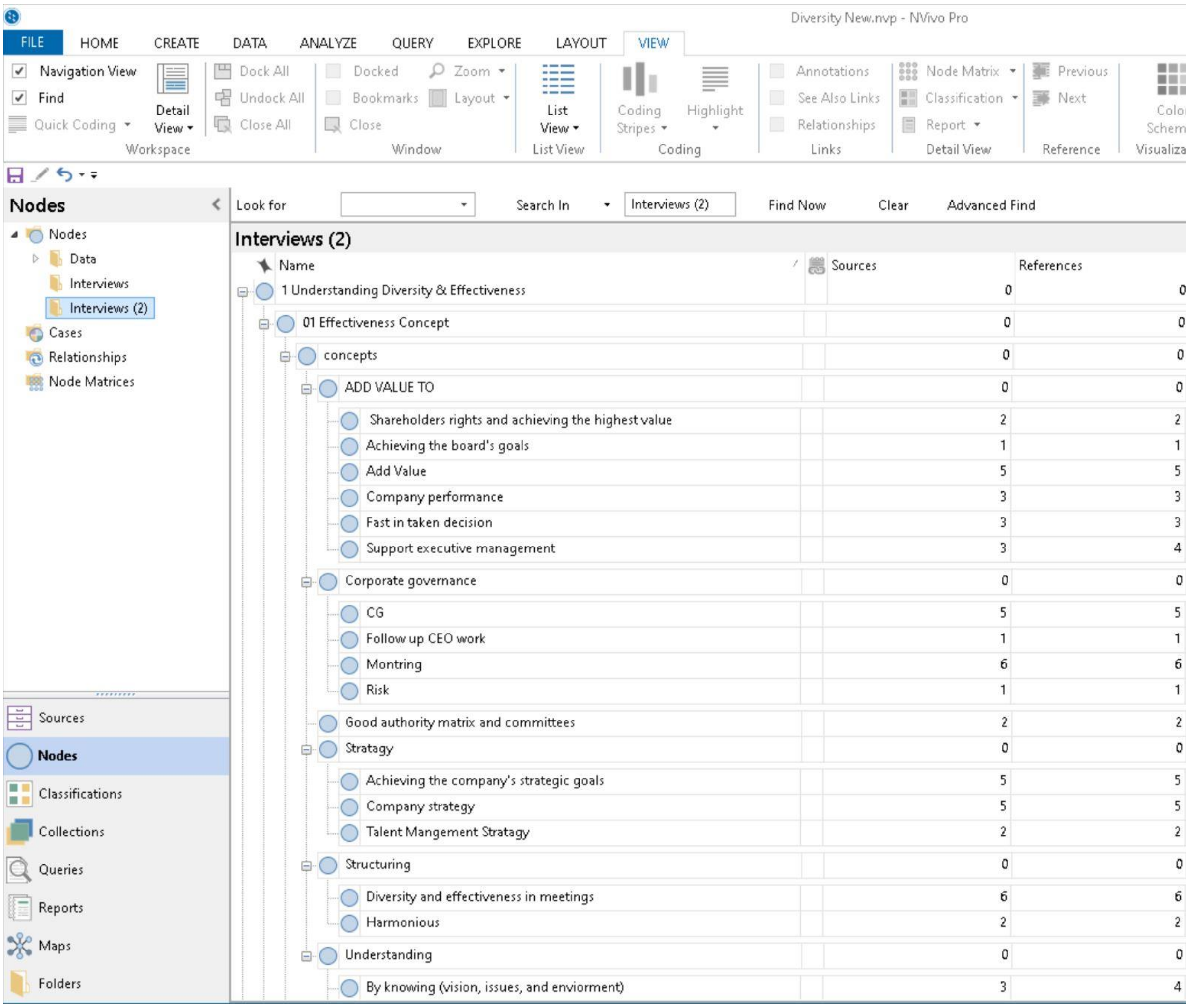

Figure 5.2: Sample Picture of Coding Using NVivo software at the Focused Coding Stage

5.3 Consolidating the Findings of the Secondary Data Analysis and the Interviews

This research employed a multi-methods approach; namely, secondary data collection and semi-structured interviews, both of which approaches were essential for achieving the study questions. Blaxter et al. (2010) stated that secondary data approaches focus on investigative methods, whereas interviews concentrate on obtaining a deeper in-depth knowledge of the phenomenon under study. Secondary data collection alone could not evaluate stakeholders' perceptions about board diversity in Saudi Arabia, and, so, interviews were adopted for this purpose. The secondary data analysis worked to explore different types of board diversity within various listed companies, and a full picture of this would have been difficult to speculate from the interview analysis data alone. Hence, the research questions for this study were answered by applying two approaches. The consolidated results are detailed in Chapter Eight.

5.4 Ethical Considerations

Undertaking research involves obtaining consent, and maintaining participant privacy and data confidentiality; these are essential elements when conducting an empirical study (Collis and Hussey, 2014). The current research applied ethical procedures in its research design. The research was standardised and approved based on the requirements of the Ethics Committee at Sheffield Management School. For more information, please visit The University of Sheffield Research Ethics Policy portal (see Appendix 4 for Ethics Approval gained). The Committee reviewed the interview questions and approved the consents and the information sheet given to participants (see Appendices 5 and 6). The consent form and information sheet were translated from English into Arabic to make sure the non-English speakers understood factors relating to research ethics and integrity (see Appendices 7 and 8). Moreover, the research considered the anonymity of the participants, and each was provided with a code name. This was done to ensure data was protected; the data included recordings and transcripts of the interviews, as well as approved consent forms to participate.

One of the challenges encountered when conducting the interviews was gaining consent, and signing the consent forms; some of the participants had not encountered these kind of forms before, and they wanted to cross check the forms with their law department before signing. The researcher was happy for the interviews not to proceed without obtaining the participants' consents, and he reassured the participants that their information would be treated with complete confidentiality as per the ethical code of conduct outlined by the University of Sheffield. The researcher clarified that the consent form was designed to protect both parties, and that any information offered would be utilized, particularly for the purposes of the current study.

5.5 Chapter Summary

This chapter has reviewed different research methodologies and has explained why the researcher adopted certain chosen methodologies for this study. Also, this chapter introduced the research design, philosophy, approach, methodology, and methods used in the research. It outlined how research has been conducted and described the data collection and analysis procedures used. An explanation relating to why the researcher decided to use these methods and approaches was also outlined. The next chapter will present and analyse the secondary data.

CHAPTER 6: Secondary Data Results

6.1 Introduction

This chapter provides a statistical relationship analysis of the descriptive data results. Descriptive data were collected from the Saudi market in order to gain an exploratory insight into the market. This research examined 1,454 board members from 176 firms for the year 2016. However, some data were unavailable for some firms and members. Overall, it was possible to test the 176 companies but, for other tests, it was only possible to examine 96 companies. Therefore, the sample size varied between companies across the different tests and variables (see Table 6-1). Also, Table 6-2 show the statistical analysis results for the continuous variables.

		Diploma or lower	First degree	Postgrad degree	Female	Male	Foreign	Saudi	Accounting & Finance	Engineering	Computing & Science	Management & Business	Marketing & Economic	Law	Others
N	Valid	101	101	101	176	176	176	176	98	98	98	98	98	98	98
	Missing	78	78	78	3	3	3	3	81	81	81	81	81	81	81

Table 6-1: Sample size for the diversity variables

	N		Mean	Std. Error of Mean	Median	Std. Deviation	Minimum	Maximum
	Valid	Missing						
Board Size	176	3	8.27	0.115	9.00	1.521	4	11
Average Pay	135	44	232601	13510	200000	156975	46702	1313571
Foreign Ownership	177	2	5.2407	0.7121	1.4800	9.4742	0	42.5700
Family Ownership	175	4	5.5111	0.8712	0	11.5243	0	95.0000
Institutional Ownership	171	8	31.1296	1.8905	31	24.7212	0	83.7700
Performance	171	8	0.0452	0.0062	0.0371	0.0813	-0.4849	0.2849
Firm Size	171	8	6.4448	0.0607	6.2850	0.7934	4.9108	8.6449
Leverage	171	8	0.1613	0.0089	0.1613	0.1163	0.0045	0.6567
Tobin's Q	171	8	1.5848	0.0592	1.3162	0.7739	0.5289	4.7710

Table 6-2: The statistical analysis of the continuous variables

6.2 The Data and Statistical Analysis Tests

The data at the beginning was collected about individual directors to give a deep insight. However, the researcher found that it was insufficient to test the director's personal property (i.e., education, nationality etc.) against the firm's property (e.g., firm performance). This is because performance is a firm property, not an individual property. Therefore, the data were collected at the individual firm level using the content number of each variable (the continuous variable). For example, the firm could have (3) foreign, (1) female, (1) diploma or lower, (4) first degree, (5) postgraduate degree, etc. This made it possible to test the data using a correlation coefficient.

The non-parametric tests (e.g., Spearman's rho correlation coefficient) were used to examine the data. The main reason for this was that data was tested for normality (i.e., using the Kolmogorov-Smirnov and Shapiro-Wilk test), which resulted a significant coefficient in the current dataset. This means that, if the test results are significant (P<.05), then the variable is not normally distributed (Shapiro and Wilk, 1965; Razali and Wah, 2011). The researcher used the non-parametric Kruskal-Wallis test, which is a popular way of testing nominal variables, such as classifications, sectors, and regions, against diversity types. Another reason for using a non-parametric test was due to the non- continuous data; i.e., 'ordinal data'. This test was undertaken to discover the significant differences between the nominal variables and diversity types, such as gender, nationality, qualification levels, and educational background.

Moreover, to undertake extensive further data analysis, the diversity variables were transformed in some tests into categorical variables. As stated above, the researcher used continuous variables to test for the correlation coefficient Spearman's rho (r_s) test to see if the increase/decrease in each diversity variable impacted on the firm variables. Nevertheless, the researcher applied categorical variables in other tests, such as the Chi-square, using 0/1 (e.g., 0 'No Females' and 1 'At Least One Female') to assess the relationship between the categorical variables. This also made it possible to test the level of different diversity types with board size, as discussed in the sections below.

6.3 Descriptive Data Analysis (Frequency)

For this study, gender was classified into two categories (male and female). The gender categories were collected from the Saudi market, relating to 1,454 board members from 176 firms. Table 6-3 shows that 94.9% of the companies did not have females in the boardroom while only 5.1% of the companies had a single female in the boardroom. Also, the percentage frequency of boardroom with nine board members was the highest.

		Male			Female		
		Frequency	Percent	Valid Percent	Frequency	Percent	Valid Percent
Valid	0.0	--	--	--	167	93.3	94.9
	1.0	--	--	--	9	5.0	5.1
	4.0	3	1.7	1.7	--	--	--
	5.0	7	3.9	4.0	--	--	--
	6.0	10	5.6	5.7	--	--	--
	7.0	38	21.2	21.6	--	--	--
	8.0	26	14.5	14.8	--	--	--
	9.0	64	35.8	36.4	--	--	--
	10.0	18	10.1	10.2	--	--	--
	11.0	10	5.6	5.7	--	--	--
	Total	176	98.3	100.0	176	98.3	100.0
Missing		3	1.7		3	1.7	
Total		179	100.0		179	100.0	

Table 6-3: Frequency of the number of male and female board members for the different companies

Nationality was classified into two categories (Saudi and Foreign). These nationality categories were collected from data relating to the Saudi market for the 1,454 board members from 176 firms. Table 6-4 shows that 73.3% of the companies did not have a Foreign member on the board while the maximum number of Foreign members within a single boardroom was four. The greatest frequency for Foreign members ranged from one to four, at 13.1%, 5.7%, 5.1%, and 2.8%, respectively.

		Saudi			Foreign		
		Frequency	Percent	Valid Percent	Frequency	Percent	Valid Percent
Valid	0	--	--	--	129	72.1	73.3
	1	--	--	--	23	12.8	13.1
	2	--	--	--	10	5.6	5.7
	3	1	.6	.6	9	5.0	5.1
	4	6	3.4	3.4	5	2.8	2.8
	5	10	5.6	5.7	--	--	--
	6	20	11.2	11.4	--	--	--
	7	43	24.0	24.4	--	--	--
	8	26	14.5	14.8	--	--	--
	9	49	27.4	27.8	--	--	--
	10	12	6.7	6.8	--	--	--
	11	9	5.0	5.1	--	--	--
	Total	176	98.3	100.0	176	98.3	100.0
Missing		3	1.7		3	1.7	
Total		179	100.0		179	100.0	

Table 6-4: Frequency of the number of Saudi and Foreign board members for the different companies

Qualifications were classified into three categories (diploma or lower, first degree, and post-graduate degree). These education levels were collected from data available on the Saudi market for 709 board members from 101 firms. Directors' education is exclusive, which means that the researcher only recorded the higher or last qualification level of the directors (the previous qualification not recorded in other categories). Table 6-5 showed that 73.3% of the companies with valid data did not anyone with a diploma or lower degree in their boardroom, while 6.9% and 7.9% of the companies did not have anyone on the board with a first or post-graduate degree. The highest frequency of companies had one board member with a diploma or lower degree, whereas in 21.8% of the companies, four board members had a first degree, and in 22.8% of the companies, three board members had a post-graduate degree.

		Diploma or lower			First degree			Postgrad degree		
		Frequency	Percent	Valid Percent	Frequency	Percent	Valid Percent	Frequency	Percent	Valid Percent
Valid	0	74	41.3	73.3	7	3.9	6.9	8	4.5	7.9
	1	18	10.1	17.8	11	6.1	10.9	18	10.1	17.8
	2	7	3.9	6.9	10	5.6	9.9	15	8.4	14.9
	3	1	.6	1.0	19	10.6	18.8	23	12.8	22.8
	4	1	.6	1.0	22	12.3	21.8	21	11.7	20.8
	5	--	--	--	12	6.7	11.9	8	4.5	7.9
	6	--	--	--	6	3.4	5.9	6	3.4	5.9
	7	--	--	--	8	4.5	7.9	2	1.1	2.0
	8	--	--	--	5	2.8	5.0	--	--	--
	11	--	--	--	1	.6	1.0	--	--	--
	Total	101	56.4	100.0	101	56.4	100.0	101	56.4	100.0
Missing		78	43.6		78	43.6		78	43.6	
Total		179	100.0		179	100.0		179	100.0	

Table 6-5: Frequency of the number of board members holding a diploma or lower, first degree, and post-graduate degree for different companies

Educational background was classified into the most popular seven categories, as follows: Accounting and Finance, Engineering, Law, Computing and Science, Marketing and Economics, Management and Business, and other. These background categories were collected from data on the Saudi market for 685 board members from 98 firms. Those classed as having an ‘other’ background comprised those with a high school or lower, religious, medical, agricultural, education, aviation, mass media, and arts backgrounds. Table 6-6 showed that the board members of more than 50% of the companies have an engineering, management and business, other, and accounting and finance background, whereas the board members of less than 50% of the companies have a Marketing and Economics, Law and Computing and Science background. Moreover, the highest frequency number of all backgrounds was found when there was one member in a single company, except for board members with an engineering background, where a high frequency was noticed for two members.

		Engineering		Management & Business		Others		Accounting & Finance		Marketing & Economic		Law		Computing & Science	
		Frequency	Valid Percent	Frequency	Valid Percent	Frequency	Valid Percent	Frequency	Valid Percent	Frequency	Valid Percent	Frequency	Valid Percent	Frequency	Valid Percent
Valid	0	31	31.6	14	14.3	38	38.8	46	46.9	59	60.2	77	78.6	65	66.3
	1	18	18.4	22	22.4	32	32.7	32	32.7	25	25.5	18	18.4	27	27.6
	2	27	27.6	16	16.3	17	17.3	18	18.4	10	10.2	2	2.0	6	6.1
	3	15	15.3	19	19.4	6	6.1	1	1.0	4	4.1	1	1.0	--	--
	4	4	4.1	19	19.4	3	3.1	1	1.0	--	--	--	--	--	--
	5	1	1.0	3	3.1	2	2.0	--	--	--	--	--	--	--	--
	6	2	2.0	5	5.1	--	--	--	--	--	--	--	--	--	--
	Total	98	100	98	100	98	100	98	100	98	100	98	100	98	100
Missing		81		81		81		81		81		81		81	
Total		179		179		179		179		179		179		179	

Table 6-6: Frequency of the number of the various educational backgrounds of board members for different companies

Lastly, Table 6-7 shows how many females versus male directors are Saudi versus Foreign and higher versus lower educated. It can be observed that 66.67% of the females had a postgraduate degree. Based on the available data, many foreign directors also hold a higher education degree. On the other hand, most of the lower educated directors were from Saudi.

Numbers	Male	Female	Saudi	Foreign
	1445	9	1362	92
Diploma or lower	39	0	38	1
First degree	376	3	362	17
Postgraduate	285	6	267	24
Saudi	1355	7		
Foreign	90	2		

Table 6-7: Different diversity categories' intersection

6.4 Gender

There were nine (0.6%) female board members, and 1,445 (99.4%) male ones. The number of female members (0.6% < 1%) was extremely low and, therefore, the data were insufficient to undertake a comparison with males. Figure 6-1 compares these percentages with the gender of the investors, where 21% were found to be female, and 79% male. This comparison was made in order to establish the proportion of female investors to female directors in the boardroom.

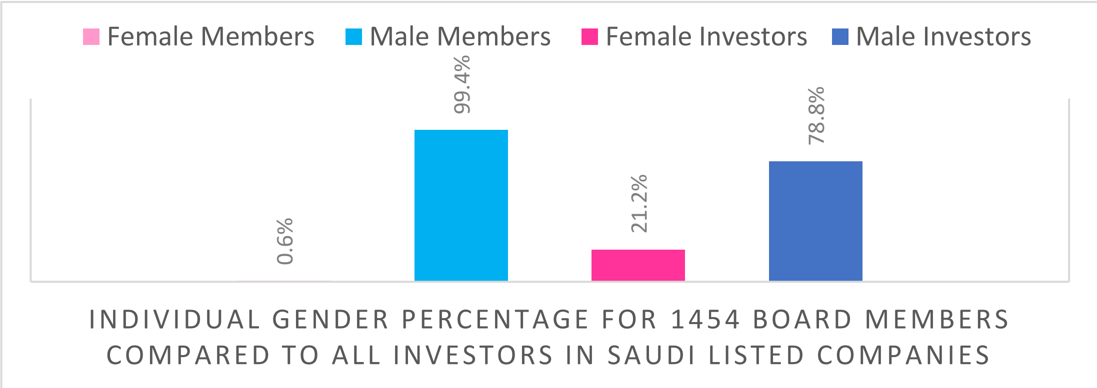

Figure 6-1: Gender diversity in the boardroom versus the gender of investors in the market

The statistical results were consistent with Mahadeo et al. (2012), who found no more than one female per firm in the Mauritius market, and no females were chairpersons. However, Mahadeo et al. (2012) found there were 2.98% female board directors while, in the Saudi market, this number was less than 1% of the total sample. Table 6-8 shows the correlation of gender diversity: female gender is positively correlated, at $r_s = .244$ and $p <.01$, with the number of foreigners on the board. There were six females out of nine in six different companies sitting in boardrooms where there were foreign directors (see Table 6-9). This suggests that a diverse board is more likely to have females sitting on a board with more foreign members. These results are consistent with Terjesen et al. (2008), who reveal that the number of females also means more foreign members on a board; female members might add to a boardroom by increasing the number of foreign members and vice-versa. Furthermore, using a chi-squared analysis to assess the relationship between the number of companies with female directors and the number of companies with foreign directors, we also found a statistically significant relationship of (χ^2 (1) = 7.739, p < .005) (see Table 6-10).

		Foreign						
Female	Correlation Coefficient	.224**						
	Sig. (2-tailed)	.003						
	N	176						
		Suadi	Engineering	Marketing&Economic	BoardSize	AvragePay	InstitutionalOwnership	FirmSize
Male	Correlation Coefficient	.795**	.251*	.286**	.988**	.258**	.257**	.409**
	Sig. (2-tailed)	.000	.013	.004	.000	.002	.001	.000
	N	176	98	98	176	135	171	171

Table 6-8: The correlation between gender diversity and the other variables

			Foreign Member		Total
			No Foreign Members	At Least One Foreign Member	
Female Member	No Females	Count	126	41	167
		% within Female Members	75.4%	24.6%	100%
		% within Foreign Members	97.7%	87.2%	94.9%
		% of Total	71.6%	23.3%	94.9%
	At Lest One Female	Count	3	6	9
		% within Female Members	33.3%	66.7%	100%
		% within Foreign Members	2.3%	12.8%	5.1%
		% of Total	1.7%	3.4%	5.1%
Total		Count	129	47	176
		% within Female Members	73.3%	26.7%	100%
		% within Foreign Members	100.0%	100.0%	100%
		% of Total	73.3%	26.7%	100%

Table 6-9: Statistical summary of the companies with female and foreign directors

Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	7.739[a]	1	.005		
Continuity Correction[b]	5.737	1	.017		
Likelihood Ratio	6.654	1	.010		
Fisher's Exact Test				.012	.012
Linear-by-Linear Association	7.695	1	.006		
N of Valid Cases	176				

a. 1 cell (25.0%) has an expected count of less than five. The minimum expected count is 2.40.
b. Computed only for a 2x2 table.

Table 6-10: Analysis of the Chi-Square

There was no significant effect of female representation on the firm's performance (ROA and Tobin's Q), which is consistent with Carter et al. (2010) who examined major US companies (see also Rose, 2007). Additionally, a comparison of the means of both the ROA and Tobin's Q for companies with all-male boards versus companies with women on the board found a lower mean in companies with female board members (see Table 6-11). This could due to the lower number of females found in the companies.

	Female Member		Statistic	Std. Error
ROA	No Females	Mean	0.0467	0.0063
	At Lest One Female	Mean	0.0179	0.0332
Tobin's Q	No Females	Mean	1.5849	0.0614
	At Lest One Female	Mean	1.5839	0.2172

Table 6-11: Comparison of the means of the ROA and Tobin's Q for companies with females and companies with all-males in the boardroom

Although there was no relationship between females and board size, the crosstabulations test could be beneficial for assessing the potential impact of board size; for example, to see how women were distributed across different board sizes, as large-sized boards might have more females than small-sized ones. Table 6-12 indicates that, with a board size of four and five, there were no females, while females start to be present in a board size of six members. The highest female representation was three, on a board with nine members. This might be an appropriate number to represent females or because of the larger board size. This confirms the difficulty of determining the relationship of women with board size but clarifies their distribution across the different sizes of boards of directors.

Crosstab

			Female Member		
			No Females	At Lest One Female	Total
Board Size	4	Count	3	0	3
		% within Board Size	100.0%	0.0%	100.0%
	5	Count	6	0	6
		% within Board Size	100.0%	0.0%	100.0%
	6	Count	8	1	9
		% within Board Size	88.9%	11.1%	100.0%
	7	Count	38	2	40
		% within Board Size	95.0%	5.0%	100.0%
	8	Count	23	0	23
		% within Board Size	100.0%	0.0%	100.0%
	9	Count	62	3	65
		% within Board Size	95.4%	4.6%	100.0%
	10	Count	17	2	19
		% within Board Size	89.5%	10.5%	100.0%
	11	Count	10	1	11
		% within Board Size	90.9%	9.1%	100.0%
Total		Count	167	9	176
		% within Board Size	94.9%	5.1%	100.0%

Table 6-12: Gender diversity and board size

The analysis also indicates that males are significantly correlated at different levels of board membership (<.001, <.01 and <.05) with board size ($r_s = .988$ p <.001), average pay ($r_s = .258$ p <.01), institution ownership ($r_s = .257$ p <.01), firm size ($r_s = .409$ p <.001), and educational background, such as marketing and economics ($r_s = .286$ p <.01), and engineering ($r_s = .251$ p <.05). The correlation of institutional ownership with male members indicates that 'institutional investors'[13] might influence the representation of female members. This is inconsistent with Gregorič et al. (2017), who find there is no significant influence of institutional ownership on the degree of representation of female members (this study was conducted in Denmark, Finland, Sweden, and Norway). The current results show that male members in the boardroom in the Saudi market represent the board's characteristics and ownership power. In order to examine this in greater detail, in-depth interviews might be an additional appropriate tool, and statistical data will provide a guide for such investigatory methods.

6.5 Nationality

The results show that there are 92 (6.33%) foreign board members and 1,362 Saudi members (93.67%). Figure 6-2 shows the contrast between nationalities in the boardroom and ownership nationality. Foreign investor ownership represents 4.68% of the total market, while the other 95.32% represents Saudi investor ownership. This indicates a satisfactory level of foreign diversity in the boardroom in comparison with the total nationality of investors in the Saudi

[13] Percentage of Government and other firm ownership of the company.

Arabian market. Furthermore, this indicates a need for foreign skills and expertise in the boardroom. This might be an effect of the Saudization program implemented by the government. On the other hand, one of the Saudi Vision 2030 objectives is to attract foreign skills and talents.

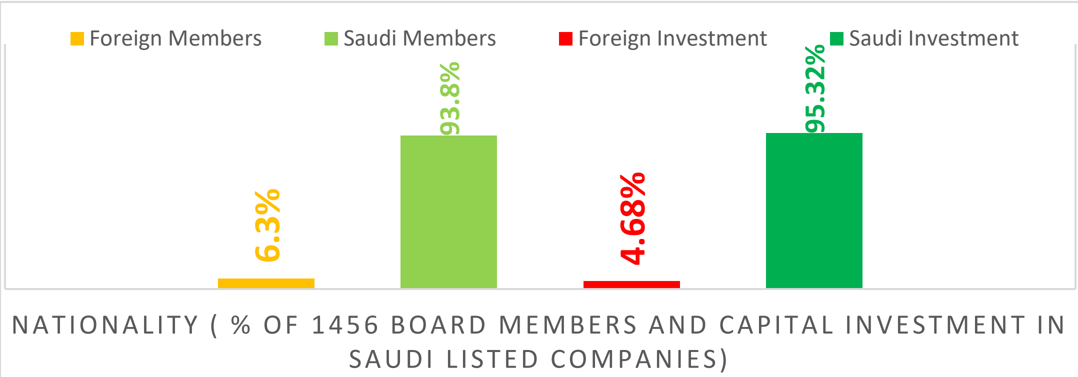

Figure 6-2: Nationality-related diversity in the boardroom versus investor nationality in the market

Table 6-13 shows that Foreign members are significantly and negatively correlated with average pay (r_s = -.233 p <.01), 'other' backgrounds (r_s = -.316 p <.01), and family ownership (r_s = -.186 p <.05). This means that foreign board members experienced low average pay in comparison with other firms' high average pay. Moreover, foreign members represented on boards have a low family ownership concentration. Conversely, foreign members are shown to have a significant positively correlation with both foreign ownership (r_s = .406 p <.001) and institutional ownership (r_s = .352 p <.001). This indicates that foreign board members appear where there is more foreign and institutional ownership, rather than on boards that are family owner concentrated. Estélyi and Nisar (2016) find that Foreign members in the boardroom are significant associated with foreign ownership as well as institutional ownership in the UK market. Foreign members were also shown to have low numbers of 'other' background education. 'Other' educational backgrounds include a diploma or lower level, which is unlikely with foreign members. Also, foreign members were more significantly correlated with having marketing and economic backgrounds (r_s = .244 p <.05). In particular, foreign members were represented more in the financial sector, where there was a significant, positive correlation (r_s = .453 p <.001). The researcher investigated this using the Kruskal-Wallis test, which showed a significant difference in the telecommunications and financial sectors. This showed high numbers in both of these sectors compared with other sectors. The results also showed high numbers represented in institutional ownership as well as in the telecommunications and financial sectors, which indicates a demand from these important sectors. This might also explain the non-appearance of directors with a diploma or lower qualification in these sectors, because investors in these sectors might elect appropriate members to the board with high qualifications.

		Suadi	Marketing&Economic	Others	AvragePay	ForeignOwnership	FamilyOwnership	InstitutionalOwnership	IND
Foreign	Correlation Coefficient	-.457**	.244*	-.316**	-.233**	.406**	-.186*	.352**	.453**
	Sig. (2-tailed)	.000	.015	.002	.007	.000	.014	.000	.000
	N	177	98	98	135	176	175	171	177
		Engineering	Others	BoardSize	AvragePay	ForeignOwnership	FirmSize		
Suadi	Correlation Coefficient	.294**	.227*	.775**	.368**	-.244**	.415**		
	Sig. (2-tailed)	.003	.025	.000	.000	.001	.000		
	N	98	98	176	135	176	171		

Table 6-13: Correlation between nationality diversity and other variables

There was no significant relationship between foreign directors and the firm's performance (ROA and Tobin's Q), which is consistent with Randøy et al. (2006) and Darmadi (2011), who also found no significant associations. The results were also consistent with Salloum et al. (2019) regarding the relationship between nationality diversity and gender diversity, as shown above. However, this association did not impact on companies' performance. Furthermore, an assessment of the mean of performance for companies with all-Saudi boards versus companies with foreign directors in the boardrooms showed a lower mean in companies with foreigners comparing with companies with only Saudis in the boardroom (see Table 6-14).

	Foreign Members		Statistic	Std. Error
Performance	No Foreign	Mean	0.0484	0.0077
	At Least One Foreign	Mean	0.0368	0.0097
Tobin's Q	No Foreign	Mean	1.6182	0.0722
	At Least One Foreign	Mean	1.4968	0.1004

Table 6-14: A comparison of the mean of the ROA Tobin's Q for companies with foreign and companies with all-Saudis in the boardroom

Saudi members were shown to be highly and significantly positively correlated (at p <.001) with board size (r_s = .775), average pay (r_s = .368), and firm size (r_s = .415). While Saudi directors are dominant in the market and consequently highly correlated with board size, the Crosstabulations test was applied and showed the distribution of foreign directors with regard to different boardroom sizes. Table 6-15 shows the high percentage of the representation of at least one foreign director with a board size of ten directors and the highest number for board size with nine directors. These two sizes of boardroom combined 60% of foreign directors' appearance in the boardroom compared to different boardroom sizes. On the other hand, a board with seven directors had a low representation of foreign directors (seven out of 40), and 33 boardrooms had only Saudi directors. Furthermore, those with an engineering background were correlated at r_s = .294 p <.01, and those with 'other' backgrounds were correlated at r_s = .227 p <.05. However, Saudi members were negatively correlated at r_s = -.244 p <.01 with foreign ownership, in contrast to foreign members. This shows that the Saudi members appeared to receive higher compensation on average than the foreign members, and it was more likely that a foreign-owned firm would appoint foreign directors to the board.

Crosstab

			Foreign Members		
			No Foreign	At Least One Foreign	Total
Board Size	4	Count	3	0	3
		% within Board Size	100.0%	0.0%	100.0%
	5	Count	4	2	6
		% within Board Size	66.7%	33.3%	100.0%
	6	Count	6	3	9
		% within Board Size	66.7%	33.3%	100.0%
	7	Count	33	7	40
		% within Board Size	82.5%	17.5%	100.0%
	8	Count	18	5	23
		% within Board Size	78.3%	21.7%	100.0%
	9	Count	46	19	65
		% within Board Size	70.8%	29.2%	100.0%
	10	Count	10	9	19
		% within Board Size	52.6%	47.4%	100.0%
	11	Count	9	2	11
		% within Board Size	81.8%	18.2%	100.0%
Total		Count	129	47	176
		% within Board Size	73.3%	26.7%	100.0%

Table 6-15: Nationality diversity and board size

6.6 Qualification Levels

As shown above, the available data on qualification levels are limited to 101 companies. Figure 6-3 shows that there were 39 (5.5%) board members with a diploma or lower level qualification, 379 (53.5%) members with a first degree, and 291 (41%) members with a post-graduate degree.

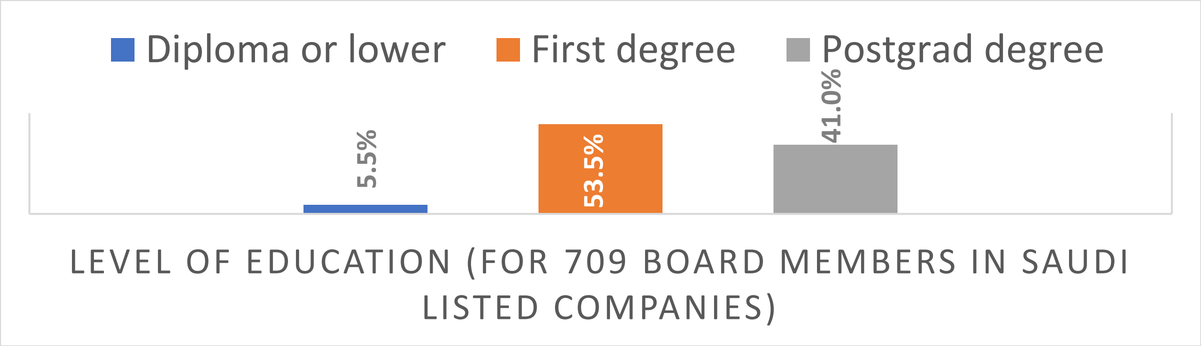

Figure 6-3: Qualification level diversity in the boardroom

Table 6-16 shows a negative correlation ($r_s = -.278$ $p < .01$) between foreign members, and those directors who hold a diploma or lower level qualification. This means that foreign members who serve on boards are unlikely to be qualified below first degree level. Moreover, there was a negative correlation ($r_s = -.207$ $p < .05$) between institutional ownership and those who serve on boards with a diploma or lower level qualification. This indicates that big investors prefer board members to have at least a first degree if they are to serve on a board. This result is confirmed by Alshareef and Sandhu (2015) who examine the correlation between high education levels among employees in government-owned firms. This research's results examine a larger percentage of the Saudi market than the small sample used by Alshareef and Sandhu (2015), who undertook case studies of only two companies.

		Foreign	Others	InstitutionalOwnership				
Diplomaorlower	Correlation Coefficient	-.278**	.512**	-.207*				
	Sig. (2-tailed)	.005	.000	.041				
	N	101	96	98				
		Postgraddegree	Male	Suadi	Engineering	Management&Business	Marketing&Economic	BoardSize
Firstdegree	Correlation Coefficient	-.197*	.296**	.360**	.230*	.349**	.308**	.275**
	Sig. (2-tailed)	.048	.003	.000	.024	.000	.002	.005
	N	101	101	101	96	96	96	101
		Management&Business	Marketing&Economic	InstitutionalOwnership	FirmSize			
Postgraddegree	Correlation Coefficient	.241*	.294**	.208*	.244*			
	Sig. (2-tailed)	.018	.004	.040	.015			
	N	96	96	98	98			

Table 6-16: Correlation between qualification level diversity and other variables

There was a high positive correlation ($r_s = .512$ $p < .001$) between those with diploma level and 'other qualifications', but a negative correlation ($r_s = -.197$ $p < .05$) between those with a first degree and those with a post-graduate degree. The representation of the bachelor degree members increases when those who have a master's degree or doctorate serve on the same board. In other words, there is a proportion of homogeneity of qualification levels. Also, there was a positive correlation ($r_s = .296$ $p < .01$) between those with a first degree and male Saudi board members, board size ($r_s = .275$ $p < .01$), and those with a management and business background ($r_s = .349$ $p < .01$), and marketing and economics background ($r_s = .308$ $p < .01$). The correlation was lower ($r_s = .230$ $p < .05$) for those with an engineering background. These correlations indicate that most of the board members who hold a bachelor's degree are Saudi males, and that the education levels are higher among board members when the board is homogeneous with bachelor degree level members. Furthermore, most of the board members with management and business, marketing and economics, and engineering backgrounds also have first degrees.

The post-graduate degree is a positively correlated ($r_s = .208$ $p < .05$) with institution ownership, firm size ($r_s = .244$ $p < .05$), and a management and business background ($r_s = .241$ $p < .05$); this is slightly higher ($r_s = .294$ $p < .01$) where board members have a marketing and economics background. This indicates that most postgraduate members have these backgrounds. The data indicate the opposite between those who hold a postgraduate degree and those who hold a diploma or have a lower education (with the institutional investor). Firms who score a high institutional investor percentage increases where there are members of the board who have a master's degree or doctorate, but this decreases in the case of diploma or lower level qualifications. Moreover, the percentage of board members with a post-graduate degree increases with firm size. Using the Kruskal-Wallis test, there are significant differences between companies in the North and South region in relation to board members with a master's degree or doctorate. The significant differences for both regions also indicate that there is low representation in the boardroom in both regions.

Furthermore, the Crosstabulations test was employed to demonstrate the distribution of directors' qualification level diversity on different boardroom sizes. Table 6-17 showed that 60.4% of the data sample have two different qualification levels, 25.7% have three different qualification levels, and 13.9% have only one qualification level. The highest percentage of those with three different qualification levels was with a board size of seven directors and the highest frequency in number was with a board size of nine directors. These two sizes of boardroom combined 69% of the presence of those with three different qualification levels in the boardroom compared to different boardroom sizes. With most of the boardroom sizes, the number of those with three different qualification levels was equal/greater than those with one qualification level, except with board sizes of four and 11, which seemed surprising.

Crosstab

			Qualification Level Diversity			
			One Qualification Level	Two Different Qualification Level	Three Different Qualification Level	Total
Board Size	4	Count	1	0	0	1
		% within Board Size	100.0%	0.0%	0.0%	100.0%
	5	Count	1	2	1	4
		% within Board Size	25.0%	50.0%	25.0%	100.0%
	6	Count	0	5	1	6
		% within Board Size	0.0%	83.3%	16.7%	100.0%
	7	Count	2	14	8	24
		% within Board Size	8.3%	58.3%	33.3%	100.0%
	8	Count	2	9	3	14
		% within Board Size	14.3%	64.3%	21.4%	100.0%
	9	Count	4	22	10	36
		% within Board Size	11.1%	61.1%	27.8%	100.0%
	10	Count	2	6	2	10
		% within Board Size	20.0%	60.0%	20.0%	100.0%
	11	Count	2	3	1	6
		% within Board Size	33.3%	50.0%	16.7%	100.0%
Total		Count	14	61	26	101
		% within Board Size	13.9%	60.4%	25.7%	100.0%

Table 6-17: Qualification levels diversity with various board sizes

There was no significant correlation for the different qualification levels with the firm's performance (ROA and Tobin's Q), but it could be informative to view a comparison of the average means of performance for the content of the boardroom from the perspective of the different qualification levels. Table 6-18 showed that the mean ROA for two different qualification levels was higher than that for a boardroom with only one level of qualification and slightly above that for a board with three levels. However, it was still shown that a boardroom with three-levels had a higher mean than the boardroom with one level only. On the other hand, the mean of the Tobin's Q shows the same increase between one to two-levels of qualification, but three-levels was lower than boardrooms with just one level. This shows that the boardroom with two-levels of qualification can be better in terms of performance than the boardrooms with the three qualification levels.

	Qualification Level Diversity		Statistic	Std. Error
Performance	One Qualification Level	Mean	0.0425	0.0118
	Two Different Qualification Level	Mean	0.0574	0.0108
	Three Different Qualification Level	Mean	0.0562	0.0128
Tobin's Q	One Qualification Level	Mean	1.6413	0.1634
	Two Different Qualification Level	Mean	1.8741	0.1252
	Three Different Qualification Level	Mean	1.5543	0.1532

Table 6-18: A comparison of the means of the ROA and Tobin's Q for companies with qualification levels' diversity

6.7 Educational Background

Educational background was classified into the most popular seven categories, as follows: Accounting and Finance 75 (11%), Engineering 150 (22%), Law 26 (4%), Computing and Science 39 (6%), Marketing and Economics 57 (8%), Management and Business 232 (34%), and other 106 (15%). The results are shown in Figure 6-4. Those with a management and business background were the most likely to serve on a board, followed by engineering.

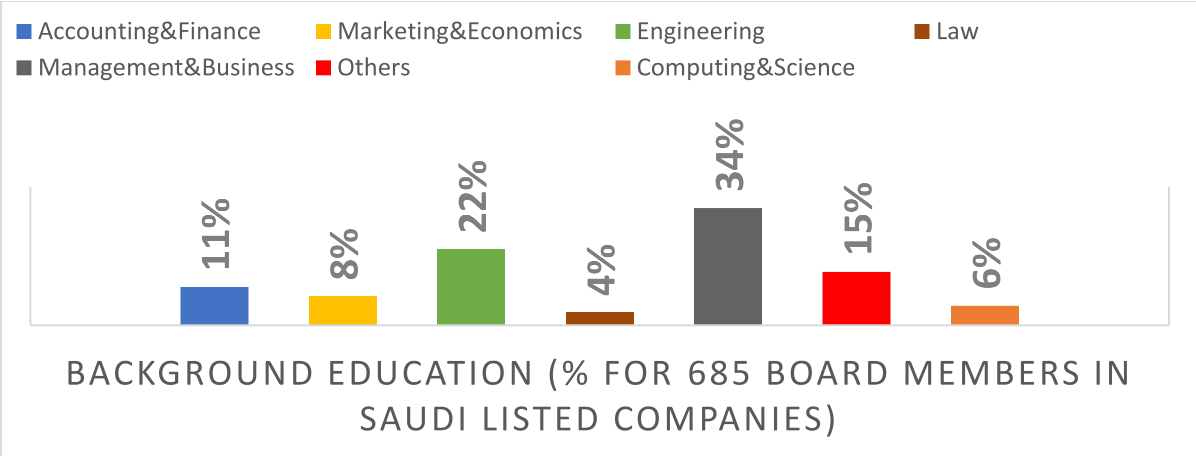

Figure 6-4: Educational background diversity in the boardroom

Table 6-19 shows that an engineering background is positively correlated (r_s = .230 p <.05) with board size. In addition, an accounting and finance, and a computing and science background are positively correlated at r_s = .247 p <.05 and r_s = .244 p <.05 with a marketing and economics background respectively. An accounting and finance background shows a negative correlation at r_s = -.224 p <.05 with the Tobin Q. This means that, as the representation of accounting and finance backgrounds increases at the boardroom level, then the market value decreases. Moreover, a marketing and economics background is significantly correlated with other variables, such as board size r_s = .277 p <.01 and firm size r_s =.277 p <.01, and positively correlated at r_s = .232 p <.05 with foreign ownership, with institutional ownership at r_s = .213 p <.05, and the financial sector at r_s = .232 p <.05. Furthermore, 'other' backgrounds are negatively correlated (r_s = -.230 p <.05) with institutional ownership which, again, confirms that institutional investors are unlikely to support board members who hold qualifications below the level of a first degree. This shows that educational background diversity is at a satisfactory level in the Saudi market. Overall, the results about board size and educational background are consistent with those of Mahadeo et al. (2012) but are not confirmed by (Kang et al., 2007).

		Marketing&Economics	Tobin's Q			
Accounting & Finance	Correlation Coefficient	.247*	-.228*			
	Sig. (2-tailed)	.014	.026			
	N	98	95			
		BoardSize				
Engineering	Correlation Coefficient	.230*				
	Sig. (2-tailed)	.023				
	N	98				
		Marketing&Economics				
Computing & Science	Correlation Coefficient	.244*				
	Sig. (2-tailed)	.016				
	N	98				
		BoardSize	ForeignOwnership	InstitutionalOwnership	FirmSize	IND
Marketing & Economics	Correlation Coefficient	.277**	.232*	.213*	.277**	.206*
	Sig. (2-tailed)	.006	.022	.039	.007	.042
	N	98	97	95	95	98
		InstitutionalOwnership				
Others	Correlation Coefficient	-.230*				
	Sig. (2-tailed)	.025				
	N	95				

Table 6-19: Correlation of educational background diversity with other variables

Moreover, the Crosstabulations test was used to explain the allocation of directors' educational background diversity on different boardroom sizes. Table 6-20 showed that 28.4% of the data sample have directors with three different backgrounds, 22.1% respectively have directors with four and five different backgrounds, 10.5% have directors two and six different backgrounds, respectively, and 6.3% have directors with only one background. The greatest frequency regarding the number of board size, with seven directors having two and three backgrounds, boards with nine directors having four and five backgrounds, and boards with ten directors having six backgrounds. This suggests that, as the board size increases, the variety of directors' background education is enhanced.

Crosstab

			Education Background Diversity (EBD)						
			One Education Background (EB)	Two EB	Three EB	Four EB	Five EB	Six EB	Total
Board Size	4	Count	0	0	1	0	0	0	1
		% within Board Size	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%
	5	Count	1	1	2	0	0	0	4
		% within Board Size	25.0%	25.0%	50.0%	0.0%	0.0%	0.0%	100.0%
	6	Count	0	1	2	1	2	0	6
		% within Board Size	0.0%	16.7%	33.3%	16.7%	33.3%	0.0%	100.0%
	7	Count	1	4	9	5	4	1	24
		% within Board Size	4.2%	16.7%	37.5%	20.8%	16.7%	4.2%	100.0%
	8	Count	0	1	5	2	3	1	12
		% within Board Size	0.0%	8.3%	41.7%	16.7%	25.0%	8.3%	100.0%
	9	Count	2	2	7	11	8	3	33
		% within Board Size	6.1%	6.1%	21.2%	33.3%	24.2%	9.1%	100.0%
	10	Count	2	1	1	0	1	5	10
		% within Board Size	20.0%	10.0%	10.0%	0.0%	10.0%	50.0%	100.0%
	11	Count	0	0	0	2	3	0	5
		% within Board Size	0.0%	0.0%	0.0%	40.0%	60.0%	0.0%	100.0%
Total		Count	6	10	27	21	21	10	95
		% within Board Size	6.3%	10.5%	28.4%	22.1%	22.1%	10.5%	100.0%

Table 6-20: Educational Background diversity for various board sizes

Lastly, there was no correlation found between different educational backgrounds and companies’ performance except for the Tobin's Q and an accounting and finance background, as shown above. For further investigation, the researcher compared the means of companies' performance with each different number component of background education that directors have in the boardroom. Table 6-21 showed that the highest mean for the ROA for a boardroom with five different educational background, while the Tobin's Q highest mean was for the boardroom with four different education backgrounds. In a nutshell, it can be observed that, as the number of different backgrounds increase within the boardroom, the mean ROA and Tobin’s Q improve, except for the boardroom with six different backgrounds, which has been noted to have a low mean.

	Education Background Diversity		Statistic	Std. Error
Performance	One Education Background	Mean	0.0116	0.0165
	Two Education Backgrounds	Mean	0.0156	0.0258
	Three Education Backgrounds	Mean	0.0642	0.0130
	Four Education Backgrounds	Mean	0.0578	0.0217
	Five Education Backgrounds	Mean	0.0871	0.0158
	Six Education Backgrounds	Mean	0.0214	0.0085
Tobin's Q	One Education Background	Mean	1.8974	0.3587
	Two Education Backgrounds	Mean	1.9697	0.4414
	Three Education Backgrounds	Mean	1.5189	0.1118
	Four Education Backgrounds	Mean	1.9964	0.2340
	Five Education Backgrounds	Mean	1.9451	0.1817
	Six Education Backgrounds	Mean	1.0499	0.0299

Table 6-21: A comparison of the means of the ROA and Tobin's Q for companies with educational background diversity

6.8 Summary

This chapter has presented a statistical analysis of the relationship between diversity types and other firm variables. There are several positive and negative relationships between the variables. Moreover, it has shown how some variables intersect with each other to confirm certain relationships. It shows that some types of diversity are poorly represented, such as gender and nationality, while other types, such as education level and background, are better represented across the market as a whole. Also, it shows that the ownership structure might play a significant role in the market in terms of increasing/decreasing the number of representations of these boardroom diversity types. This provided the researcher with extensive information about the Saudi market. Collecting descriptive data is an important first step in order to move forward towards the interview stage of the research. The next chapter will review the interview data, analysis, and findings.

CHAPTER 7: Analysis of the Interviews

7.1 Introduction

This chapter presents an analysis of the semi-structured interviews undertaken with thirty participants. The participants were classified into three groups: fourteen board members (BMs), nine internal stakeholders (InStaks), and seven external stakeholders (ExStaks) (see Table 5.2, 5.3, and 5.4). Further details about the interviews can be found in Chapter Five.

The secondary data analysis helped to inform the interview questions and the analysis of the data collected from the interviews. This chapter is divided into sections as follows: section 7.2 explores understandings of board effectiveness and board diversity, section 7.3 reveals the participants' beliefs about board diversity, and sections 7.4 focus on each diversity type specifically. Section 7.5 explores the influence of the board selection procedure on board diversity, and section 7.6 discusses the role of ownership structures on board diversity. Section 7.7 discusses the impact of diversity on effectiveness in the boardroom. Section 7.8 discusses how board diversity can help to improve corporate governance, and section 7.9 presents the potential contributions of board diversity to the achievement of Saudi's Vision 2030. Finally, section 7.10 look at challenges to board diversity and outlines suggestions made by the participants that might improve corporate governance and board diversity in Saudi Arabia.

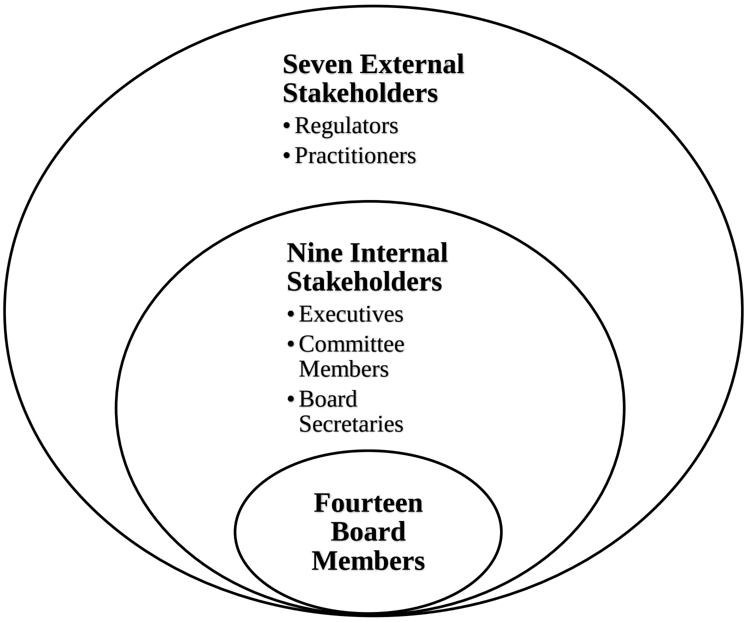

Figure 7.1: Groups of Interviewees

7.2 A Saudi Arabian Understanding of the Concepts of Board Effectiveness and Board Diversity

7.2.1 Understandings of Board Effectiveness

The interviewees were asked about their understanding of the concept of board effectiveness. Varied responses were generated. Their responses are summarised below and shown diagrammatically in Figure 7.2.

1. Adding value (decision making, performance, achieving board objectives, participation from all members, protecting shareholders, increasing shareholder wealth, and supporting management).
2. Good corporate governance (CG) (sustainability, accountability, credibility, responsibility, and monitoring management and risk profile).
3. Thinking from a strategic point of view (talent management strategy, applying a strategy plan, achieving the planned strategy).

4. Structuring (encouraging diverse, harmonious, and active BMs).
5. Understanding roles and duties (creating vision, dealing with problems, understanding critical success factors, and understanding the business environment).

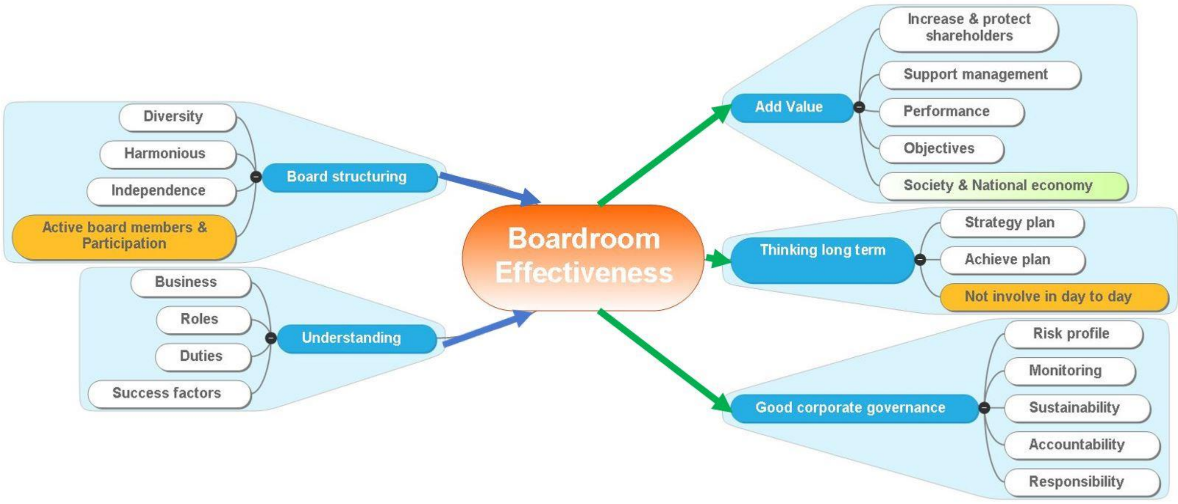

Figure 7.2: Summary of Boardroom Effectiveness

- *Board Members (BMs)*

Some of the BMs thought that board effectiveness related only to good corporate governance and applying strategy in the boardroom. One BM described board effectiveness as follows:

> It means to add the values of accountability and responsibility and strategic thinking [BM9 (M)].

Others said that board effectiveness meant good company performance in general, specifically as a result of a well structured boardroom and being active in meetings. One BM stated the following:

> The effectiveness of the board means that the more effective the board is, the greater its impact on the performance of the company, or the better its results. On the other hand, if you want to talk about the depth of effectiveness, it requires diversity in the specialities, and experience, and being active in meetings [BM7 (M)].

From this point of view, board effectiveness requires diversity and participation from all members. Another respondent observed the importance of participation and diversity. He said that diversity is the number one contributor to board effectiveness:

> First of all, diversity in the boardroom means that the board is diversified in various aspects. This has to be linked to the business model itself and to involvement in the board's discussions [BM13 (M)].

The interviewee stressed that participation was key to the effectiveness of the Saudi boardroom:

> I don't want board members who are simply "followers" either. If you want the board to be effective, members have to speak their mind and say their piece. Basically, they can't just follow whatever is being said. They can't have a one-track mind. So, this is where the board can really be effective in all discussions: supporting the management to do their job [BM13 (M)].

Therefore, involvement in discussion is a key aspect of effectiveness, as well as applying boardroom diversity. Another aspect of board effectiveness is achieving a harmonious relationship between BMs. This is important for making contributions to positive discussions in the boardroom, which, in turn, leads to the achievement of company goals. One BM stated the following:

> [...] the board should understand the governance related to the boards and what is required from them and their duties implemented by the board. Also, a harmonious and diverse boardroom is needed to enrich the company. This enables it to achieve its objectives as efficiently as possible [BM10 (M)].

Some BMs had concerns about some issues, including issues that hindered the effectiveness of the boardroom, such as a BM's involvement in day-to-day business, being unprepared for meetings, and a lack of involvement in meetings (passive BMs). This seems to be a mimetic practice in the context of the boardroom in Saudi Arabia.

- *Internal Stakeholders (InStaks)*

Most of the executives shared the BMs’ understanding of boardroom effectiveness. They perceived it from a strategic point of view, as a tool of CG, and shared similar views to those already mentioned above. However, one woman differed strongly in her views of the relationship between effectiveness and board diversity, stating the following:

> It depends on the outcome of the board. I always say that what I am concerned with from board members is the outcome. Let's hypothesise that there is a specific scale for gender, education, or experience internationally. Sometimes, this does not play that big of a role: what really matters is the outcome [Exec5CM (F)].

She contradicted the claim that diversity is vital for board effectiveness. It might be true that outcome is one measure of effectiveness, but outcome could result from a mixture of the efforts of the BMs and executive management. As one CEO said:

> The company’s results (performance) are the most effective measure of effectiveness. Although the results depend on both executive management and the board, the board has a direct impact on executive management and the chief executive officer’ [Exec1CEO (M)].

Although the previously cited female executive disputed the importance of diversity, many executives and committee members argued that diversity was important for the effectiveness of the board. One executive interviewee said:

> I would call it an effective boardroom when board composition includes a range of industry knowledge, international exposure, and financial backgrounds [Exec9BS (M)].

Another respondent thought that board effectiveness added value to society, including human resources, financial resources, and the national economy as a whole, and this was linked to a diverse boardroom. One participant stated as follows:

> Achieving the strategic objectives of the company, which are linked to the development of the company's existing human resources, and financial resources – to achieve the objectives of the company's expansion and contributions related to the national economy – are the most important role of the board. Also, with diversity, there are various specialised people, relevant to the specialisation of the company itself and its activities [Exec2CM (M)].

The above view links board effectiveness to the national economy through a diversified boardroom. Another notable view was that an inharmonious or unqualified board could obstruct executive management. As one CEO stated:

> On the contrary, if the board is uneducated, disharmonious, and inexperienced or unsupportive, it will hamper executive management in achieving its objectives. Therefore, the role of the board is essential. Board effectiveness is essential to the success of companies and to achieving its objectives [Exec1CEO (M)].

This supports the views of the BMs, that harmony and diversity are optimal for achieving company objectives. Both play a vital role in boardroom effectiveness. The executives also remarked on issues involving the board in its day-to-day business. Both the executives and the BMs complained that some behaviours hindered board effectiveness, with three executives citing the involvement of the board in the company's day-to-day business, as one source of hindrance. This is one of the challenges faced by the Saudi boardroom on the ground.

- *External Stakeholders (ExStaks)*

The practitioners' group repeated the complaints of the other groups. The respondents argued that, for board effectiveness, the board should focus on strategic rather than day-to-day business (executive management duties). One practitioner interviewee stated as follows:

> Ideally, the board should focus on strategy rather than the day-to-day job, as happens now. They should spend most of their time on strategy [GP1 (M)].

According to a regulator who spoke openly, board effectiveness relates to the activeness of independent BMs, with most having existing relationships with the chairperson, who selects and hires them based on this, but they struggle to contradict him and his objectives. This is consistent with the stance of BM13 (M), who stressed the importance of "speaking one's mind" and not simply following the others. As one regulatory interviewee stated:

> The chairperson of the board is the one who chooses the independents. He talks to them, knows them, knows their personality, and what they want. People who do not like him would not be selected. How can you be independent when you are only chosen based on the chairperson's preferences? [Reg5 (M)].

The issue of passive BMs was noted by many of the interviewees (see Figure 7.3). Boardroom effectiveness is generated through collaboration between individuals in the group to achieve company objectives. One respondent defined board effectiveness as follows:

> I think it is about the board performing at maximum capacity to deliver value for shareholders in an optimal way [GP2 (F)].

"Maximum capacity" is required from each member of the group, with parties engaging based on their knowledge, experience, and other individual characteristics. However, four participants in this group shared a similar understanding of effectiveness, as described above (knowing one's duties, protecting shareholders, and adding value).

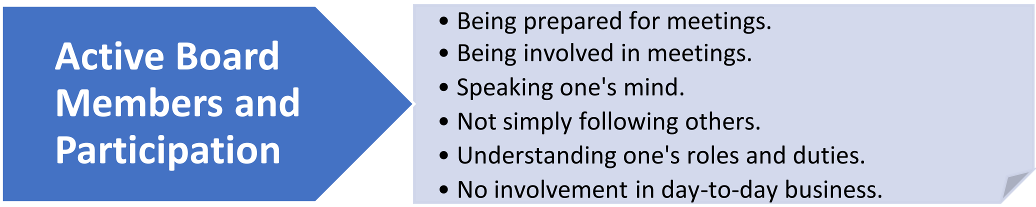

Figure 7.3: Active Board Members (BMs) and Participation

7.2.2 Defining Boardroom Diversity

The interviewees gave varied responses to the question of defining boardroom diversity. Their answers can be divided into two groups: responses relating to diversity of background, including education and professional expertise (and possibly age); and responses relating to a mix of gender, age, nationality, culture, background, and so on. There were individuals in both groups who gave broader responses that are relevant for subsequent sections of this chapter. In fact, the interviewer felt that some of the definitions given by the interviewees were repetitions of those used at the start of the interviews. This dynamic revealed how the two institutional logics of tradition and the new logic of diversity exist in Saudi listed companies.

- *Board Members (BMs)*

Nine of the fourteen BMs defined board diversity as relating to variations in background, notably concerning education and expertise, or area of experience, as follows:

> Diversity, to me: it's having members with different backgrounds … It's very important. Having different expertise on the board is very important [BM8 (M)].

Indeed, there are risks associated with a boardroom being concentrated around one background area. One BM stated the following:

> The important point is that focusing on one area in terms of board members' backgrounds is a recipe for disaster [BM3 (M)].

Moreover, two BMs noted the importance of diversity of age:

> Sometimes the age category is very important [BM13 (M)].

However, one BM felt that age was a proxy for experience, not a type of diversity, and less important in itself:

> I see different backgrounds – and some of the types that you talked about – as less important. For example, age itself is not important. Age is a proxy for experience. This means that you might see younger people performing better than older people. The correlation between age and experience is high. So, you see people with a good performance because of their age and greater experience. This is redundant [BM3 (M)].

One notable point is that gender diversity might not have been mentioned by the first group simply because the respondents had no experience of having women on their board. One BM said the following:

> I cannot talk about gender diversity as I have never dealt with women in the boardroom [BM4 (M)].

However, five of the fourteen BMs noted the value of a mix of diversity types. One female BM stated:

> I think diversity comes in many shapes and forms. So, as you mentioned, there is obviously diversity of gender, age, culture, and industrial diversity in terms of expertise and know-how and background [BM12 (F)].

Those who had worked with women on their boards all mentioned gender in their answers. Finally, education level was not mentioned in any of the answers. Nevertheless, one PhD BM spoke as follows:

> For me, it is about experience and education. I don't think education level is important. For example, one could have a bachelor's degree; but with his experience, he could be better than one who had a doctorate and no experience [BM2 (M)].

In conclusion, education level in itself does not play a vital role on Saudi boards, but experience coupled with education is important and relevant. This revealed a mimetic belief shared between participants, that education level is not important.

- *Internal Stakeholders (InStaks)*

The InStaks group's definitions of diversity can be classified into two main categories. Three of the nine interviewees viewed diversity as a mix of elements, while a larger group defined it as relating to background and experience. However, one CFO viewed gender as not relating to diversity, stating that he does not distinguish between men and women at work:

> You mention six types of diversity that you included in your study. Some of them did not make any sense to me. So, when I talk about gender, I rather look at the technical background, experience, contributions, and age. I don't care about gender when I select board members. I chose the fit for the job, either male or female, even if the entire board were female: I don't have a problem if they are the best for the job [Exec3CFO (M)].

This CFO's perspective is that he does not consider gender as a criterion when looking for people for the boardroom; rather, he seeks the most suitable person, regardless of their gender. Two executives said that the importance of diversity really depends on the company itself, for example, its needs, size, and the sector:

> It depends wholly on the sector you are talking about and on the company size. For example, when it comes to banks, I don't see that significant a role for degree level. It doesn't make a difference. Also, gender doesn't make a difference. It's about experience. This is what matters in banks: experience, experience, experience. I can't say enough about experience when it comes to the bank sector or the insurance sector, to be honest [Exec5CM (F)].

There were similarities between the views of the BMs and the InStaks group, who offered the answer that diversity concerns experience and educational background. However, the other interviewees defined diversity as a mix of genders, ages, nationalities, cultures, and so on. These answers are illustrated in Figure 7.4. Level of education was generally seen to play a less important role than other types of diversity, while gender was prioritised by some interviewees and ignored by others. Some interviewees said their sole concern was suitability for the job and the company. Age diversity was deemed important by some but not by others, while others related age to experience.

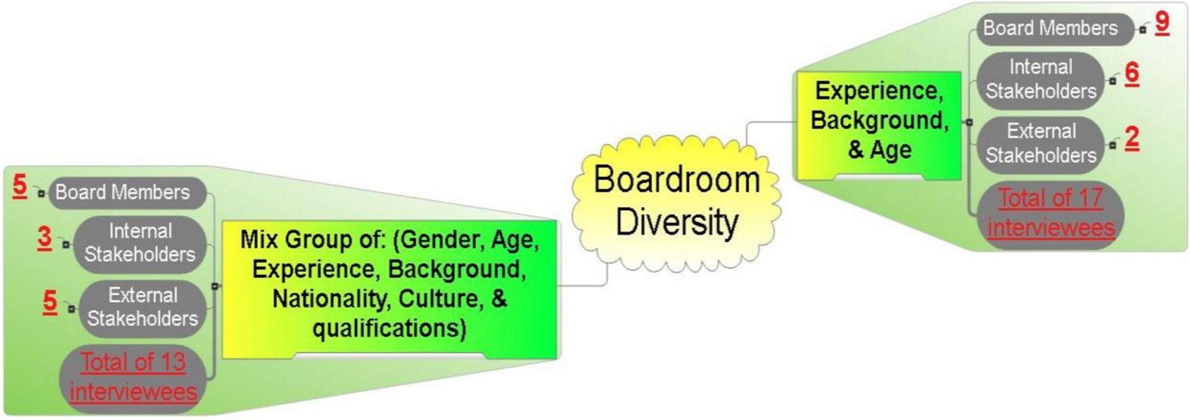

Figure 7.4: Understanding Boardroom Diversity

- *External Stakeholders (ExStaks)*

Five of the seven ExStaks interviewees defined diversity as a mix of characteristics. One female regulator said:

> When I talk about diversity, I am talking about age, about gender – whether they are men and women, talk about educational background. There is more than one thing that goes under the heading of diversity [Reg1 (F)].

One regulator in this group perceived diversity as a question of different backgrounds and experience only. Another practitioner believed that diversity refers only to gender diversity. Furthermore, some felt that being open-minded was more important than background. These answers were consistent with those of Reg5 (M) and BM13 (M) who said that interlocking directorates influenced independence of discussion in the boardroom:

> For me, diversity means no more than the appearance of women in the boardroom … It is not important to me whether members have a particular background or education, rather that they are open-minded and willing to listen to others. No diversity type is as important to me as this [GP1 (M)].

With the exception of two individuals, the ExStaks group perceived diversity as a mix of elements. This is in contrast to the findings from the BMs and the internal stakeholders, who understood diversity to be solely a mix of backgrounds and experience. Most of the external stakeholders defined diversity as a mix of different types of diversity. This could indicate that the culture inside of Saudi listed companies tends not to encourage an understanding of diversity, particularly in terms of gender and nationality. These findings revealed that common cognitive beliefs exist in relation to both gender and nationality diversity. This lack of individual understanding of board diversity might lead to resistance to board diversity. Indeed, these common beliefs were revealed via the definitions offered by many of the BMs and InStaks, some of whom might have authority over the selection procedure.

7.3 Beliefs and Preferences in Relation to Boardroom Diversity in Saudi Arabia

The participants were asked about their views on the current levels of diversity in the boardroom. They were also asked about their own beliefs and preferences. Their responses are shown in Figure 7.5.

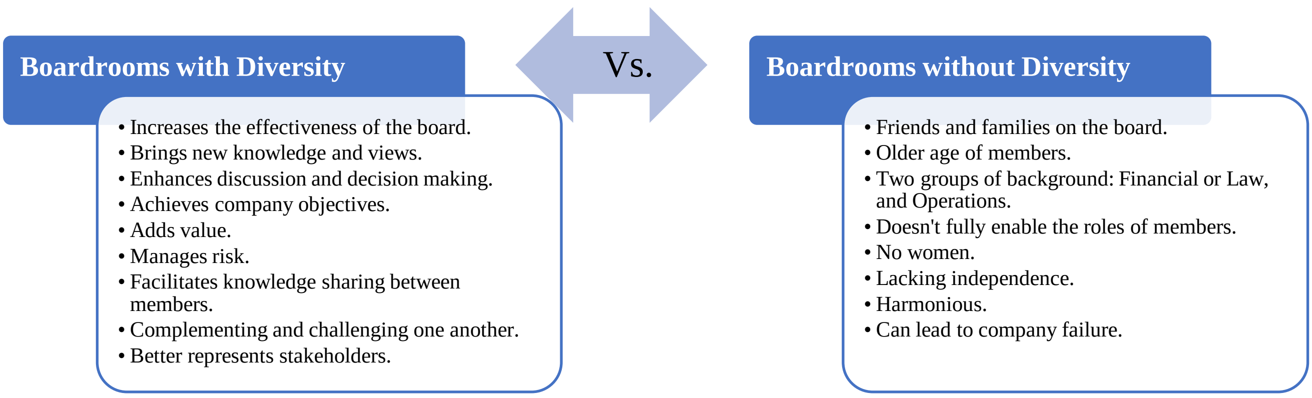

Figure 7.5: Beliefs about Diversity in the Boardroom

- *Board Members (BMs)*

Currently, most boardrooms are not diverse. One BM explained this as follows:

> What we have in the market now is boardrooms that are mostly friends in a club, with a few exceptions. This is what we have right now [BM9 (M)].

Friends working together on boards might encourage interlocking, and this might lead to a resistance to new diversity logic. One BM confirmed this perception, adding that older men tend to dominate Saudi boardrooms. He argued that greater diversity is essential:

> Diversity is almost non-existent in Saudi Arabia. Most boards are dominated by old people, which might have worked in the past but not now. Diversity is important nowadays! [BM6 (M)].

Some interviewees thought that boardrooms could generally be divided into two groups of participants: the financial members, who take care of all things relating to finance, and the subject matter experts, who have knowledge of the industry or of the sector. This structure was described as prevalent and popular in Saudi boardrooms. This could explain why most BMs and InStaks understand diversity only in terms of background and experience. This result revealed a lack of individual understanding of board diversity, which might result in resistance to the new diversity logic. For example, one BM stated the following:

> Usually, there are two main groups: the first group with financial experience and another with industry experience. For example, in the publishing sector, directors have experience working in the same sector; some might have industry experience and/or printing industry experience to cover the company's activities [BM2 (M)].

One participant said that Saudi companies differed from Western companies because the latter had, often, evolved from family run businesses from many years ago, whereas Saudi companies are only recently undergoing the same kind of transformation and were operating in an era of change:

> We differ from the Western countries, where family companies became listed companies before ours – beginning 200 years or 150 years ago. We are in this era of change, which began 20 to 30 years ago, and we are still groups of family businesses becoming shareholders [BM10 (M)].

The beliefs surrounding and preferences for diversity expressed were surprising, but most BMs stated a preference for a diverse board. The interviewees gave several reasons why board diversity is important, such as increased effectiveness, bringing in new knowledge and views, enhancing discussion and decision making, achieving company objectives, adding value, transforming risk appetite, and encouraging knowledge sharing between members. An interesting point made by one BM should also be highlighted:

> Board members complement and challenge each other. This challenging is very important … Diversity helps the board to find new opportunities and challenges [BM3 (M)].

This showed willingness for change at an individual level. Another BM noted that a diverse board better represents diverse groups of stakeholders. He said:

> Absolutely. They represent the stakeholders of the company. Without gender diversity, you lose the perspectives of 50% of the population [BM11 (M)].

This shows that the development of the business environment to take into account stakeholders' interests in the boardroom is in line with a shift towards the new logic. Some interviewees preferred to hire industry expert members, citing this as being much more relevant than other types of diversity. One BM stated as follows:

> Diversity is beneficial, but there should be large groups of people from the same sector or with considerable experience of the same industry [BM2 (M)].

Another BM said that cooperative interactions between members, and the role of chairperson, were more important for board effectiveness than diversity. The chairperson should not give more attention to any one group than another. He stated as follows:

> The chairperson should try to support the members in their roles. This creates synergy between them. This is more important than anything else [BM4 (M)].

- *Internal Stakeholders (InStaks)*

The perspectives of the InStaks group were consistent with those of the BMs regarding the extent of diversity in boardrooms (namely, there are financial groups and industry groups, and other types of diversity are rare). However, the InStaks group was more conservative than the BMs with regard to this question. This may have been because they had little to contribute as they had less experience of the boardroom than the BMs. Another possibility was a fear of talking about their bosses or their BMs. For example, one executive said:

> One way or another, we might have an age issue. Board members are mostly older, with just one under 50 years old, and there are almost no women. The chairperson is nearly 80 years old. There is diversity, but only to an extent [Exec4CM (M)].

This confirmed the perspectives of the BMs, particularly BM6 (M), who felt that BMs were very often older people. Another executive had a different perspective, and proposed that a lack of board diversity meant less conflict and more harmony, whereby the board worked more smoothly in terms of decision making:

> The board of our company is homogenous. There is no great diversity, but there is harmony. The ages are close. All of them are males of the same nationality. Decisions are always made unanimously. There are no decisions on which there is a 30% or 40% vote [Exec1CEO (M)].

This group's beliefs about and preferences for boardroom diversity seem to be in line with those of the BMs, regarding the importance of diversity for board effectiveness, knowledge sharing, and achieving company objectives. As one CFO said:

> Diversity enhances board effectiveness and knowledge sharing between members [Exec3CFO (M)].

One female executive argued that diversity was not just essential, but healthy, and that it can prevent a company from failing:

> Diversity is not only important, but it is also very healthy … If you want to succeed you have to take different points of view. Most company and SME failures are related to weakness in the boardroom. There was no diversity in the boardroom [Exec5CM (F)].

- *External Stakeholders (ExStaks)*

The regulators were asked about their perspectives relating to the extent of and preferences for diversity in listed companies. Their responses indicated that they were more conservative than the InStaks group. They revealed could not predict any future action being taken in relation to boardroom diversity. Indeed, their answers mainly reflected the regulations (the CG code), international practices and previous studies, but, on the whole, they did not share their opinions on the current situation:

> Of course, nothing in our code concerns this subject, as we have mentioned. But what we will say is that the international practices support board effectiveness. I mean, we cannot tell you what the situation is today, but we know that studies indicate this trend is effective [Reg3 (M)].

However, one regulator spoke frankly about his experiences and preferences:

> 50% depends on the activity and direction of the company. For example, in a start-up business, I don't agree with what you have said. I need to focus: to be a one-man show and a believer. If there is diversity, it will kill my business! [Reg5 (M)].

This was in line with the views of some of the BMs and executives (InStaks), who argued that company sector and developmental stage are important factors to consider before introducing diversity into the boardroom. The consultants had good knowledge of Saudi listed companies, but felt the market needed greater diversity:

> Diversity – especially gender diversity and independent directors, more than 30% independent – would be better, with a very strong chairperson [GP1 (M)].

This perspective is compatible with that of the BMs group in regard to the need for gender diversity and a robust chairperson. The ExStaks also stressed the importance of hiring independent directors.

7.4 Diversity in the Boardroom

The interviewees were asked different questions about diversity in general. Five broad themes emerged from the analysis of their responses: age, experience, education, gender, and nationality. The interviewees were then asked specifically about each diversity type. The results relating to these different types of diversity are outlined in sections 7.5 to 7.12.

7.4.1 Age Diversity

The participants were asked different questions about age, including their ideal age range for board effectiveness and the advantages of hiring older and younger BMs. The responses were then divided into different categories, as follows.

- *Board Members (BMs)*

The BMs noted that their average age is currently over fifty years old, with the majority of BMs being older people. Various participants made reference to older members' wisdom and experience, while noting that younger members tended to be more daring. Most agreed that there is a need for change, including introducing younger members into boardrooms:

> The current classical model in the market means old age – people who are 55-60+. This age range comes with wisdom and experience and good conduct, but does not tend to bring energy, creativity, new perspectives, and dynamism. Thus, the inclusion of the younger generation would be beneficial [BM9 (M)].

Other participants viewed age as a proxy for experience, while some noted the need to target customers of a particular generation. In this sense, age is a proxy for the needs of the company:

> Age is a proxy for something else (e.g., experience). It's difficult to choose a specific feature. For example, some companies want to change how they do business, so they target younger generations. They cannot have a board full of young directors, but I would definitely bring in a younger director to benefit from their perspective [BM3 (M)].

Some BMs felt that there was a need for BMs aged 60+, notably as subject experts, but that it was not suitable to recruit this age range for management work in the boardroom:

> Those aged over 60 years old should be technical specialists, rather than management. For example, there are members aged over 60, but they are included on the board for their technical expertise. This is because they have accumulated experience from the technical side. Thus, members aged over 60 years old do not bring management experience [BM2 (M)].

Another comment illustrated the previous point about older BMs in management roles and why this is not recommended:

> In the past, the older members were relevant because they started the businesses. However, today, they are resistant to change [BM6 (M)].

There were suggestions made that boardrooms should train younger members through committees, before selecting them as BMs. Moreover, most participants cited a need for a mix of experience and youth due to accelerating technological development and the associated risks. Younger members may be more au fait than older members with new technology. This would help boardrooms to develop strategic plans for appropriate risk management:

> I'm very proud to say that we have good young men that can handle board membership, but they need to be trained … The young ones know the new financing techniques, new strategies, and new cyber risks. Also, younger perspectives are a very important element as the younger population represents a big portion of the market. Thus, a mix of people with expertise and the sharpness of youth is the best formula [BM8 (M)].

This revealed a desire to develop the business environment and introduce diversity of age. This is a positive step towards adopting the new logic of diversity.

- *Internal Stakeholders (InStaks)*

The InStaks group expressed similar perspectives to those of the BMs in relation to the need for a mix of older and younger BMs. They also further explained the need for younger BMs and highlighted barriers to their appointment in the boardroom:

> Our market gives us the impression that members should be over 40 or linked to the owners themselves [Exec2CM (M)].

One obstacle in the way of appointing younger members was perceived to be ownership structure; a lack of support from owners, and, thus, the young members who joined the board were usually related to the owners or were friends of the owners. This seems to occur regardless of the individual's qualifications. Talking about this issue, one interviewee said:

> In practice, it is difficult because young people often cannot join the board except due to their wealth or support from specific parties. BMs' functions are different from executives' functions in this area, and owners do not always look at BMs' eligibility [Exec4CM (M)].

One participant said that the need for youth was related to the national transformation Vision 2030, and noted that the Government has focused on youth as one of the objectives of this project:

> Today, I can see people aged 45 and above in the boardroom. The state has a goal of more new graduates for its 2030 Vision. It has focused its attention on youth and staying invested in young people [Exec6 BS (F)].

"A fresh view" and the new perspectives of younger BMs are needed. This confirms previous claims made that younger directors are more forward-looking, and one interviewee stated as follows:

> You still need the younger generation because they have a fresher view on things [Exec5CM (F)].

Another participant confirmed the need to introduce younger BMS into the boardroom to manage new technology. He gave an example of such developments in the banking sector:

> For example, in some banking sectors, there are new things like Betquin and Fintech. These new things cannot be understood by a person who is 60 or 70 or 80 years old, and they are very influential in trade. So, that diversity in age is very important [Exec4CM (M)].

To summarise, there was no suggestion of dispensing wholesale with older BMs, who make up the majority of BMs in the market, due to their experience and wisdom. Nevertheless, an infusion of younger BMs into the boardroom was noted as important, even if only a few young BMs are introduced. These results are shown in Figure 7.6. The benefits detailed above were noted by both the BMs and InStaks groups:

> Age is linked to wisdom, experience, and courage. As age increases, wisdom and experience also increase; whereas, risk-taking reduces. In contrast, as age decreases, risk-taking and boldness increase. Thus, boardrooms need age diversity [Exec1CEO (M)].

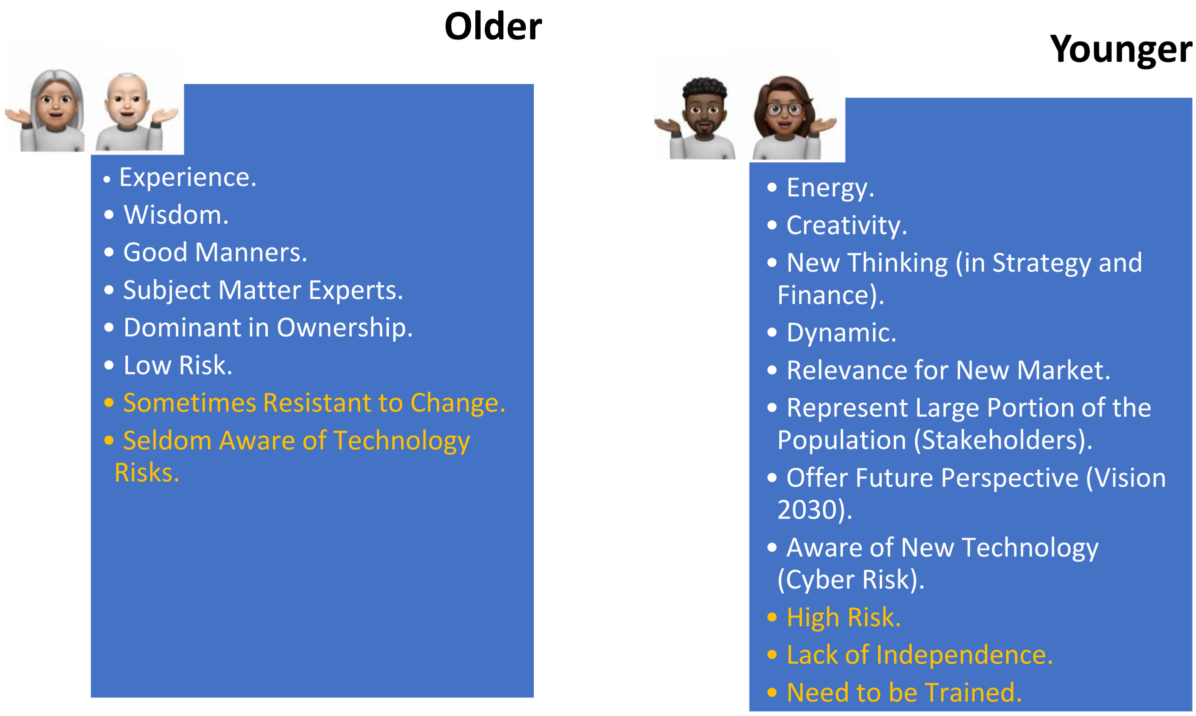

Figure 7.6: The Characteristics of Older and Younger Board Members (BMs)[14]

- *External Stakeholders (ExStaks)*

Although the regulators were generally more conservative in their perceptions, they held positive views about age diversity:

> Today, we don't have diversity of this type, so we cannot say whether we would prefer it. However, I personally believe that diversity of age at all stages is necessary. Younger leaders give the boardroom vitality and activity and higher ambitions. At the same time, older leaders tend to have more experience in the field. Therefore, diversity is needed at all levels [Reg3 (M)].

One practitioner shared his own experiences and what he had learned from others. He summarised the current situation, confirming that young people often arrived as relations of the company owners or via contact with specific parties, as mentioned previously by the

[14] The pictures were created by the author using the Pics Art application.

InStaks interviewees. He also revealed that the problem with this phenomenon is the negative influence on the independence of the board members. This means endeavouring to ensure the independence of the current younger BMs, and those hired in the future. One interviewee put this as follows:

> On Saudi boards, most of the younger members represent the shares that they own. There are not many independent members among the younger people. Most of the independent BMs are related to the owners … The problem is that, if someone brings you to the board, they expect you to vote for anything that he approves – and not to vote against him or his decisions [GP1 (M)].

7.4.2 Diversity of Experience

"Experience" was the most commonly quoted word among all groups, with all participants citing this as being particularly important for BMs. The interviewees were asked how important they considered experience and expertise to be, and whether they thought diversity of experience and expertise enhanced boardroom effectiveness.

Their responses were grouped into three categories: the importance of experience and expertise, other elements that should also be considered for an effective board, and issues relating to a lack of relevant experience of the boardroom. Figure 7.7 illustrates these different responses.

Figure 7.7: Diversity of Experience

- *Board Members (BMs)*

According to the BMs, diversity of experience primarily helps with problem solving, as well as for expanding or restructuring a company:

> The advantages of expertise and specialisation help with problem solving, especially where they can say, "We have had this experience in the past and this succeeded", or, "We know that this method is not suitable for implementation because it failed in the past" … So, the accumulated experience benefits you primarily in problem solving. The other benefits help you with expansions and restructuring, with very important tasks [BM2 (M)].

Some interviewees argued that diversity of experience brings new ideas into the boardroom. Different kinds of experience can help BMs to develop better insights and enhance decision making, and this type of diversity can make companies more competitive in the market. This is especially the case for diversity of experience and education, which can raise the impact value of the company among competitors. For example, one interviewee said the following:

> When you have an expert in the same sector, you can progress better than your competitors with this accumulated experience of the boardroom. In particular, if

> they have both the experience and the knowledge of the sector, they add big value [BM10 (M)].

An intersection between different diversity types and experience was observed, as mentioned by BM10 (M). Education combined with experience adds more value than possessing experience by itself. Another benefit of diversity of experience is the ability to ensure different committees possess different but associated experience. Furthermore, independent BMs with operational experience can provide more insight than independent directors without relevant experience. This is because independents can offer operational rather than expert experience and oversight; it is not required in law for independent BMs to have operational experience. One interviewee explained this as follows:

> It's good when you have an operations specialist among the board members, and better if he is an independent. This helps a lot because he knows the hidden tricks. It is difficult to be aware of everything. I have only general knowledge about the operations and a general idea of what is being said about the operation. Nevertheless, when you have operations expertise, you get the full picture [BM6 (M)].

Another area of experience needed in the boardroom, especially nowadays, is that of IT, especially in the area of asset risk in relation to technology and social media, as stated by one BM as follows:

> We always need to have an IT specialist on the board because he can deal with risk. For instance, he's the one who helps the IT department to come up with the right budgets and he tells the company how to manage social media and emerging technologies [BM8 (M)].

Other participants thought that additional elements should be considered alongside experience, such as integrity, general board experience, and a willingness to support others. The number of years of experience a BM had was deemed less valuable than a sense of obligation and willingness to work with and support others:

> So, the most important thing is that you come in eager to support the organisation … but that doesn't necessarily mean thirty years of experience [BM12 (F)].

Other elements noted included the experience required for the kind of activity the company undertakes, or the stage at which the company finds itself. When the boardroom lacks relevant expertise, it depends on its executives to make decisions:

> Unfortunately, the board of directors does not consider the needs for each stage of the company. For example, in a stage where they need people with very strong financial knowledge, they depend on the CFO, who provides this information; but do they challenge him? Do they monitor him? This because there is no pool of required experience in the boardroom [BM9 (M)].

- *Internal Stakeholders (InStaks)*

Like the BMs, the executives stressed the importance of diversity of experience. Furthermore, they felt that a diversity of relevant board experience was required for every stage and sector (activity) and that this enhanced the effectiveness of the boardroom:

> Experience must be linked to the company as a whole – pivotal objects, activities, and events. These very important aspects must be linked to diversity of experience [Exec2 CM (M)].

The importance of relevant experience, as mentioned above by BM9 (M), was also noted by the CFOs and given more explanation. It was commented that the BM should understand, challenge, and direct executives when needed. Moreover, concentrating on one type of experience in the boardroom (such as operations expertise) could lead to a loss of opportunities:

> You need someone who can challenge, understand, and guide them in some aspects … Having only experience of the company activity will lead to a lot of missed opportunities [Exec3CFO (M)].

One CEO said that having BMs with a different range of experience is ideal, far better than having only those with specialist experience. Furthermore, he felt that specialist BMs are often "narrow-minded", which can help with problem solving but not in the long run or with strategic thinking:

> There is an old expression that says, "A jack of all trades is a master of none." In fact, I would say the reverse, "A jack of all trades is a master of everything." [Exec1CEO (M)].

The executives also stated the importance of BMs having both experience and knowledge, as mentioned by BM10 (M). One Instak observed that an additional benefit of this was stakeholder confidence:

> Experience and knowledge together give confidence to investors and the CMA [Capital Market Authority], benefiting the overall image of the company in the market [Exec8BS (M)].

- *External Stakeholders (ExStaks)*

The majority of the ExStaks agreed that a boardroom should have a mix of sector experience and other types of experience. This can help in the monitoring of executives and enhancing their decision making skills. Independent BMs need sector experience to ensure that they are making the right decisions. This result is consistent with the view of BM6 (M). One practitioner observed that, without expertise, BMs often avoid asking executives questions because they do not want to appear as though they do not understand. They are content to be offered information about the financial impact alone:

> Perhaps 20% of BMs should have experience in the same field. This ensures that the CEO is not giving the board incorrect information to encourage it to make decisions in his favour. Unfortunately, this happens! Executives take advantage of a lack of experience in the boardroom during operations to push their preferred decisions. This lack of experience leads the boardroom to look at the financial impact alone and make decisions on this basis. Few try to understand the subject better, to make sure that the decision is being taken appropriately [GP1 (M)].

Moreover, the BMs should not all be accountants or lawyers, rather, their experience should be relevant to all stages and relevant sectors. These views were agreed on by the BMs and the executives, and were consistent with the practitioners' views, who added that the boardroom should have all levels of experience:

> You don't want to have all board directors being accountants or lawyers. You want to have a variety of relevant experience and related to strategy and levels of experience, but it's got to be relevant to the business and to what the company needs for the future strategy. Therefore, it's very important to have different experiences around the board table and different levels of experience as well [GP2 (F)].

These different levels of experience may also open up the boardroom to new types of BMs, for example bringing in greater age diversity to the table. This benefits future strategy, as new appointees may have gained both experience and learning from more experienced and knowledgeable BMs.

7.4.3 Diversity of Educational Background (EB)

The participants were asked about the benefits of diversity of educational background and how this improves boardroom effectiveness. Moreover, they were asked about their own beliefs about the importance of educational background to boardroom effectiveness. The responses are illustrated in Figure 7.8.

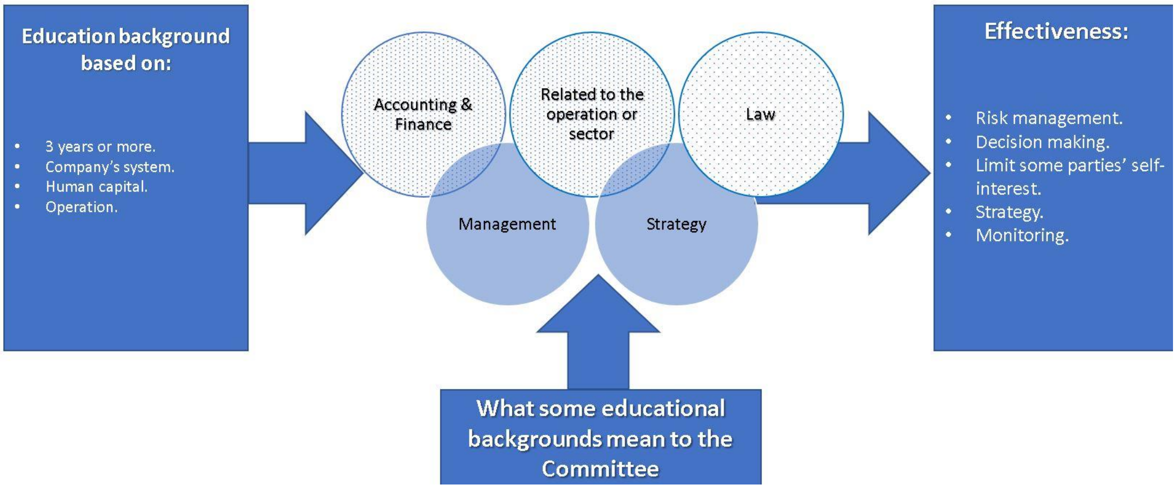

Figure 7.8: Educational Background (Diversity and Contribution)

- *Board Members (BMs)*

According to the BMs, diversity of educational background was important for boardroom effectiveness. Some thought that this helped companies to manage long-term planning, governance, risk management, decision making, and monitoring. Many argued for the importance of diversity in governance and financial background, as stated by one BM as follows:

> I think background is important. This is because modern companies need it – for example, strategic plans and governance and financial backgrounds – and specific backgrounds are important for every board [BM3 (M)].

Some interviewees said that educational background was a part of the new CG code, which requires committees to comprise members that have specific educational backgrounds. This might explain why certain backgrounds are found in all boardrooms. As one interviewee said:

> In the new corporate governance code, some of the committees are obliged to have specific backgrounds. For example, the audit committee needs a member with a financial background. It would be illogical to put a member on the audit committee without such a background [BM7 (M)].

There was agreement on the importance of having a background in the sector. The majority of the participants agreed with this view, and one interviewee explained this explicitly:

> Based on my experience in insurance companies, if there are not three or four members with an educational background in insurance, we do not understand anything! [BM10 (M)].

An educational background relating to business sector enhances the effectiveness of the board due to enhanced risk management and decision making. One interviewee explained this as follows:

> It improves risk management, because sometimes we want to carry out a project or import something related to the specialty of the BM. For example, importing chemistry materials from overseas. A specialist BM can say, "We know these materials, and importing from this country is risky because … this and this." Thus, having a chemical background would be very useful for making this decision [BM2 (M)].

As mentioned above, an important qualification for any boardroom is accounting and finance, as BMs with these qualifications can deal with most boardroom mechanisms, as explained by one BM as follows:

> Accounting and finance background are a "must" in every single boardroom because the financial statements, internal control monitoring, dealing with bankers – this is all standard [BM3 (M)].

The interviewees agreed on the importance of the specific backgrounds already mentioned. However, a small number of those interviewed suggested that boardrooms should have diverse backgrounds, rather than being concentrated in one or two areas. This was stated by GP2 (F) above, and another board member, as follows:

> [It is valuable] to be diverse – without all members coming from legal backgrounds, or all being accountants, or all from the same sector [BM4 (M)].

- *Internal Stakeholders (InStaks)*

The interviewees at executive level shared similar views to the BMs, but there were a number of different implications to their answers. According to one respondent, diversity of educational background enhances effectiveness by ensuring that different views are heard during the decision making process. It also limits the control of specific people, interests, and corporate lobbyists in the boardroom:

> This ensures different views are heard, rather than concentrating on one perspective. It restricts the control of certain people in the boardroom, who might have special interests [Exec2 CM (M)].

As mentioned above, the interviewees stated that some committees require specific backgrounds as a standard CG requirement. However, some participants felt that companies should also select from backgrounds relevant to strategic plan requirements. One Governance Committee member stated the following:

> This means looking at what you going to focus on for the next three years; then you can judge the criteria for the board member you want. There is a standard requirement for other committees to have an accounting background – like audit committees and other committees [Exec5CM (F)].

Some participants stated that the background composition of the boardroom should reflect the company's system, human capital, operations, and monitoring:

> You need people in the boardroom from these four areas because the company is based on them: systems, people, processes, and the monitoring tools to monitor these three [Exec9BS (M)].

It was suggested that some educational backgrounds were not required. These backgrounds could be hired externally, without the need for their presence among the BMs, as stated by one Secretary of the Board:

> Don't forget that members in the committee can be external, not necessarily board members [Exec5CM (F)].

- *External Stakeholders (ExStaks)*

The regulators' perceptions confirmed the views of the BMs that required educational background depends on the company's activity or the sector in which the firm operates:

> The educational background also depends on the type of company or sector in which the company is working. For example, in the petrochemical sector, a board member should be a specialist in chemistry, not a specialist in insurance or banking. It is entirely reliant on the type of company [Reg4 (M)].

Another noteworthy view was that scientific backgrounds can also be integrated into committees. This perspective aligned with that of Exec5CM (F), cited above. One interviewee argued that BMs should not specialise in day-to-day work, but focus on long-term thinking:

> I think the committees cover a lot of things, so the committees can cover these things and the board can focus on strategies [GP1 (M)].

Although the Corporate Governance Code mandates the inclusion of particular backgrounds, the legislators did not mention that the CG code requires this kind of qualification. However, the BMs and executives did note this. Nevertheless, all assumed that every boardroom could reap benefits from these particular backgrounds:

> There are certain specialties that are needed on all boards, such as finance, accounting, management, and strategy. So, these disciplines are assumed to exist in all companies [Reg3 (M)].

7.4.4 Diversity of Educational Level (EL)

The interviewees were asked about the impact of the BMs' educational level on boardroom effectiveness. They were also asked about the quality of the education, specifically the value of BMs attending high-ranking universities, and whether qualifications and experience obtained overseas differed from those obtained locally. The majority of responses downplayed the importance of educational level and quality, stating that there were more important factors to consider. However, a small number of participants stressed the benefits of educational level. Figure 7.9 summarises these responses.

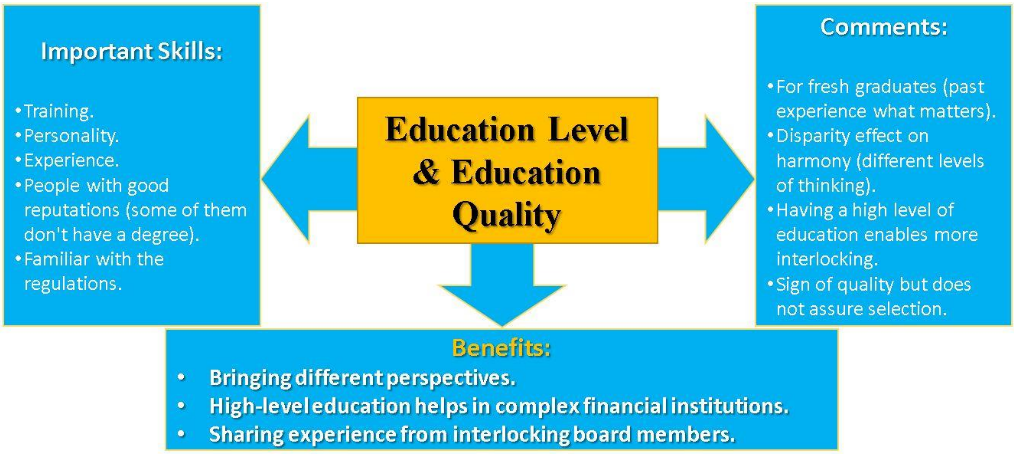

Figure 7.9: Educational Level & Quality

Board Members (BM)

The majority of BMs agreed that educational level was not a particularly valuable contribution to the boardroom. Certainly, it was deemed less important than experience:

> A certificate is not usually a real factor. Experience is more relevant to the contribution of the BM [BM11 (M)].

Another BM gave an example of someone playing a vital role in the boardroom but having no educational degree at all. She shared her personal experience of the importance of experience over EL:

> I met someone on a board who had never graduated college, and he is one of the most valuable members I have ever met. This is because he obtained his knowledge through forty years of working. Sometimes, you gain your know-how through experience [BM12 (F)].

Some interviewees argued that levels of experience matter far more than levels of education. A boardroom might hire an effective member without an education, but never one without experience. One interviewee put this as follows:

> I don't care much about the boardroom members' education, but rather his or her experience. Lack of experience may be more harmful than beneficial [BM7 (M)].

Hiring members who have a good education might legitimise the composition of the boardroom, but this composition does not always ensure that the objectives are met. The comment below illustrates that while education might indicate quality in the boardroom, it does not assure it:

> Level of education is a proxy of quality in the boardroom, but it may or may not serve the purpose of board [BM3 (M)].

In this context, the participants often claimed that, "Things are different now." This comment seemed to refer to two things: the National Transformation Vision 2030 or global technological development in general in the business world. Technology is changing and generating new business structures. This demands that BMs develop new mindsets to take on these changes. BM8 (M) said that members with a bachelor's degree and ten to fifteen years of experience could effectively serve in boardrooms in the past and be paid lower compensation. However, today, companies must pay more to hire BMs with high levels of technological education and experience and/or who have the knowledge and mindset to face new and different challenges:

> Now is different. The challenges are bigger … and becoming bigger, so you really need experts to deal with them [BM8 (M)].

Another BM said that highly educated members did not make a substantial difference unless they also were members of other boards, as this allowed them to bring in experience from elsewhere. However, it was noted that their education level might be a reason for their presence in another boardroom:

> I give you an example of when it can make a difference to hire a postgraduate: if they have taken the opportunity to be on several other boards, if their certificate has helped them to get membership in many boardrooms. This gives them wide background experience. He or she can then benefit this boardroom with their experience of other memberships [BM6 (M)].

It was felt, therefore, that possessing a higher education level did not automatically ensure effectiveness unless education was combined with experience. However, highly educated members often have more opportunities for membership of boardrooms. This is because their high level of education offers legitimacy to the eyes of the outside world and adds ‘shape’ to the boardroom, if not also effectiveness. Nonetheless, nowadays, education level might help equip someone for facing new challenges, including changes in business structure, both locally and around the world.

When asked about the impact of quality of education, the BMs responded that having attended a high ranking university was often a sign of quality, but not exactly relevant to decisions made about candidate selection or an indicator of whether this person will be effective in the boardroom:

> Where he obtained his degree is, for me, a sign of his quality. It is important, but it's not the only factor [BM3 (M)].

Overall, it was felt that a candidate who had attended a high ranking university could be an indicator of value, but it was not a value in itself. There were other, more important elements that might contribute towards board effectiveness, such as experience, raising morale, and maintaining harmony. For example, a BM who had graduated from a high ranking institution could be a more advanced thinker than the other members. This could create conflict between BMs, thus reducing harmony in the boardroom and, consequently, board effectiveness:

> Getting a good qualification from a highly ranked university is no doubt added value, but it is not sufficient by itself. Lack of experience or poor character and many other factors might have a negative impact. He might have more advanced thinking than other members in the boardroom, which can affect the harmony. Harmony is one of the most important elements for board effectiveness. We don't want a passive member, but the boardroom needs to be consistent. The boardroom should serve one goal: that is, positive discussion [BM7 (M)].

Another BM suggested that, in his experience, completing two or three courses with a good school for boardroom training and governance was preferable. This could increase the effectiveness of a BM more than a degree from a high ranking institution:

> They will be better than a lot of board members who are just picked from the community without a background in such training [BM8 (M)].

Furthermore, an international qualification did not impress the participants in relation to boardroom effectiveness. They felt that other variables were more important, such as familiarity with local rules and regulations:

> He might have updated knowledge, but his weakness is a lack of familiarity with the local laws, regulations, and procedures for working in Saudi Arabia. The nature of work in Saudi Arabia is different to that of other countries. The country has a special nature [BM2 (M)].

Moreover, the personality and educational background of the BM were deemed to be more relevant to effectiveness than having obtained one’s qualification overseas:

> No. I think, at the end of the day, it's about this specific person and the education they chose and who they are as people [BM12 (F)].

- *Internal Stakeholders (InStaks)*

The BMs felt that a degree from an overseas institution did not add to a boardroom candidate's effectiveness, while some executives felt that it was value added to the boardroom and to board effectiveness. One participant commented as follows:

> Very important! Why? Because they bring a different perspective to the table, such as new solutions for projects, new ideas, and fresh brainstorming to engage the company in large investments. These people bring best practice. I believe this [Exec6 BS (F)].

Some interviewees also felt that overseas qualifications could bring value, with both experience and qualifications driving effectiveness. This was, in some ways, similar to the perspective of the BMs:

> If they have qualifications and experience, combining both could contribute more to the boardroom. However, those who had the chance to work abroad, in my opinion, they have a real added value [Exec4CM (M)].

This view is consistent with the views of the BMs, who felt that education from overseas alone did not add value, but it could be a benefit if the participant also had relevant experience. Some other interviewees made this point, albeit less directly than Exec4CM (M). The InStaks' perceptions corresponded with those of the BMs, notably in their view that attendance at a high ranking institution was not a predictor of effectiveness; rather, experience was more important:

> It's a plus, but I do not give it much weight. I'm only interested in experience [Exec3CFO (M)].

Overall, educational level was not deemed important unless it was accompanied by the right experience. Furthermore, university qualifications were deemed important only for entry level positions and graduate positions, as one CFO explained:

> Qualifications are very important at the entry level (fresh graduate level). You don't meet someone for, for example, a CFO position and ask whether he is a graduate from Yale or a Saudi university. Experience is all: what shows up for the past twenty years, the different companies, and whether he is extremely good at the job [Exec3CFO (M)].

However, this was not the view of all the participant executives. Educational level was thought to add to boardroom effectiveness, but it could also create problems for communication between BMs with different levels of education and experience. This was where the skills of the chairperson played a role, notably in managing discussions between BMs:

> It is certain that different levels of education in the boardroom provide diversity that enriches the discussions between members (e.g., Ph.D., master's degrees, etc.). When there are different levels of education though, there can be a bit of difficulty with communication, as there are different levels of education and experience. This is normal, but the role of the chairperson comes in here [Exec9BS (M)].

In contrast, one executive prioritised educational quality and said that this was more important than educational level. He said that a BM with a low level of education, but a high reputation and a successful history, is known in boardroom circles as a "Marzouk":

> I prefer someone from a well-known university with a bachelor's degree to another with a Ph.D. from an unknown university … Sometimes a member known for his success increases his or her reputation and it makes them more eligible for the boardroom. He or she may not be educated, but rather a "Marzouk". This kind of person is welcome in the boardroom due to their historical successes. There are many examples of them [Exec7CM (M)].

This perception is consistent with the views of some BMs and ExStaks. However, some felt that this view had been relevant in the past but was no longer so, in that a BM with a low level of education could have served, in the past, during the foundation of the company, but they would be inappropriate nowadays. This view was in line with the remarks of BM8 (M), noted above:

> People in the past built and established companies with low levels of education; but at the present time, I think this would be difficult [Exec4CM (M)].

- *External Stakeholders (ExStaks)*

One practitioner gave the example of people who do not have qualifications but whom, nevertheless, head up boards of large international companies. But, this participant also highlighted that qualifications might be crucial when there are complex subjects to be discussed in the boardroom, such as finance:

> People like Bill Gates, they didn't finish their degrees. So, it's more about the level of expertise and knowledge and experience that are really important. But maybe if you're dealing with a very complex financial situation, you need somebody who has got, I would say, good qualifications in finance [GP2 (F)].

Moreover, some regulators said that it depended on the personality of the BM. This perception was consistent with that of BM12 (F), who said she did not use years of employment to measure experience. Rather, these participants valued BMs who saw the general picture – over those who were more detail oriented and, thus, might not be able to reach an overview:

> Experience is not measured by years; knowledge is not measured by scientific qualifications. Some people who hold a doctorate can explain difficult things, but they cannot convert it and crystallise it into a large, practical image. That varies from person to person [Reg5 (M)].

Thus, the InStaks did not consider educational level and/or educational quality to be important elements of boardroom effectiveness. Rather, they prioritised elements of personality, reputation, experience, training, and company needs.

7.4.5 Diversity of Gender

The participants were asked whether they felt female BMs enhanced boardroom effectiveness. Their responses discussed female boardroom involvement, the most appropriate proportion of female participants, and women's contributions (see Figure 7.10).

- *Board Members (BMs)*

One female BM expressed the view that it was not only simply including women on boards that enhanced the boardroom, but rather the talents and experience of the board as a whole which worked together:

> I don't think necessarily just having female membership changes the dynamic. I think the whole board has to have a range of unique experiences that each add value in their own way. Simply being a female doesn't … do that, of course [BM12 (F)].

Another BM said that they opposed discrimination, unless the work demanded a specific gender:

> I am gender-neutral, unless the business is sex dependent – for example, selling women clothes. In that case, that's a must because a woman understands this work better [BM3 (M)].

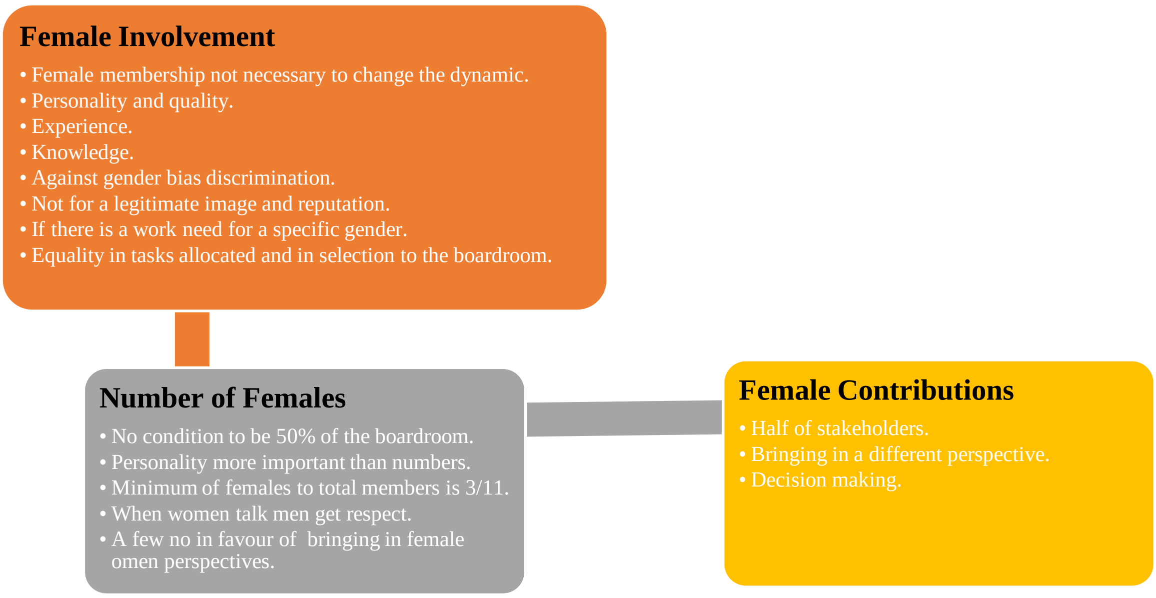

Figure 7.10: Views on Including Women in the Boardroom

Some argued that there was a need for women on boards because they represent half of stakeholder perspectives. This showed that some participants were willing to embrace the new diversity logic:

> Absolutely. Women represent the stakeholders of the company. So, when there is gender diversity, you have the perspectives of the other 50% of the population [BM11 (M)].

Moreover, the interviewees said that women's perspectives were needed, regardless of the specific sector or company purpose, but this did not mean that they must comprise 50% of the boardroom:

> There should not be a condition for certain sectors. They have to be present but not in the majority or even 50%' [BM4 (M)].

Another BM argued that there should be equality in nominations and task distribution. The board sometimes tends to allocate tasks according to gender, and this affects the contributions of each gender:

> The most important thing is that equality applies to women as much as it does to men. This means being committed and effective [BM7 (M)].

The BM's personality was deemed more relevant than whether they were the minority gender in the boardroom. One female BM discussed whether one or two women could contribute in a room with seven or eight men:

> I think, in the end, it depends on the person; but in my opinion, they shouldn't be affected by the number [of men in the room] [BM12 (F)].

This view was confirmed by many BMs, one of whom said, "There is one woman better than a thousand men, and vice versa." Thus, personality can have a greater effect than gender. One BM with a long experience of boardroom gender diversity said the following:

> I have experienced gender diversity for 15 or 16 years. It is not only about gender but personality and knowledge and experience. These are worth more than gender, which does not really affect the output of the boardroom [BM10 (M)].

The personalities of the women members may be one reason for their current presence in Saudi boardrooms. Personality is important in the boardroom; thus, this is another important factor in the flavour of diversity. Nevertheless, female board numbers might not be sufficient to make a difference:

> Right now, we don't have diversity in the boardrooms. The women in the board currently don't add anything as a gender, they add as normal people. This means that they may not bring female perspectives because we don’t have many women in the boardrooms. We should have more as we go forward [BM6 (M)].

This view shows the importance of female representation in the boardroom, to gain a broader female perspective, because females represent half of society. Additionally, ignoring differences of representation could work towards resistance to the change towards the new logic, because most boardrooms are still dominated by males.

- *Internal Stakeholders (InStaks)*

Executives shared similar thoughts to the BMs. The executives stated that there should not be a differentiation between the genders in the boardroom. The qualifications of the person were deemed more important for the BMs for representation in the boardroom. One female executive said as follows:

> I don't like gender bias. I like to look at the pool of qualifications and find people who meet the requirements. I do not consider whether they are men or women [Exec5CM (F)].

However, another female executive emphasised equality of nominations, in that the females must be as qualified as the males:

> When considering a woman, you must ensure you apply the same criteria as you do for men. This is equality – it means not differentiating between the genders. Equality is very important. For example, like partners each giving 50%. It is like marriage: each has 50%, each takes 50%, and each gives 50%' [Exec6 BS (F)].

There may be gender bias in some boardrooms, which goes against or in favour of either men or women. For example, some boardrooms hire women despite their lack of appropriate qualifications, in an attempt to portray a public image for having a woman in their boardrooms. This was mentioned by some BMs and an executive:

> I mean we should not bring women in so that we can say we have women in the boardroom, but rather for her experience and qualifications. Then, she is welcome. I believe that women have been successful in different areas [Exec7CM (M)].

However, most BMs noted the importance of female representation in the boardrooms. BM (M) talked about the introduction of a minimum percentage of female board members, as did one female executive:

> There should be minimum requirement percentage, I mean if a boardroom contains eleven people, a minimum of three women could be on the board [Exec6BS (F)].

Moreover, Exec6BS (F) responded to a follow-up question of whether fewer than three women could properly serve on the board:

> I do not think that if there is only one woman she cannot manage nor have discussions with other male members. According to my experience of the debates, there is always respect and people listen when women talk in any boardroom or conference. Now, Vision 2030 has empowered women even further [Exec6BS (F)].

This view was also mentioned by BM12 (F) and others. When there is a woman in the room, the men show her respect, giving her space and they listen to her perspective. However, the woman's personality is important in this respect, as one female executive described:

> I believe that it has to do with the quality of the person rather than their gender [Exec5CM (F)].

- *External Stakeholders (ExStaks)*

One female practitioner felt that there was nothing preventing women from being involved in the boardroom. She felt that another perspective in the boardroom would be of benefit:

> So, there is no reason why they would not be as qualified and experienced as men, and they also bring different perspectives [GP2 (F)].

These boarder perspectives can bring greater efficiency and stability to the decision making process. As one male practitioner stated:

> There should be a female component in the boardroom. Women bring balance to the board for the decision making process [GP1 (M)].

7.4.5.1 Women's Contributions in the Boardroom

The interviewees were asked about their experiences of and thoughts on, how women might contribute in the boardroom. Their responses mainly focused on two primary topics: decision making and board meetings. See Figure 7.11 gives an overview of these responses.

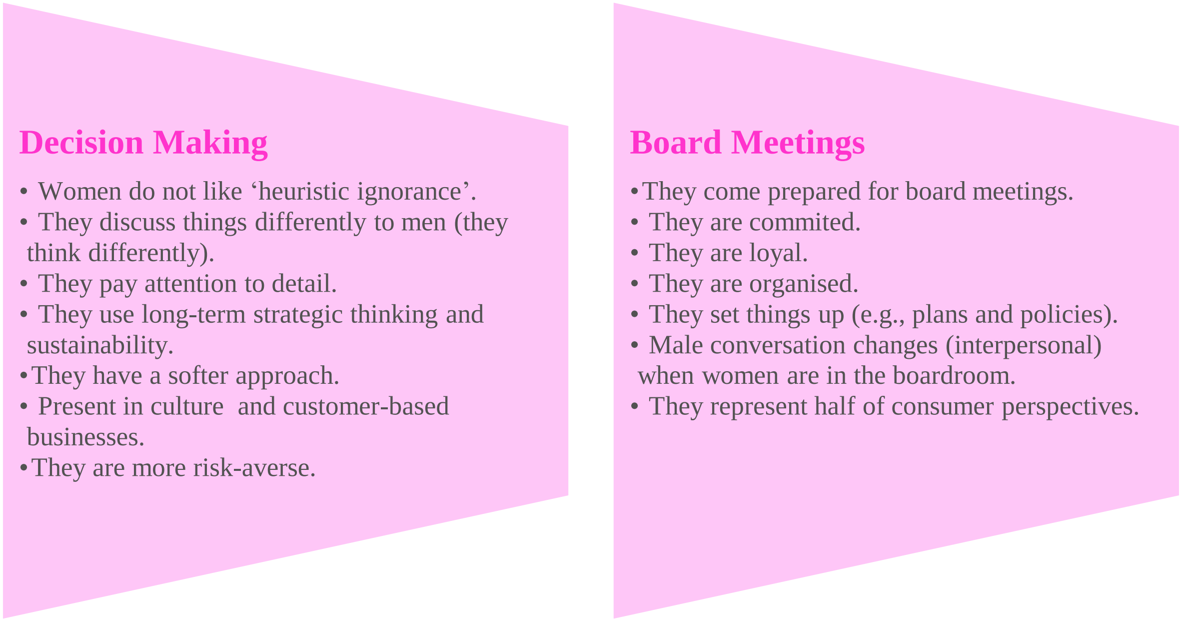

Figure 7.11: Women's Contributions in the Boardroom

- *Board Members (BMs)*

Some BMs thought that women behaved differently to men in the boardroom, and that conversations sometimes improved in the presence of women:

> The way they discuss things can be better than the ways men do [BM4 (M)].

It was noted that female presence might also change the dynamics of conversation between men. One female BM felt that the presence of women makes all discussions more constructive:

> I always find that, when there are women in the room, it just sort of changes conversations. This is because women are different to men [BM12 (F)].

Moreover, when women contribute to discussions, they seem to pay more attention to detail, as noted by one male BM:

> Women add touches to tasks that you would not even think about. They pay more attention to detail [BM6 (M)].

It was also observed that female BMs can have ideas that differ from those of men. One male BM shared his experience of this:

> They have creative ideas. I mean they think “outside of the box” and quite differently to how men think [BM2 (M)].

Some of these differences were identified as understanding company culture and taking a softer approach, both of which are important in a customer focused business:

> Women consider culture a very important aspect. Women have a soft approach that is more valuable than the business approach, especially if the business involves consumers [BM9 (M)].

The impact of women on a board is often valued more for businesses that sell products and services directly to women, in customer focused businesses (B to C), and in businesses that deal with other businesses (B to B). These results are clarified in Figure 7.12. This softer approach was also noted by one female BM:

> Obviously, we have different composition. The way we think can be different in various ways. Some are more emotional, and so on [BM12 (F)].

Furthermore, women can contribute to boardrooms by setting up plans and policies, as one male BM noted:

> There are companies that do business in certain areas where women can be more helpful than men – setting up work plans, criteria, policies, all these things [BM8 (M)].

Women also contribute to the boardroom by thinking in ways that are more long-term and sustainable than those typically employed by men, as one male BM observed:

> Women engage in more long-term thinking than men do. This is one of the differences [between men and women] and there are other differences. Women think more in terms of sustainability than men do [BM11 (M)].

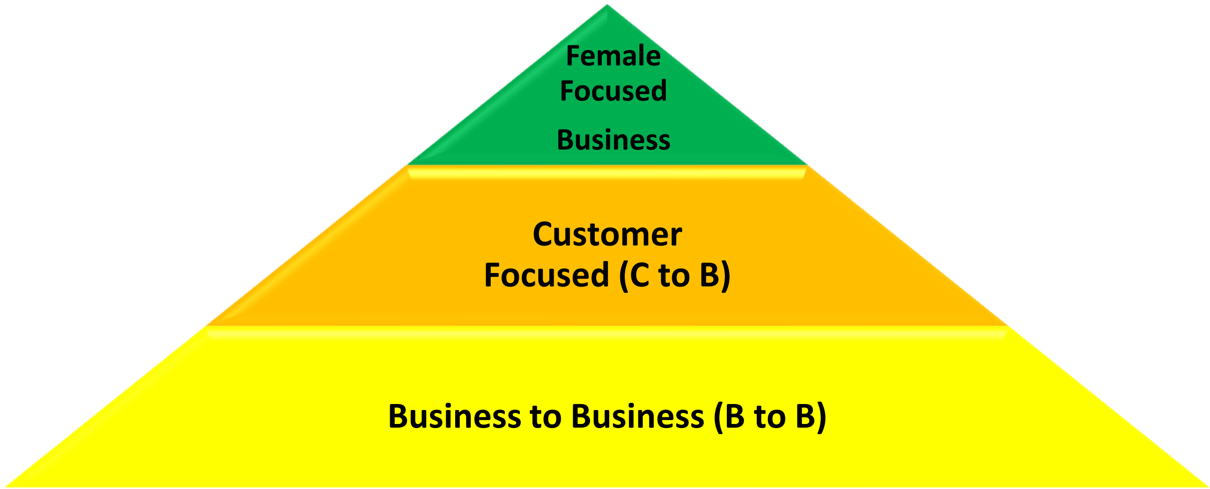

Figure 7.12: Female Board Contribution by Sector

- *Internal Stakeholders (InStaks)*

The executives felt that women offer different perspectives to men, that they take a softer approach, and work well in customer focused businesses, and care more about culture. The executives added that women also tend to be committed, loyal, and well-organised. One female executive commented as follows:

> Women are committed, loyal, and very organised in everything – in her thoughts and also in any implementation [Exec6 BS (F)].

Another contribution made by women that was observed, and one consistent with the remarks of BM11 (M), was that women tend to think in a more long-term way and more strategically, and act as leaders, as one male executive stated:

> Honestly, they contribute to the board of directors and take the role of leaders. This means they play an excellent role in strategic thinking [Exec7CM (M)].

- *External Stakeholders (ExStaks)*

The ExStaks agreed with the views expressed by the BMs and InStaks groups; they felt that women added to discussions and paid attention to detail. Moreover, the ExStaks confirmed that male conversation changed when women were in the room, as stated by Exec5CM (F) and BM12 (F). As one male practitioner said the following:

> Once you have a lady in the room, things are very different. This means that men behave differently when a lady is around [GP1 (M)].

Furthermore, the ExStaks agreed that women showed commitment by preparing for meetings, working well in customer focused businesses, and representing consumer perspectives. One female practitioner said:

> They are usually better prepared for board meetings and more conscientious. So, they have different advantages. They are also consumers – and very often major consumers – so, if you are in a consumer facing industry, it makes sense to have women on your board, so that they can give the female consumer perspective [GP2 (F)].

The ExStaks thought that women have qualities that a board could identify and make use of, which might increase board effectiveness. One regulator said:

> Women have characteristics that boards can work on and take advantage of to increase effectiveness [Reg5 (M)].

Another important factor was that women tend to be more risk averse, as one female practitioner noted:

> They are usually more risk averse than men [GP2 (F)].

Many participants, such as BM6 (M) above, agreed that women were generally more detail oriented than men. Similarly, it was noted that women do not like heuristic ignorance, while men may agree to things in a discussion that they do not really understand, and, in this context, the female approach might contribute to CG. The presence of women in the boardroom results in more questions being asked, which enables the right decisions to be made:

There is something else that we call "heuristic ignorance". This means that, for example, when they are in a meeting, a man might agree on something that he doesn't understand because he doesn't want others to know that he doesn’t understand. Women do not put themselves in such a position. If they don't understand, they don't just agree [GP1 (M)].

7.4.5.2 Barriers to Gender Diversity in the Boardroom

The participants were asked about their thoughts on the low representation of women in Saudi boardrooms and existing barriers to female representation. Four broad themes emerged from the analysis of the responses see Figure 7.13:

Figure 7.13: Barriers to Gender Diversity

7.4.5.2.1 Cultural Barriers

Most participants cited culture as a barrier to gender diversity, and this reveals the old traditional logic, as one female BM stated:

> I think the obstacles to diversity are historic and cultural for women [BM12 (F)].

This was confirmed by another BM interviewee, who mentioned that he was against gender mixing in boardrooms, and felt that it was not important to do so. Furthermore, he noted that the Saudi culture places restrictions on gender diversity. He acknowledged that the Government's Shura Council has pledged a commitment to increase gender diversity without restrictions, but then added the following:

> I expect that our culture has some restrictions on gender diversity, and so you must take this into consideration … but Shura Council added women to their board. I expect … I do not know … I don't know [laughs] [BM14 (M)].

It is true that Saudi corporate law places restrictions on women in the workplace. However, the Shura Council has comprised 20% women since 2013. One interviewee said that corporate restrictions prevented the inclusion of women on the board:

> To be honest with you, in the last maybe ten years or so, we have not accepted the ladies who have the education and the requirements to sit on the board. This is because, socially, they were not in a position to sit on a board until only a few years ago. You know, they sat in different rooms and talked over a microphone or something … The other thing is that we didn't have the right type of Saudi people in their forties that we have today. So, I don't think gender should be treated as a problem [BM8 (M)].

Therefore, it is necessary for society to adapt to a changing social context and work to develop boardrooms that resemble the Shura Council, rather than placing corporate workplace restrictions on women. This could encourage shareholders to insert more women into boardrooms. However, many participants felt that this would take some time to achieve:

> The issue is about social acceptance. This means that society is not used to it. It will take some time [Exec7CM (M)].

A male dominated society is one of the key barriers to gender diversity, and "society is not used to it." These barriers are complicated and Governmental power may be needed to break these barriers. However, traditional culture still plays a vital role:

> I think there are traditional cultural challenges. I think that, like many countries, Saudi, as you know, is very male-dominated. This produces its own challenges with breaking through those barriers, whether it's the "sticky floor", as we call it, where women themselves, they don't have role models or enough role models, they do not see themselves as having a place on the board, or whether it's because of the glass ceiling that they can't break through [GP2 (F)].

Many interviewees perceived low female representation in boardrooms as a global issue, even though the Saudi Government has used its power to insert more women into Governmental institutions and in the private sector. One male interviewee noted the following:

> It is cultural more than anything else. In Western countries, they are struggling too to add more women to their boardrooms … We may be in a worse position than they are currently, but we have begun to see change at government level. This will be reflected in the private sector in the future because we always follow government practice. This will result in changes in the private sector' [GP1 (M)].

Another interesting proposal was that women in the boardroom were usually required to adopt a "male personality" type. Three interviewees mentioned this, and one, a woman, offered an explanation of this:

> There are some women who, when they sit on the board, are like one hundred men. Some women don't like this – they say that I am considering myself a man. However, I feel that I'm not considering myself a man, but I feel like we are equal.

> We are the other part of society. I attend several women's conferences and I believe that the same issues arise in other parts of the world as well. It is a part of human nature. Women have to fight for their survival. This is very healthy [Exec6 BS (F)].

Women themselves and their families can also be a barrier to gender diversity. In particular, families often frustrate women and limit their ability to take part in the boardroom, as one male BM stated:

> Sometimes, women and their families – a husband or father, for example – take a conservative view of her participation. This affects female confidence. I mean, it is possible from both sides. This limits courage, which is a more male characteristic. There are many women who work, but only under the terms of their families [Exec8BS (M)].

This was confirmed by a female participant, who said that women relied on the support of their families, particularly males in the family:

> In our culture, women's success requires the support of the men around her (e.g., her husband, brother, son, father) … Have you heard of a woman who left her husband or brothers to take a leadership position? [Exec6 BS (F)].

7.4.5.2.2 Regulations and Future Change

Regulations could, theoretically, work as a barrier to gender diversity, but this appears not to be the case in this context. Many participants revealed that they felt the real issue was a cultural issue, saying as follows:

> It's a culture issue. It's not a regulation issue [BM9 (M)].

Existing regulations discourage differentiation on the grounds of gender when seeking candidates for the boardroom, as one regulatory participant noted:

> The corporate regulation guarantees that every shareholder has the right to candidature, regardless of their sex. So, women and men are equal in the matter of candidacy [Reg3 (M)].

However, while there are no regulations in place to prevent women from becoming BMs, there have been previous rejections of female applications to become a BM. This trend occurred before listed companies were regulated by the CMA, and, thus, rejections may have been based on an institution's subjective judgement, influenced by historical culture. These rejections were not based on any regulations in place at the time, as there was/is nothing in the regulations that prevented women becoming BMs. One male secretary of the board puts this as follows:

> In 2004, there was no CMA. We sent the papers for one female BM to an approval. They replied that it was not approved, and the lady was rejected. This was despite there being nothing in the regulations to say it was not possible. After that, in 2008 or 2007, the first lady joined the board of a listed company. At that time, we realised that it might now be possible for women to become BM. We submitted her papers once again and she was accepted [Exec8BS (M)].

Today, the Government empowers women to take up leadership positions, and one BM confirmed this:

> In the past, according to the Vision, women did not have many opportunities in employment, compared to men; but today, the Government is seeking to empower women, who represent 45-47% of Saudi's population. The government is focused on them. I expect that, in the next five years, there will be very big changes in the structure of work in general and more involvement by women [BM7 (M)].

Many BMs thought that change had already begun and it will bring more women onto boards. However, one BM argued differently:

> Women today do not have easy access to leadership positions. Therefore, the individuals that decide in the leadership positions for women are the same individuals that sit on the boards of directors. Their presence is still not favoured! [BM9 (M)].

This suggests that the Government should adopt regulations gradually to improve the representation of women, otherwise, greater representation will, ultimately, take more time to achieve. This is evidenced by the fact that women have been able to take BM positions now for more than ten years, as noted by Exec8BS (M), but, nonetheless, there have been no major changes in this area, as one BM noted:

> There are no obstacles but it is unusual … the maturity of the country in terms of female participation is very low: we have just started. So, it is a matter of the maturity of the company and making the changes acceptable, and all these takes time … Sometimes, it can be regulatory. It can be made mandatory by regulation, with quotas set [BM11 (M)].

This reveals that adopting regulations to introduce quotas to support a shift towards the new logic of diversity might work, while not adopting quotas could work as a barrier to change. However, regulators still see it as being up to the company and its shareholders to decide. However, regulators do not necessarily have to be involved in such decisions, as one female regulator stated:

> The important point is that we are talking about the nomination policies adopted by the General Assembly, by shareholders. These policies can be changed if the company decides to do so. For example, if they want this percentage of women or nationalities, then it is approved by the General Assembly. There is no problem for us as regulators. As long as it's approved by the General Assembly. The idea is that it is open to companies to decide. As they deem fit for the company itself – whatever supports its continuity and sustainability – we have no problem with this [Reg1 (F)].

7.4.5.2.3 Women Applying for and Joining Boards

The process of applying for BM positions is one barrier to gender diversity. Currently, no women have applied for these positions, as noted in disclosures to the public concerning applications to restructure the boardroom. One BM noted the following:

> We have not seen many women applying yet [BM13 (M)].

Moreover, some said they found it difficult to recruit women for a board. This might be because there is a limited pool of female representation in the Saudi market, as one secretary of the board noted:

> The main challenge is in how the company can recruit female Saudis as board members [Exec9BS (M)].

However, some BMs said that this was happening in different ways:

> Nowadays, the recruitment of board members occurs through many channels. For example, paid recruitment companies look for appropriate candidates [BM13 (M)].

Other BMs thought new methods were required. For example, they could contact different committees and ask individuals to nominate themselves:

> We have to start somewhere. We have not started yet! The culture rejects the idea. Women should enter the committees at the beginning, to start as board committee members [BM9 (M)].

In this way, women could be hired onto different committees. The regulations allow external members to serve on different committees, and these roles are not limited to executives or BMs only. This would create a pipeline to attract more women:

> I think there's a lot of work to be done in this area in creating a pipeline or a reservoir. But once you start getting more women on boards, it will start to happen automatically [GP2 (F)].

Another BM suggested that BMs should pass a test or apply for a license to allow them to sit in the boardroom. This requirement could lead to hiring more qualified directors and eliminating age and gender issues:

> A member should be expected to pass a specific course or licence prior to being nominated to the board of a listed company. This would at least give an introduction

> to the role. There could be a specialist course or licence for the audit committee members. Because, in this way, we would eliminate the problem of age and gender diversity; so that if one is capable and they can function, they are welcome [BM10 (M)].

7.4.5.2.4 No Pool of Experienced Women

Many interviewees revealed that women in Saudi Arabia lack the experience required to sit in the boardroom, as they have only recently entered the workforce. As one BM stated:

> I think that men have little confidence in women performing in senior positions. The other thing, most women are only newly entering the workforce in Saudi Arabia. In other words, they have less than ten years of experience. Before that, they did not exist in the workforce in our cultural community. Therefore, they haven't had the opportunity to gain the forty years of experience and credibility needed for senior positions [BM6 (M)].

One female BM confirmed this perspective. She hoped that, in the coming years, the number of females on boards would increase, and she claimed that there was support for this:

> They haven't had as much experience in the work environment, so they haven't had as much time to climb the ladder. But I think ‘In Shallah’, in the next five to ten years we are going to see more because I see the willingness [BM12 (F)].

On the other hand, some participants thought that experienced women were available now. Some had been allocated to Governmental institutions (e.g., the City Council, and the Shura Council). These interviewees thought that this practice would be reflected in the private sector eventually:

> They are engaging more in the Government sector now, and this is eventually going to trickle down to the private sector [Exec3CFO (M)].

Another female participant revealed that there were many qualified women in the banking and insurance sector at senior management level:

> You ask why they are no candidates to the boards of directors in banks and insurance companies. And I say, unfortunately, I am saddened by the fact that they are full of qualified women [Exec5CM (F)].

This might be because banking is a well-developed sector in the market, with a wealth of qualified people. The banking sector ensures gender balance in its hiring practices to enable it to meet its customers' needs. The maturity of the business could predict the development of a pool of female talent. However, the sector does not have gender equality among senior positions. One practitioner suggested that those struggling to find a pool of female talent were perhaps limited to women of certain backgrounds:

> I think that limiting themselves to women with finance or engineering backgrounds is the problem [GP1 (M)].

It is difficult to find female engineers at the moment in Saudi, and a pool of female engineers must have already been developed to work in the future. The same is true for experienced women generally. Thus, a pipeline is needed to create a pool in the future. One female practitioner offered a brief illustration of the situation for women and the pool of talent in Saudi Arabia. This goes some way to explain a lack of female BMs. However, inconsistencies were observed in some of the views cited above:

> The main issue in Saudi is that there are not enough women in senior management positions. This requires a big enough pipeline to produce board directors. Normally, board directors come from the C-suite, and you don't currently have enough women in C-suite positions in organisations to create that pipeline. I think there are plenty of women with experience. But maybe they are not being identified within that pool and within some of the large companies. There aren't enough women at C-suite level, which would be the natural place to look within the organisation [GP2 (F)].

7.4.6 Diversity of Nationality

The interviewees were asked whether they preferred to have a range of nationalities working in the boardroom, and whether increasing the number of foreign BMs might attract more foreign investment. Two themes emerged from the analysis (as illustrated in Figure 7.14).

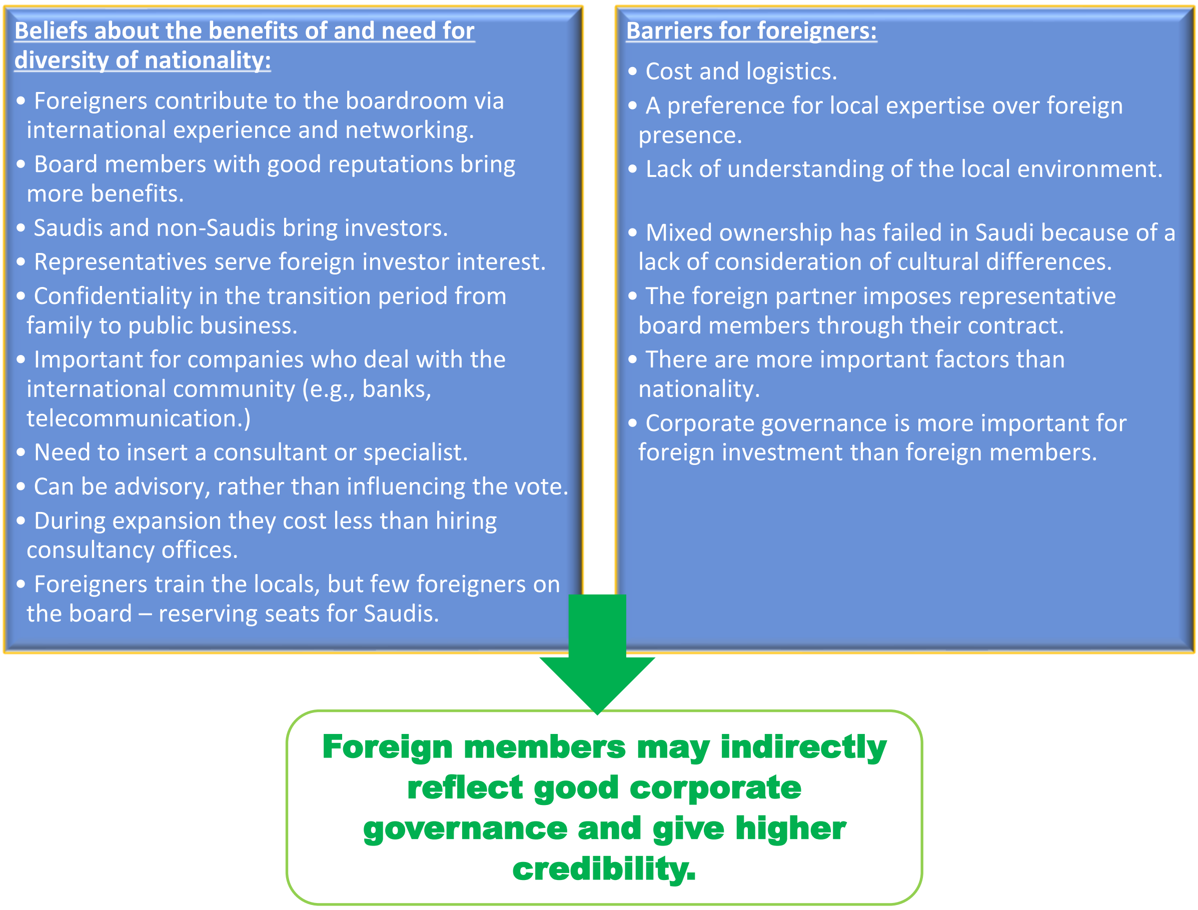

Figure 7.14: Diversity of Nationality

7.4.6.1 Beliefs about the Need for and Benefits of Foreign Board Members

Many participants responded that different nationalities increase the effectiveness of the boardroom through their experience and social capital, as one BM said:

> Different nationalities contribute to boardroom effectiveness through their international experience and networking [BM3 (M)].

Some BMs and executives said that choosing well-known foreigners gives credibility to the company and benefits its reputation. This helps to connect the company to a larger segment of foreign investors:

> Yes, especially if they have a good reputation [BM11 (M)].

Other interviewees said that Saudi and non-Saudi BMs could connect companies to new investors:

> The international and the Saudi BMs can bring investors to the company [BM3 (M)].

A lack of diversity of nationality in the boardroom does not serve foreign investors' objectives. Thus, increasing foreign members could increase foreign investment, as one executive noted:

> When a board is dominated by Saudis, it definitely will not serve the foreign investor. This why foreign investors always want to have board members from their team. Therefore, if you want more foreign investors, you have to open more seats to foreign members [Exec9BS (M)].

Another benefit of foreigner BMs as noted by the interviewees was in connection with the transition periods if a company. For example, when a company moves from being a closed family business to a public company, the business could use expert foreign members to strengthen its CG. This also ensures confidentiality. One practitioner noted the following:

> For example, in the transition from a family business to a public enterprise, it is possible to add people with experience from outside the country to improve the status of governance. This continues until the company situation and governance position has improved. This is because owners are keen to prevent their problems becoming public knowledge. Thus, they bring in people from outside the country [GP1 (M)].

Furthermore, foreign BMs were often used to dealing with global transactions. This occurs in the communications and banking sectors. One CFO executive participant revealed that global banking services represent 60% of total services provided to customers:

> The banking sector cannot work in isolation of the international community! The important links in international banking relations are due to the presence of foreign board members representing the international sides of these relationships. It is similar in the telecommunications companies [Exec3CFO (M)].

Hence, the activity and stage of development of the company could determine the importance of foreign BMs, and their benefits to the company could include knowledge of global risk. The relevance of the stage of development of a firm was noted by many stakeholders. For example, the transformation of a local telecommunications company from a local firm to one dealing in high-end technology was cited by one participant:

> The nature of the company's activity determines whether it is imperative for you to choose foreigners. The stage made STC bring foreigners to its boardrooms, and also the National Bank, in the new board elections. They sought international experience because they believed that this would add value for their stage. For example, STC has now transformed from telecommunications to high-end technology [Exec3CFO (M)].

Other participants suggested that foreign directors could be brought in as consultants who could offer new strategic perspectives. However, it was striking that they referred to these BMs as “specialists only”; as this indicated that they did not wish to involve foreign members in decision making, but only in providing advice. One executive explained as follows:

> Sometimes we need to adopt them as consultants only or for special needs [Exec6 BS (F)].

One BM explained that this could be done by inviting foreigners in at the beginning in an advisory role (for “special needs only”). This would enable them to gain experience of the local environment, at which point, they could be nominated as a BM, rather than being hired directly. A lack of local knowledge may be why some of the participants were concerned about placing the foreigners directly onto Saudi boards, because they preferred not to involve foreign directors in decision making if those individuals did not have local experience:

> They sit on the board for all parts of meeting but they don't have a vote, so they have a permanent advisory capacity in the boardroom. If they begin to understand the Saudi culture, they can take part in the next election period [BM9 (M)].

Another factor mentioned was the expansion of business overseas. Hiring a BM from a party country is ideal for this process, as observed by many participants. Moreover, this can save costs and provide an independent opinion, and may be better than hiring a consultancy company, which incurs high costs and elicits opinions dependent on these costs. As one governance practitioner said:

> In expansions in Europe, for example, I invite one or two Europeans to help us better understand the market. This is cheaper than hiring a consultancy office because the consultancy office tells you what you want to hear. The independent foreigner board member tells you what you are supposed to do: this is the difference [GP1 (M)].

Finally, foreign BMs can train local BMs, and BMs can learn from one another by sharing their experiences, as one BM noted

> When training someone in local expertise, you also have foreign people who can deliver their own experiences to local members. This gives more opportunities to develop citizen BMs [BM4 (M)].

7.4.6.2 Barriers to Diversity of Nationality

The interviewees were asked about the implications of the Saudi-isation programme for foreign BMs. They said that they did not expect the Saudi-isation programme to prevent the inclusion of foreign members in the boardroom. Rather, they thought that this would impact employment at lower levels in an organisation. However, other barriers, such as cost and logistics, were mentioned, as one BM noted:

> It's a different story; it's not a normal job. This might incur some cost and logistics barriers, but you can evaluate whether it is worth it! [BM3 (M)].

Although, the Saudi-isation programme is not expected to affect hiring at board level, it was thought that it might be perceived in a negative way by foreign firms. Also, it might encourage participants to dislike the presence of foreigners in the boardroom. Foreign BMs are made extra welcome if they are deemed skilled or efficient. This view was confirmed by BM4. Nevertheless, foreign investors often impose foreign BMs in the boardroom to protect their own interests. In this respect, one participant noted his preference for local employees over foreigners, and noted the imposition of foreign investors:

> The non-Saudi company will have a role in the board of directors and will bring members to represent them. This is legitimate for them because they are investors and they want to protect their interest. I do not want to expand this. I would support imposing restrictions on this to ensure these board members are "good people" only [Exec7CM (M)].

Another barrier working against foreign members concerns misunderstandings about the local environment. Many participants noted this, including BM9 (M). This confirmed the wisdom of the previous suggestion that foreigners should be kept on only in an advisory role, until they understand the local environment. One BM explained this as follows:

> I think it's very important to have locals first. This is because no one understands the local environment, the local market, and the people more than Saudis [BM12 (F)].

One regulator spoke very frankly and explained the dangers of misunderstanding the culture, and assuming that one's own country experience could be applied to a Saudi board. He revealed that such cultural misunderstandings had led to the failure of mixed ownerships (Saudi and foreign). This usually occurs when a representative is imposed who lacks local experience and wrongly applies their own country experience in a Saudi boardroom:

> I think mixed ownerships have failed miserably because they simply copy and want to apply their overseas experience, even at the product level. This is a mistake we have seen in the Kingdom. For example, in banks, the services offered from one city to another vary, due to the cultures of the region or the city [Reg5 (M)].

However, Exec9BS (M) felt that having only Saudi BMs may not best serve foreign investors. This is often stated explicitly in agreements between the companies and investors, as one executive explained:

> Foreign ownership includes within the contract a requirement to reserve some seats in the boardroom. For example, 4 out of 10 of the board seats should go to those with 40% ownership [Exec4CM (M)].

Some interviewees felt that there were more important factors than the nationality of the BMs, including financial results. One BM said that a foreign presence in the boardroom should not be a basis for choosing to deal with a particular company:

> I doubt that people choose companies on this basis. There are certainly other, more important bases [BM14 (M)].

However, one foreign CG practitioner noted that an organisation's CG can be an attraction for foreign investors:

> I think the key is good corporate governance. If an organisation has good governance and can demonstrate that, this is what foreign investors are looking for. They are not necessarily looking for foreigners on the board. It is more important to have good corporate governance [GP2 (F)].

Another practitioner felt that the appearance of foreign members was an indicator of good CG. Thus, foreign members can indirectly suggest the credibility of the CG for the company's stakeholders:

> In fact, when the foreigner member joins a company as a board member, the responsibility for any legal errors can cost him financially. So, this gives credibility to the company itself and its corporate governance, because without it, he would not be taking the risk of becoming a board member. This is interpreted as an indicator of good governance, giving higher credibility [GP1 (M)].

7.5 Board Member Influence on Diversity in Saudi Arabia: The Role of the Nomination and Remuneration Committee

In order to understand the role of the Saudi Nomination Committee and how it influences diversity, the interviewees were asked about the Committee's responsibility for diversity in the boardroom, and the mechanisms that are in place to ensure or enhance this. The responses indicated that the Saudi Nomination Committee is not sufficiently developed to take responsibility for boardroom diversity (see Figure 7.15), and, rather, the Committee works to meet only certain minimum requirements, as stated by a BM who is a Chair of the Nomination Committee:

> The Saudi market does not enable effective nomination and remuneration committees. So, the Committee only works with the minimum requirements of the Capital Market Authority (CMA). Diversity, board member performance, evaluation, proper rewards, ways to improve, training and development – they are not there. It's a checklist [BM9 (M)].

This approach by the Nomination Committee might work to slow down the introduction of diversity at an organisational level.

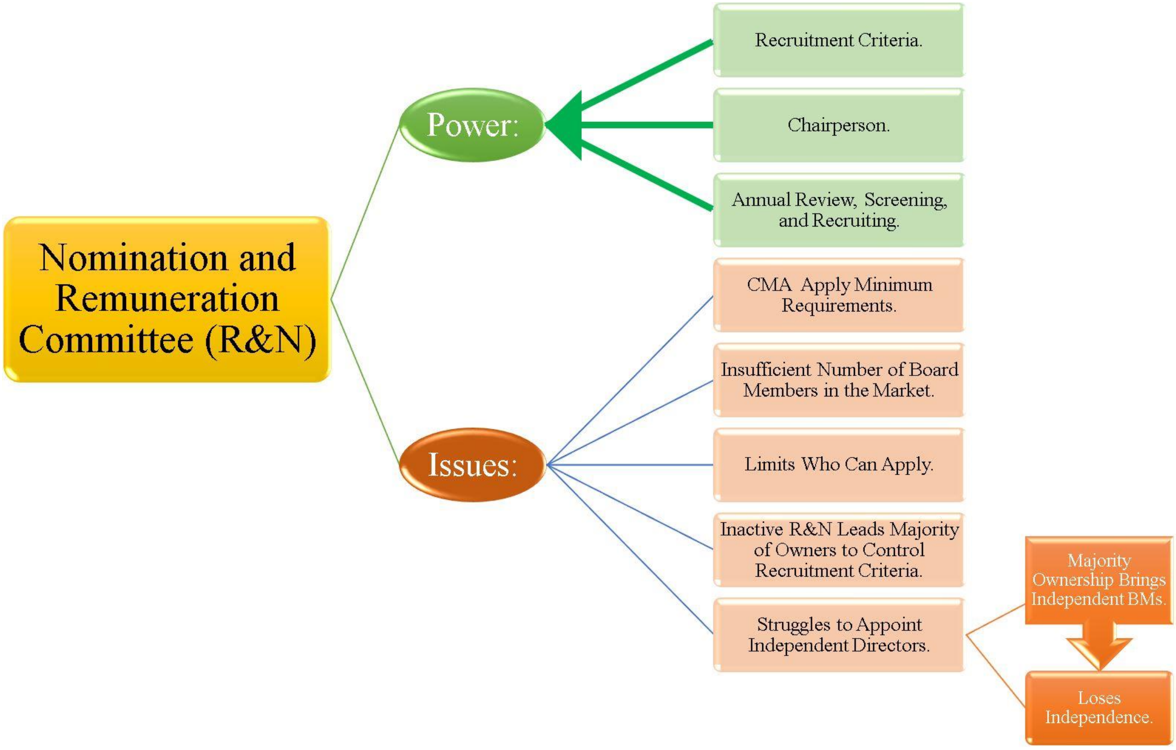

Figure 7.15: Role of the Nomination and Remuneration Committee on Diversity

The CMA requires that 30% of a Saudi board are independent, and so when some BMs have been in post for a certain period of time, the board must then begin looking for new independent BMs. This is unwelcome in many boardrooms, because new members with disagreeable opinions may cause problems. One BM expressed this process as follows:

> When I have been in the boardroom for a period of time, I then become a non-independent. We have to bring in new board members – even to the Nominations Committee. We appoint new members to the Nominations Committee to ensure there is sufficient diversity and that we remain at the required level of independence. However, they arrive with different perspectives that might be in conflict with the current views [BM14 (M)].

In contrast, some BMs said that positive changes were being made by the Nomination Committee, and new board members are being hired from the market:

> In fact, there are huge changes in this aspect, with action taking place (e.g. annual reviewing, screening, recruiting board members). Recruitment means that they

> don’t wait for the candidate to apply, they approach people who they think are good and ask them to nominate themselves; and then they support them [BM3 (M)].

The limited number of qualified BMs may be one barrier to diversity. Based on her own experience, one female executive stated that the Nomination Committee does not impose diversity because there are so few qualified BMs in the market. She gave an example of being unable to find an independent BM for a board. She suggested that this may be because most shareholders play a role in the election of new independent BMs to “serve their own interests”, rather than the company’s needs:

> In terms of imposing diversity, we are not there. This is because we don't have sufficient numbers of well classified board members in Saudi Arabia [Exec5CM (F)].

According to one BM, this could affect the independence of the BM:

> I'll give you a very simple example: independent board members are normally elected by the major shareholders. Just by having that authority to elect the independent members, they lose their own independence [BM13 (M)].

Ownership may be another barrier to diversity. One BM noted that selections still reflect the desires of the owners:

> At the end of day, the selections decisions will depend on the concentrations of ownership [BM3 (M)].

This was confirmed by many other BMs and executives. A CFO stated that the majority of shareholders put these criteria in place when there is no active nomination committee, as he stated:

> If you have an active nomination and remuneration committee, they should ensure they do the evaluation when nominating a new member, adding a rating for diversity. However, at the end of the day, it is the vote that matters for the selection

> of board members. Therefore, the majority shareholders should set selection criteria that serve the company's objectives [Exec3CFO (M)].

Due to the situation in the market, it is difficult for the Nominations Committee to achieve diversity. This is because they are restricted to only those candidates who apply to the board. For example, the diversity criteria set by the Committee simply may not match the applicants:

> The Nomination and Remuneration Committee has always been limited to the candidates who apply and not by the company's needs [BM10 (M)].

One BM stated that the worst thing a company could do is nominate someone simply because they have applied, rather than focusing on the company's needs:

> Actually, the worst thing you can do is nominate someone just because they have applied, without looking to the needs of the board [BM3 (M)].

However, the Nomination Committee can only set the requirements and ask for approval from the General Assembly. The regulators were asked how they ensure that the nominations are valid and based on BMs' eligibility. Their replies are summarised in Figure 7.16.

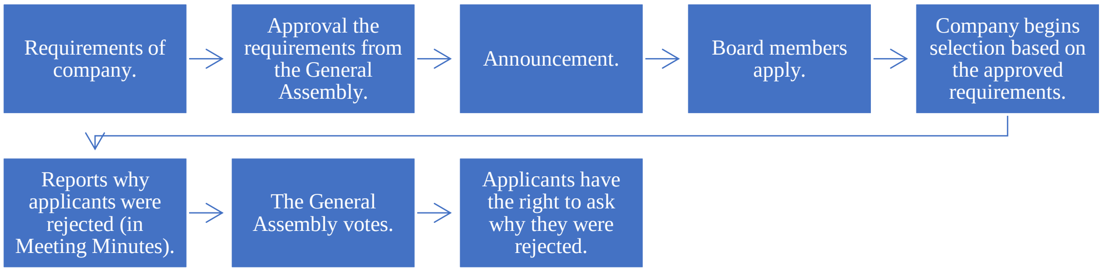

Figure 7.16: Selection Procedure

The Committee could manage diversity through its requirements, but it is limited by the pool of applicants. The owner's role is vital, but the requirements in place might limit this role. Moreover, these requirements can be powerful, if they are supported by the chairperson:

> The chairperson is the person who really needs to make sure that there is diversity on the board [BM13 (M)].

7.6 The Role of Ownership Structures and Boardroom Diversity

The other side of the selection process relates to ownership structure, where the owners (shareholders) vote for the new BMs. In relation to this, the participants were asked how ownership structures might influence levels of boardroom diversity. Figure 7.17 illustrates their response in detail. Many interviewees revealed that an owner's influence was proportional to the amount of shares they owned in the company:

> Of course, the larger the share of ownership, the greater the power. This is how the board is structured [BM13 (M)].

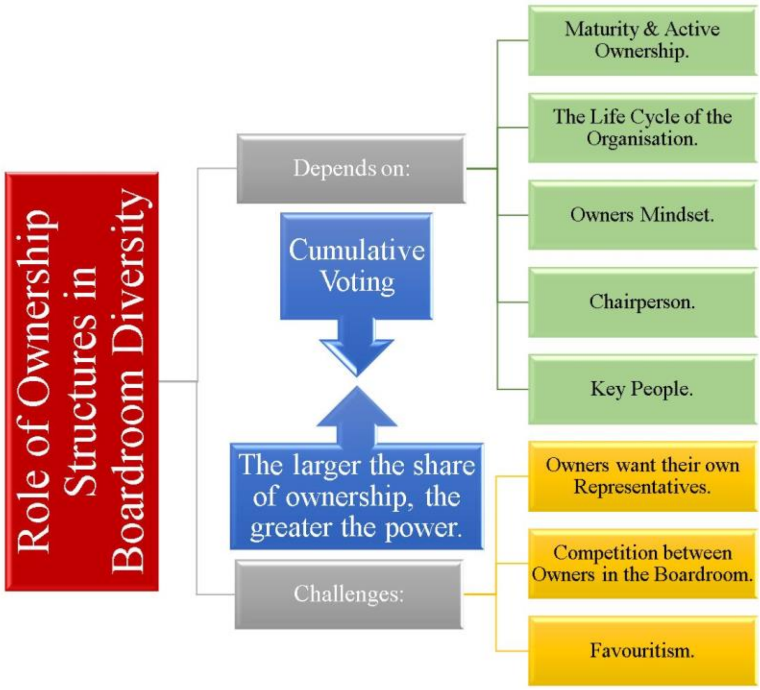

Figure 7.17: The Impact of Ownership Structures on Boardroom Diversity

The maturity and effectiveness of the ownership structure was seen to influence diversity in the boardroom:

> As long as you have effective ownership structures, you can have effective boardroom diversity [BM3 (M)].

Ownership structure can work to either shift towards or resist the new diversity logic. While some majority owners were seen to be keen to maintain their own seats in the boardroom, it was also perceived that "effective ownership" means limiting the owners' seats in the boardroom to ensure diversity:

> It shouldn't be based on ownership. But actually, in a sense, where you have foreign ownership, for example, you have to have a representative from their entity as BM. Indeed, each owner would like a position at the table. I think, in certain cases, actually, it is limited [BM12 (F)].

This competition between owners for seats on the board can work to reduce board effectiveness, as stated by one CFO:

> If the majority of the owners do not help to identify the board diversity needs, or the right compositions in the boardroom, I think this will lead to weakening board performance [Exec3CFO (M)].

This example shows a resistance among owners to the new diversity logic. The use of social capital to ensure election to a board was seen as an issue. The majority of the participants agreed with this statement made by one BM:

> In the past, there was favouritism based on social relationships. This applies to both family ownership and state ownership - these parties being the most important majority shareholders in the market [BM3 (M)].

For example, the start-up board or the founders of the company might remain in the boardroom for long periods of time, and might be unwilling to implement a restructure:

> They have shares in the company and they made the first board. God knows how long that board will stay! [BM8 (M)].

When ownership is distributed between different shareholders, the nomination of BMs is more independent. This results in a more effective boardroom than one run by dominant shareholders:

> If you have a dominant shareholder, he or she will not ensure diversity in the boardroom and the board will be less effective. When ownership is split between shareholders, appointments are more likely to be independent, and vice versa: when you have a dominant owner, the board is less diverse by default [BM9 (M)].

Others felt that the presence of some dominant shareholders could produce a good board selection, in contrast to split ownership:

> I think having a concentration of ownerships can help to recruit and select the right board members. When the ownership is too diluted, it's difficult to come up with a good board [BM3 (M)].

It was perceived that the mindset of the owners, the culture of the organisation, key people, and the chairperson all play vital roles in encouraging diversity:

> It is possible for a person to own an individual company and to mature and adopt the diversity desired for the boardroom. On the other hand, when a company is owned by 10,000 shareholders, their brains are closed and their thinking is not mature. It depends on the maturity and the life cycle of the organisation and the mindset of the owner, the key people, the Chairperson [BM11 (M)].

Majority shareholders cannot be prevented from nominating new BMs, but their votes can be limited. This means that everyone has the opportunity to vote based on the number of shares they own, with each share providing one vote (cumulative voting). One regulator described this as follows:

> From my perspective, if I am a shareholder and have a large share in the company, why do you want to deprive me of my right to choose board members? To protect the minority shareholders, I think cumulative voting is the solution [Reg3 (M)].

As a result of this and other many changes in regulation, the majority of participants agreed that governmental institutions are moving in the right direction with the development of the market:

> Things are now changing, thanks to CMA and SAMA. They're changing things and making life difficult for boards [BM8 (M)].

The interviewees were also asked to determine the forms of ownership structure most likely to result in more diverse boardrooms (see Figure 7.18). Some interviewees, such as BM11 (M), argued that the culture of the organisation mattered more than ownership structure. Furthermore, one committee member said the following:

> Ownership control definitely affects the choice, and any percentage of ownership can control decision making. The form of the ownership does not matter. What really matters is the culture – not foreign ownership or Saudi ownership. The culture of the organisation is the key factor [Exec7CM (M)].

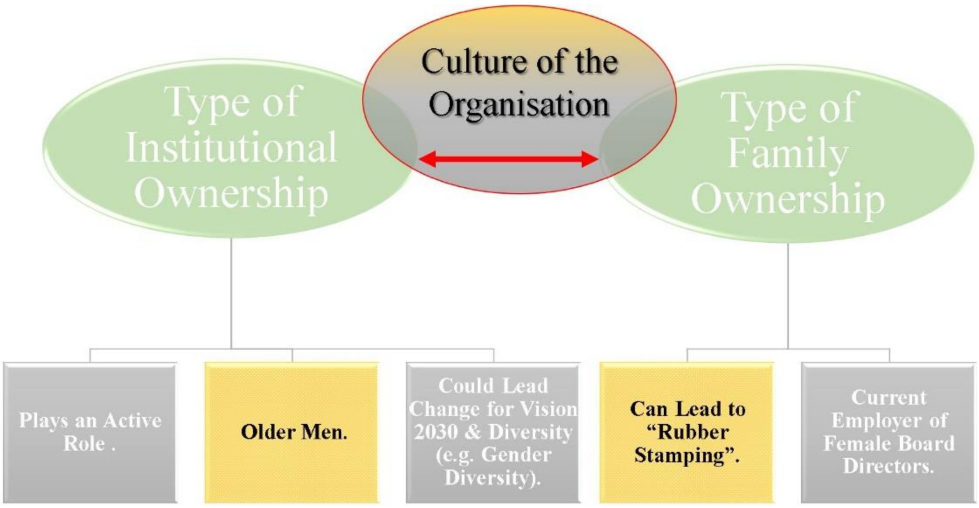

Figure 7.18: The Impact of Ownership Structure on Diversity

Others felt that family ownership allows more diversity in the boardroom, with women more easily being elected to these boards. This phenomenon became apparent during the interviews. One practitioner said:

> I would imagine that, in family businesses, there may be opportunities – maybe not traditionally, in the past, but perhaps it is easier for a woman to be on the board of a family business than a governmental institution or a private company [GP2 (F)].

However, one BM suggested that large institutions achieve more diversity than family owned businesses, and felt that family ownership might lead to more passive BMs:

> Large institutions play an active role. Some family businesses need to develop because they want only "rubber stamping" and that is an issue. However, some are good and they are keen to elect independent directors [BM3 (M)].

In Saudi Arabia, state owned businesses occupy a large percentage of the market, and their representative experts tend to be elderly men, as noted by one executive:

> The character of many boards is older men, especially for large organisations, because they attract people with long experience. There is state ownership in about 20-30% of this sector through some government funds (e.g., pension fund), and these agencies have their own representatives [Exec4CM (M)].

The interviewees expressed hope that state owned businesses that possess the power to lead change would adopt greater diversity – including gender diversity – in the future. This shows that state ownership could lead a shift towards the new diversity logic. This would then contribute to the National Vision 2030 programme:

> Government could provide the next opportunity because it has the power to make the decision. If the Government wishes to appoint more women to boards, it has that ability to do that as it represents a large market share [GP2 (F)].

7.7 The Impact of Diversity on the Effectiveness of the Boardroom

The interviewees were asked about the effectiveness of the boardroom in terms of risk management and internal control, the monitoring of management, and decision making. They were also asked about the potential for any negative impact of diversity, including the creation of conflict in the boardroom. Three broad themes emerged from the analysis: two relating to board effectiveness and the other concerned conflict and the role of the chairperson. It was agreed that the chairperson has an essential role in applying diversity in the boardroom and ensuring that all members are contributing to the board.

7.7.1 Risk Management and Internal Control

According to one BM, applying diversity in the boardroom can help balance the risk appetite. This is because different perspectives will offer the greater consideration of risk elements:

> Definitely. Diversity on the board gives you a better risk appetite because if, for example, the board is of one mind, the risk is one-way and other elements of risk are missed. Diversity creates discussions about more elements of the risk, permitting the boardroom to challenge certain aspects. This is a healthy way to reduce risk [BM9 (M)].

Diversity in the boardroom can lead to the easier identification of red flags. These red flags may vary between sectors, and sharing these experiences is beneficial, as observed by one BM:

> It is natural that stock is high in some companies and not in others. It is a risk factor to have high stock. Therefore, diversity of experience and knowledge is important because it enables us to identify these different red flags. For example, it is common to have a high stock of iron when working on credit. But when you have a high stock of food, you may have high distress [BM6 (M)].

It could be argued that diversity provides a wider view of the risks from different angles. This could support better decision making in terms of risks, resulting in the improvement of strategies, talents, and company performance:

> Yes. Diversity of experience is important for developing ways of looking at risks. Risks are not only financial; there are also legal risks and geopolitical risks that must be considered. Diversity offers various perspectives and permits a holistic view and better strategy, talent management, and performance [BM11 (M)].

Age diversity is another important variable for risk management. Many participants mentioned that, although older members tend to have more experience, the younger generation is vital when it comes to managing technological risks. This was stated repeatedly, and this indicates the importance of recognising technological risks in the boardroom:

> In terms of age diversity, people with rich experience can offer more than those without it. But the young have awareness of new technological risk factors. Therefore, yes, diversity plays a very positive role [Exec9BS (M)].

Gender diversity also affects risk management. It is often said that women are more risk-averse than men. Furthermore, diversity means working with members from various backgrounds, resulting in more questions being asked about risks and internal controls. This is not the case in some boardrooms, where the members are primarily friends from similar backgrounds:

> Women tend to be more risk-averse and more conscientious, particularly in the oversight role in internal controls. So, I think that's an opportunity … You know diversity means that somebody is asking the questions, as opposed to those coming from the same backgrounds, who are very friendly with each other – they have known each other a long time and don't want to question anything. So, diversity should improve risk management and internal control oversight [GP2 (F)].

Diversity of nationality may also enhance risk management, with a broader range of experience being shared in the boardroom. One BM shared her personal experience of this:

> My own personal experience, from a risk perspective, is that what helped us mitigate risks locally was having people from abroad who had faced similar risks outside. So, this variation in cultural background, this supported us in mitigating risks because they had seen similar things in other market [BM12 (F)].

Moreover, diversity of background is important for monitoring and identifying operational risks. All BMs should monitor and follow up the management for which they are responsible, as mentioned by the regulators and the BMs. To do this, it is important that the boardroom has members who are experts in the sector (operations). This is important, as stated by many BMs, as it ensures that management is aware of each BM's knowledge when delivering reports to the boardroom. Thus, diverse backgrounds facilitate monitoring of management:

> Diversity on the board helps when monitoring the company and its performance. For example, when you have diversity of backgrounds – somebody specialising in marketing, and another in finance and operations – this brings different views of how management is really operating [BM13 (M)].

This was confirmed by an audit committee member, who observed that having different backgrounds enables the board to challenge executives and hold them accountable:

> Overall, diversity adds value and it challenges the executive management to be more accountable. This is due to the different board members' backgrounds [Exec7CM (M)].

Finally, the interviewees were asked about their thoughts on various types of diversity in relation to their importance to risk management, and it was seen that each diversity type might contribute differently, see Figure 7.19. However, diversity is not the only factor that might improve risk management. For example, the maturity of the company and of the market plays a vital role in risk management and internal control. One audit committee member stated that he had encountered companies that did not have audit committees for their first two years. The concept of risk management is relatively new in the Saudi market, and some assume that it is the same as internal audit. Thus, maturity of the boardroom can aid the function of risk management and internal control:

> People thought that internal audits were the same as risk management: they think if you have an internal audit, then everything is all right. However, there is also risk management, strategy, etc., but yet the maturity of the market for risk management is not there [Exec7CM (M)].

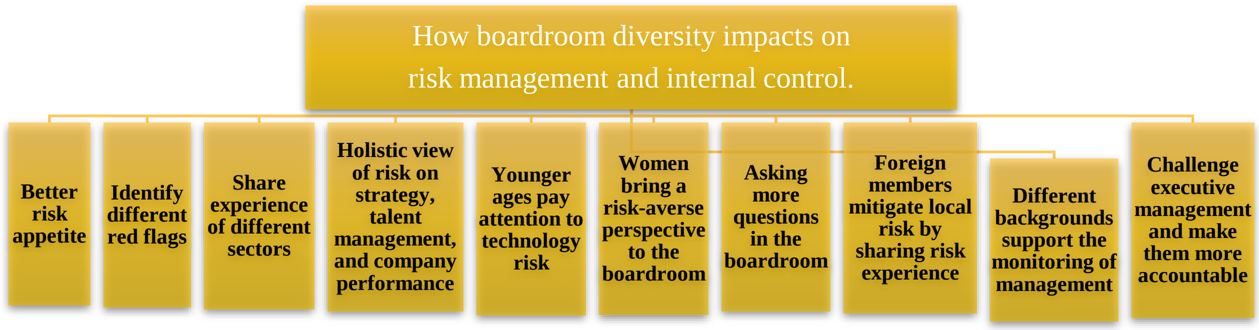

Figure 7.19: How boardroom diversity impacts on risk management and internal control

7.7.2 Decision Making

Boardroom diversity was believed to improve decision making in many different ways, see Figure 7.20. The interviewees said that they had learned from their own experience that diversity affects knowledge, discussions, and thinking. For example, one BM stated the following:

> For sure, it changes thinking and brings new knowledge. Arguing is useful – it introduces different angles to the discussions [BM9 (M)].

And:

> It is out-of-the-box thinking [BM11 (M)].

Another female BM revealed that different experiences and views are important and they can add value:

> I think it's very important to sit around the table with different experiences, different points of view. This adds a lot of value [BM12 (F)].

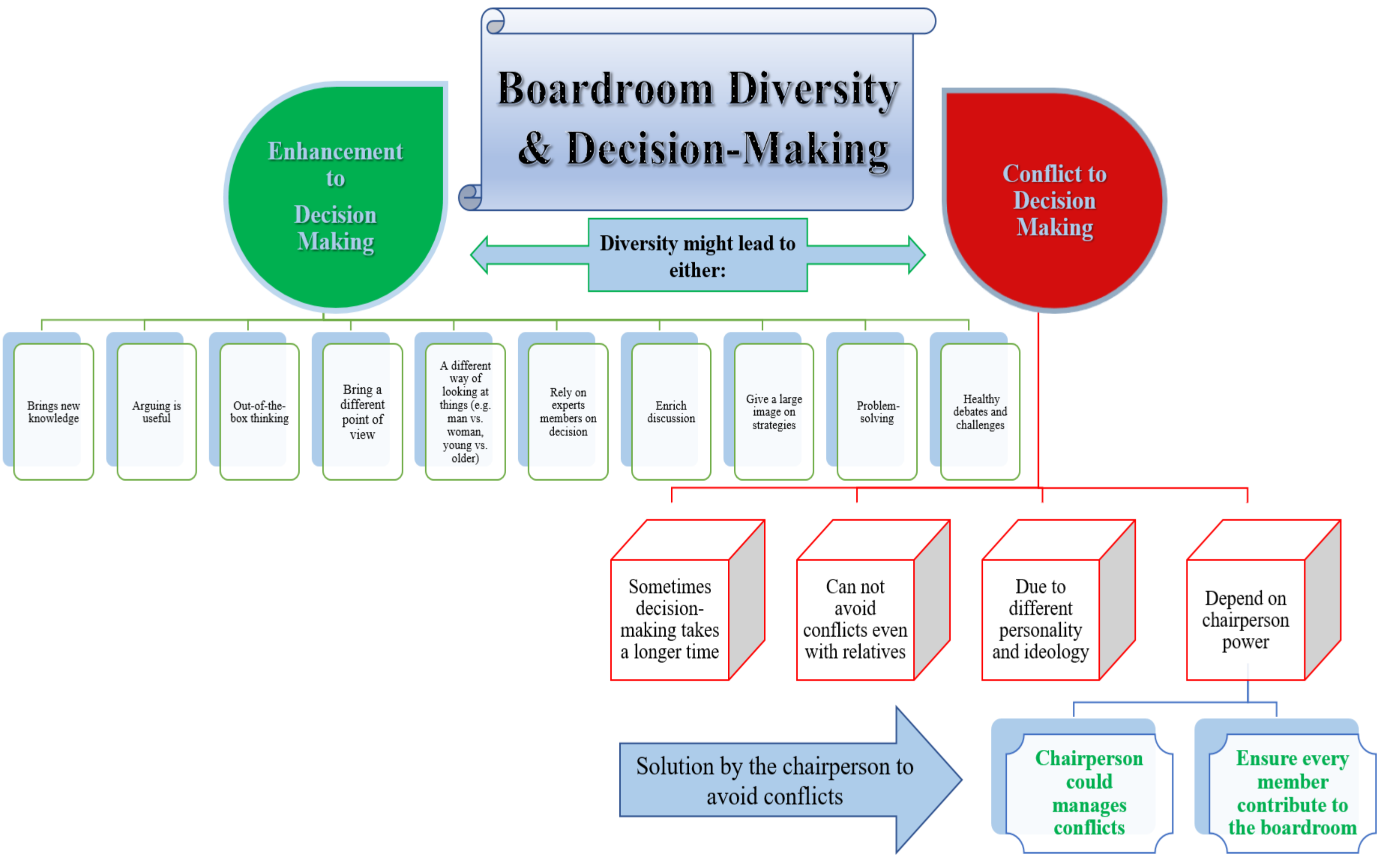

Figure 7.20: How Boardroom Diversity Impacts Decision Making

Moreover, different generations and genders bring different perspectives, which can enhance decision making, as stated by one BM:

> Young people (shabab) and the elderly, men and women; they have different ways of looking at things [BM13 (M)].

Another BM said that diversity can enhance decision making, and he explained the dynamics of this: any decision in the boardroom is made by voting, and, usually, members develop their own opinions based on the votes of other BMs. Particularly influential is the opinion of the BM who is also an expert in the relevant area of decision making:

> As I said earlier, if there is a financial decision, and we had two or three BMs with finance backgrounds, they will take the lead in the decision. Thus, they will convince others or have the ability to convince others due to their knowledge [BM7 (M)].

It was confirmed by other BMs that, when using strategy and decision making, each member of a diverse board can contribute their own area of expertise. This is the value of diversity in the process:

> Each member of a diverse board looks at his own domain, and that enriches the discussion in our board meetings [BM13 (M)].

However, one CEO felt that diverse boards contribute more towards strategic decision making, rather than executive decision making. This is because, in strategic planning, there is a need for different views, while executive decisions require consistency to ensure the speed of decision making is maintained:

> In strategic planning, we always need diversity. Strategic thinking needs diversity and multiple ideas to provide a large, clear picture to expand the image and vision. At the implementation stage, to make decisions, we need harmony among the members, not conflict [Exec1CEO (M)].

Similarly, a BM said that, although diversity enhances decision making, it could also increase the time required to make decisions:

> Sometimes, with different backgrounds, it can take a little bit longer to make a decision, but we know that we have assessed and been very thorough in our decision-making process [BM12 (F)].

High levels of diversity can be a barrier to decision making, if the process takes longer time as a result, as stated by two BMs:

> Diversity is good, but sometimes a group becomes too diverse and thus difficult to control, and that causes conflict [BM6 (M)].

And:

> You don't want too much diversity or too little. What is important is to have the right composition. Is the composition suitable or not? [BM11 (M)]

7.7.3 Conflict and the role of the Chairperson

Conflict can have both a positive and negative impact on the boardroom. When the participants were asked whether diversity created conflict in the boardroom, some questioned the term "conflict" in this context. They believed that debate in the boardroom is healthy and useful. One BM suggested that healthy conflict permits out-of-the-box thinking and problem solving:

> I would not say "conflict". That's not something I face. But I think it really supports out-of-the-box thinking and encourages problem solving [BM12 (F)].

Another BM confirmed this and stated that diversity can be healthy and enriches discussions:

> Diversity helps us to see the issues and the decisions from different perspectives, which leads to healthy debate and challenges. This is very important [BM3 (M)].

One governance committee member said that, ultimately, votes prevent real conflict since decisions are made by the majority:

> The decision is made by vote and the majority vote wins the decision [Exec2 CM (M)].

On the other hand, conflict cannot be avoided, and can happen between relatives in the boardroom, as observed by one committee member:

> You cannot avoid conflicts. Even between cousins, they are still going to be conflicts [Exec7CM (M)].

Moreover, different personalities and ideologies can cause negative conflict. The role of the chairperson in the boardroom is important here, as stated by a BM:

> Conflict may occur due to different individual character types, and depending on the chairperson's power [BM3 (M)].

It was confirmed by many of the participants that the chairperson was responsible for managing the boardroom and leading the discussion. Conflict normally occurs due to background differences, but the chairperson should be able to control the boardroom. A secretary of the board said the following:

> Definitely. Of course, it may cause conflict because you have people from different backgrounds, so the shared space between them may be limited. This is where the chairperson's performance is vital for managing board members [Exec5CM (F)].

Additionally, the chairperson is responsible for initiating communication between BMs:

> Ensuring communication between board members is also the role of the chairperson. The chairperson is "the maestro" of the boardroom [Exec9BS (M)].

Conflict between BMs is expected, and this is normal and healthy. Nevertheless, the role of the chairperson is important, based on the interviewees' perceptions. To avoid or manage conflict, every BM should be able to contribute in the boardroom:

> You need a very good chairperson when you have a diverse board. The chairperson must ensure that everybody is contributing to the meetings and the whole range of views is taken into account. But a good chairperson will be able to find consensus in amongst the diversity and to work towards this, avoiding or managing conflict [GP2 (F)].

7.8 The Impact of Boardroom Diversity on Corporate Governance (CG)

The participants were asked whether they felt boardroom diversity was an important aspect of Saudi CG. Their responses were varied, with most being in favour of diversity (see Figure 7.21).

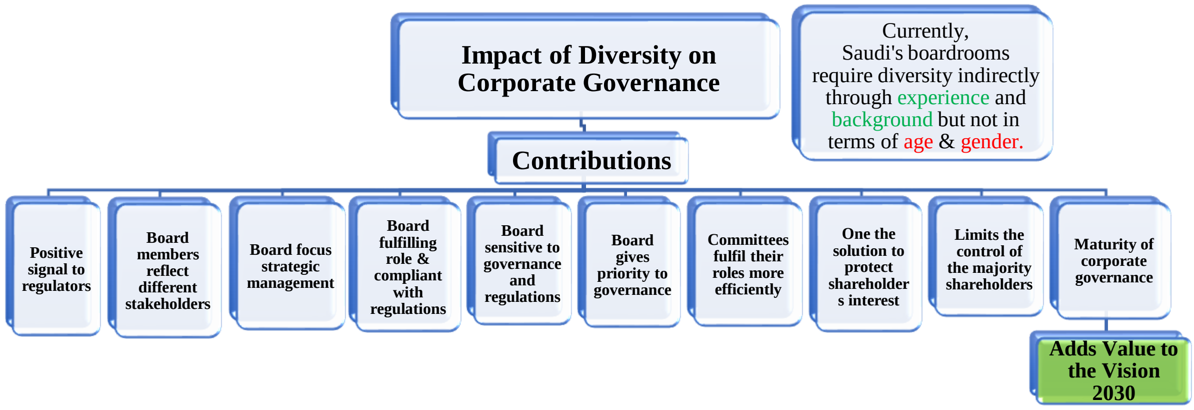

Figure 7.21: Impact of Diversity on Corporate Governance

The regulators said that diversity was important, and was recognised as such globally. However, they said they did not require diversity to be mandated directly by the CG code, but encouraged indirectly, but they considered a diverse board to be a positive signal. The most important aspect, for them, was that the boardroom represents all shareholder categories:

> Of course, the board should represent all categories of shareholders in one way or another. This is what is important in the board's composition. Nowadays, there is no debate that board diversity is best practice, and it is seen this way around the world, as you know. So far, we are not mandating diversity from companies. But it is certainly considered a positive sign, because it means the boardroom reflects all categories of shareholders, especially when the BMs from different group of shareholders [Reg4 (M)].

Although the Saudi CG code indirectly mentioned diversity of education and experience, there was no consideration of gender or age diversity. This was noted by one board secretary:

> The regulations say that the selected board members must have a mixture of expertise and abilities. They do not mention sex or age. They only talk about experience, education, and health of the board members [Exec8BS (M)].

Nevertheless, gender and age diversity were seen as important, with some arguing that they should be included in the CG code, to benefit strategic thinking. One practitioner said the following:

> Yes, of course, for me, gender and age diversity are important and the number of independents is even more so. The chairperson of the board should not be selected based on their age, as is common currently. People should not be granted importance based on their age, which is common in the Middle Eastern culture. What I mean is that the board should forget about surface matters and focus on strategy [GP1 (M)].

Many BMs viewed board diversity as an important aspect of CG. For example, one BM stated that diversity ensures that the board fulfils its role and complies with regulations:

> It is the board's responsibility to ensure that the organisation is doing well and that the strategy and implementation are functioning. So, this is part of the corporate governance and the way that it is. It is the core responsibility of the board. By mixing diversity into the board, you are ensuring that the company is basically complying with the regulation, more or less [BM13 (M)].

When diversity is applied correctly, it was seen to allow the boardroom to be sensitive to governance and to regulations. This was seen as leading to better decision making, resulting in enhanced board effectiveness:

> Boards with the required diversity are sensitive to governance, regulators, and to making sure that things are being done in the right way. This ultimately makes the board more effective [BM8 (M)].

Another BM stated that, when putting different perspectives and experiences into the boardroom, CG is better prioritised:

> I think diversity actually makes corporate governance even more of a priority [BM12 (F)].

Diversity was seen to allow committees to fulfil their roles more efficiently. This affects the decision making of the board as a whole, resulting in greater effectiveness and enhanced CG:

> If you have diversity in the boardroom, it gives the committees the competency to fulfil their roles. This is because the board is taking decisions using a system based on organisational hierarchy [BM4 (M)].

Furthermore, one BM stated that diversity enhances governance because it enables the board to protect shareholder interests through the creation of new mechanisms, as follows:

> The aim of improving governance is to protect the interests of shareholders. This is done by finding the best solutions and methods of implementation and expertise, which are all generated through the application of diversity. Diversity is a vital solution in the boardroom [BM9 (M)].

However, interests were perceived as varying between majority and minority shareholders, and the regulators stressed that the interests of both groups must be taken into account. This places reasonable limits on the control of majority shareholders, as stated by a company CEO:

> Diversity can increase governance by reducing the burden of excessive owner intervention [Exec1CEO (M)].

On the other hand, a number of executive participants felt that diversity had no impact on CG. Similarly, one practitioner stated that Saudi boards are not sufficiently mature to employ diversity as a method of improving governance, and that most Saudi boardrooms focus on handling new regulations and codes:

> I don't see this as a huge priority right now. I think boards are struggling to cope with all the new regulations and codes that are in place. This must be done before they start looking at more mature corporate governance areas, such as diversity and sustainability and so on [GP2 (F)].

Nevertheless, the national transformation plan Vision 2030 demands development in areas such as CG. One female executive suggested that this would add value to the Vision:

When you talk about maturity, like diversity or anything that is mature, anything that is well developed will add to the Vision 2030 [Exec5CM (F)].

7.9 Diversity in the Boardroom and Vision 2030

Vision 2030 is crucial to the restructuring of Saudi Arabia and the development of the economy in Saudi Arabia. Thus, the participants were asked whether boardroom diversity might contribute to the achievement of the Vision 2030. Most agreed that it would contribute, but two executives disputed the relevance of diversity. The majority of the participants noted various types of diversity, specifically, diversity of age, of gender, and of nationality (see Figure 7.22).

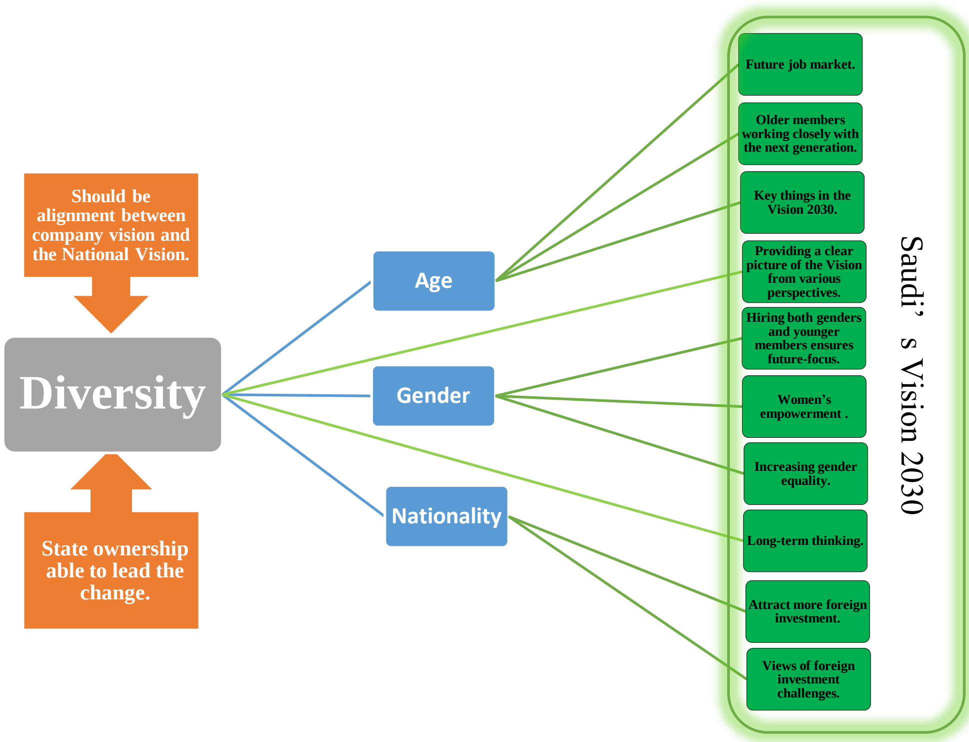

Figure 7.22: Boardroom Diversity and Achievement of the Vision 2030

One BM said that it would be difficult to achieve the Vision 2030 without a diverse board, including both younger and foreign BMs. It was stated that the younger generation better understands the needs of the future job market, while foreign BMs have a clearer view of foreign investment challenges in Saudi Arabia:

> I think it is difficult to achieve the Vision without diversity on the board because of its many benefits. First, because of the direction of the Vision itself. For example, many youth suffer today from a lack of jobs, so you need a variety of ages to know what best serves the new market. Second, a big part of the Vision includes foreign investment in Saudi Arabia; so, you must bring foreigners into the boardroom to understand the implications for Saudi Arabia. These are the biggest issues that we are currently facing - employment for young people and foreign investment [BM6 (M)].

It was confirmed by the executives that diversity of nationality is a consideration of Vision 2030. This could ultimately attract more foreign investment:

> Certainly you are attracting more international investors or perhaps making international investors more comfortable. I don't see how board diversity could enhance corporate governance, but I see that a board with international diversity could potentially increase investor trust in the Saudi market. This will potentially be an achievement of Vision 2030 [Exec9BS (M)].

Another BM stated that the adoption of gender diversity by young BMs in the boardroom ensures future focused perspectives:

> I think it does if we look at gender. You need to bring young people onto the board and make sure that older, more experienced BMs work closely with the next generation [BM13 (M)].

This was confirmed by the practitioners who emphasised that young people of both genders are the key to creating clearer future perspectives for the Saudi Vision 2030:

> I think that obviously you've got a very young population in Saudi. One of the key things in Vision 2030 is setting up SMEs and encouraging start-ups, and I think that's going to be driven by the younger population, and they will be women as well as men [GP2 (F)].

These perspectives showed that the new diversity logic could contribute to the achievement of Vision 2030. Moreover, a female BM said that diversity in organisations would drive gender equality. This would ensure the Vision 2030 was achieved, which has female empowerment as one of its objectives:

> In the Vision, diversification is a very big issue, you know. We looked at diversification in terms of economic diversification obviously, but also in terms of increasing gender equality. I think this is definitely a driving force of the vision [BM12 (F)].

The regulators agreed that women's empowerment would contribute to the Vision 2030, but it was not one of their own initiatives[15] for 2020. However, it is included in the 'Initiatives 2020' section of the Vision 2030. This shows contradictions between different Governmental authorities, which could slow down a shift to the new diversity logic and achieving initiatives of Vision 2030:

> It is if you are talking about the representation of women in the boardroom, but I don't think it is one of the current initiatives for 2020 [Reg5 (M)].

The evidence suggests that the Market Authority is not planning for diversity in the boardrooms of listed companies at the moment, because other initiatives are higher on their agenda. On the other hand, the Government has encouraged diversity in the boardroom via its own ownership structures and funding practices. One BM stated that Government ownership makes up an immense share of the market. The Government is restructuring boardrooms and practising diversity in order to improve returns on its funds, and this approach is affecting the boardrooms of listed companies:

[15] "Initiatives 2020" are short-term objectives to be met by 2020, on the way to the overall goals of Vision 2030.

> The state represents a large percentage of our market … It promotes Vision 2030 by appointing efficient people to ensure good returns. So, the state is practising diversity. Many companies have restructured their boardrooms. This naturally affects the market in general, specifically companies which are owned by the State. It is the Government that is promoting the Saudi market to ensure it hits emerging market standards. The Government has the ability to raise standards and attract investors based on its approach [BM7 (M)].

This shows that state ownership has the ability to lead the shift towards the new logic. On the other hand, one female executive suggested that the application of Vision 2030 in listed and non-listed companies was really only being undertaken for prestige. She implied that, rather than being implemented appropriately and being properly understood, the Vision 2030 is being used for legitimacy. Implementing more diversity could be a solution to limit this problem, and provide a clearer picture of the Vision from various perspectives. This would lead to improvement in the national economy, which is partially dependent on the private sector:

> There is a need for diversity so that the private sector can understand what Vision 2030 is about; but up to now, they don't understand the Vision. The Vision is mentioned everywhere but they don't have a clear picture of it. It is everywhere, not only in listed companies. The Vision is cited for prestige, but they are still working as they were previously – nothing has changed [Exec6CM (F)]

Diversity could contribute to the Vision 2030 by improving long-term thinking. This view was confirmed by the widely held opinions shared that diversity could improve the national economy by providing clearer insights:

> Diversity, I imagine it gives you the economic, financial, and intellectual dimensions. It makes you think forward further in time; so, today, we are talking about twelve years into the future – to 2030. Diversity gives us the scope to look forward to 2030 [BM4 (M)].

Finally, an effective and diverse boardroom will not necessarily contribute to Vision 2030, unless there is a link between the company and the National Vision:

> If there is an alignment between company vision and the national vision, then you can definitely benefit from that. However, you can have the most effective boardroom and achieve company objectives, without linking to the National Vision [BM3 (M)].

7.10 Challenges Relating to Boardroom Diversity and Corporate Governance (CG) in Saudi Shares Listed Corporations

The participants were asked to talk about issues relating to boardroom diversity and Saudi corporate governance. The respondents felt that there were challenges to be faced, and they offered suggestions which might improve diversity and governance. Their suggestions included the need to ensure diversity, the evaluation of the effectiveness of BMs, the right selection of BMs, and maintaining the independence of directors.

7.10.1 The Need for Diversity

Many interviewees mentioned the importance of diversity in general, and suggested that, in this respect, there must be action from policymakers. In Saudi Arabia, gender diversity cannot be developed without the involvement of regulators. One practitioner suggested steps that might be taken which would lead to the development of gender diversity in Saudi boardrooms, as follows:

> The only way to achieve diversity on boards, and we are talking about gender diversity, is through regulation. A first step would be to drive the pipeline, and, therefore, get companies to develop women within their organisations through the management ranks and through to the C-suite. And, one of the ways of doing that is by getting them to disclose the number of women they have in senior positions in the organisation [GP2 (F)].

This kind of regulation should be managed by policies of inclusion. It is important to include more details about diversity in the governance systems in different sectors in order to achieve appropriate diversity in a way that fits in with Muslim values. It would not be useful to apply ideas of Western diversity in this context that are not commensurate with Saudi culture. This was stated by one interviewee, as follows:

> I mean, I hope there is more detail in the corporate governance system, on diversity in different sectors. This is because diversity also comes with inclusion, and you cannot settle diversity properly without inclusion. It is always necessary for this to come with inclusion, if you want to create the right kind of diversity. We want diversity within the limits of our ethics, religion and values. We do not want it to be a copy and paste of other western countries. They have diversity concepts that might not work with us [Exec7CM (M)].

Another suggestion was made about introducing a younger generation into the boardroom, especially those who have an IT background. Many participants mentioned this in other parts of the interviews. One interviewee said:

> Now, globally there is something new called digital board members, who are young people that come from a digital background. This is might be good to consider here. Having someone who could understand digital disruption would take off. This has happened in Europe. They look for someone young, who comes from an IT background, and can add to the boardroom [GP1 (M)].

This is an area that must be developed, because new technological risks are emerging in all sorts of businesses. Currently, boardrooms are full of older BMs who do not have adequate IT knowledge, or knowledge about digital disruptions. This was mentioned by different interviewees in other parts of the interviews, and is covered in other sections of this chapter. BMs rely on executives to make decisions, and this becomes a problem when they do not have diverse enough backgrounds. One BM put it as follows:

> If you do not have the diversity of backgrounds needed within the boardroom, then boards will rely on the recommendations raised by executive management [BM7 (M)].

The issue of the presence the same kind of people (BMs) on boardrooms affects diversity. The number of times that one person (a BM) can be elected should be limited. This means that the same BM should not serve for an excessively lengthy period of time. One CEO put this as follows:

> I think, as I mentioned, the Saudi governance system is one of the best systems in the region, but I think there is an issue in boardrooms where decisions are still being taken by the same people for fifteen years [Exec1CEO (M)].

Another issue that needs to be considered is the influence of state ownership on the market. State owned companies represent a big portion of business in Saudi Arabia, and the State owns a lot of shares in some companies. Also, the chairpersons appointed in these companies can lead the company by virtue of the power they have simply because of the shares they own. One regulatory interviewee said the following:

> We should look at the effects of state ownership. This is because all boards are representative of their owners. Government ownership is affecting diversity and this is fatal. The chairperson of the board on government owned companies controls the company, and no one can object to any of the decisions he may take. This is because he has a large percentage (such as 70%) of shares. It is possible that he might be a democratic person who listens to the opinions of others and is open-minded, but he might not be. This depends on his personality. This has might have a negative or a positive impact. It is one person leading the process in a certain direction. This why I think the role of government ownership needs to be studied and analysed. I think it's very important in Saudi Arabia [Reg5 (M)].

7.10.2 Evaluating Board Member Effectiveness

The importance of evaluating a BM’s performance in the boardroom was noted by different interviewees in different groups. They stated that the process of evaluation mentioned in the CG code is not clear. One BM said as follows:

> Board member assessments are not there in the regulations. I mean what is in the law is general, and there are some people who, possibly, do not attend board meetings [BM6 (M)].

Evaluation would benefit BMs in many different ways. It would give other board members an indication of what training and development BMs need to contribute to the boardroom. This could be in operational or managerial skills. Also, attending a company induction should be mandatory for newly appointed BMs, and some roles should be managed by the chairperson, as mentioned by one of the practitioner interviewees as follows:

> If I was a chairman, I would want to evaluate a BMs capability of adding value to the boardroom. It is my duty as chairman to set up a training programme for all members of the boardroom. I would set up inductions to introduce them to the company's activities. I would educate them on its elements and history to make sure that there is no shortage of understanding of the company. This would be tested via an annual evaluation through the Nomination Committee. Unfortunately, very few companies do this; there is a shortage here, and this means some BMs might have a problem with financial understanding or operational understanding [GP1 (M)].

This practitioner ended his statement by saying, "it's all about the attitude, and willingness to help the Board." Thus, undertaking evaluation might be one way of eliminating BMs who are not willing to contribute to the boardroom. These BMs might be qualified, but might not be willing to support the board. One BM said the following:

> Word of mouth is a key thing. I have experienced this thing when selecting people who seem very well accomplished from a CV point of view. However, when we sit with them on the Board, their effectiveness is much lower than expected. Some people want to do the minimum, and think it is not a proper job. However, there some people who feel that if they register their name on this Board, they will fight to support it [BM3 (M)].

The availability of accessing evaluation records for board members is important to determine their efficiency in the boardroom. Previous assessments of board members might be positive or negative. This approach might also help limit the control of the chairperson who seeks to direct decisions made in the boardroom using another passive member's vote. One BM said the following:

> I wonder if there is a record of the evaluation of the former members of the board. Sometimes, I hear that there is a good board member who has memberships on many boards. Unfortunately, when they are appointed to our Board, their contribution is zero. I would like to see reports and records being made available to companies. Therefore, each member can be evaluated, and a "Mr. Yes" (a passive member) can be filtered out and eliminated from being appointed as a BM. This would work to protect the interests of shareholders. Also, it might limit the chairperson's decisions, who might seek a majority vote from passive members [BM2 (M)].

7.10.3 The Right Selection of BMs

Another issue raised related to nominating the right members in order to create diversity needed in the boardroom. Difficulties can arise when a certain number of votes are needed to elect BMs to the boardroom. This happens because of the decisions made by majority shareholders. One executive said the following:

> The problem, in my view, is that a belief in the effectiveness of diversity among the Board of Directors means tacking the problem of how to appoint the right person to the Board. For example, the potential BM could be the right person, but he doesn't get enough votes. I think it's not as easy as it seems to be [Exec4CM (M)].

Another challenge is that the board room tenure might be too short for BMs to achieve their objectives. It would be better if policymakers extend BM membership to five years instead of three years, as stated by a CFO interviewee, as follows:

> There is an important issue regarding the effectiveness of the boardroom that has not been addressed, which is tenure. For example, for banks it is three years, but this is too short. This because the development of a strategic plan can take from six months to one and a half years, and then, the board starts thinking of the new election circle and appointing other BMs. Whereas they should be thinking about

monitoring their plan for the next four years instead. The period from one election to the next is very important, and it should be five years or not less than four years [Exec3CFO (M)].

Another CEO said the following:

> The period of one nomination circle should not be more than five to seven years in the same company, for the Board of Directors. It must be changed, as I think this factor will contribute well to corporate retention [Exec1CEO (M)].

Another interviewee talked about when the same person is selected as a BM and as CEO, or when the former CEO is elected as chairperson. In this respect, one practitioner interviewee said the following:

> One of the issues here is when the former CEO becomes the chairperson. This is still practiced heavily in the private sector. The combination of the two jobs should be forbidden, but board members are not prevented from being a CEO and a board member at the same time [GP1 (M)].

Another issue raised was in connection with the network groups of the chairperson and the CEO. Board members are often appointed because of the networks they can bring from certain areas of the market, especially the chairperson or the CEO. One BM said the following:

> What brings referrals is networking appointments. This means appointing board members who are part of the networks of the chairperson or the CEO. This way of appointment ensures that the board members can work well [BM3 (M)].

The interviewer posed a follow-up question to the above noted interviewee, asking whether he felt that bringing in friends was an appropriate way to channel a boardroom, and whether this could affect the independence of BMs. The interviewee replied as follows:

> There are some companies where the CEO or chairperson builds a funnel to the boardroom. This is can be a disaster, especially for the CEO. This happens in Saudi Arabia as well as in other countries. When I talked about networking before, I did not mean favouring friends. I meant relying on his or her network for reference, e.g.,

> "Do you know someone who will be good on the board?" Not to endorse decisions, as family businesses do sometimes. This is the kind of boardroom that you don't want to be a part of [BM3 (M)].

7.10.4 The Independence of Directors

Because BM invitations are often issued via the networks of the CEO and the chairperson, as mentioned in the section above, sometimes the independence of BMs becomes an issue in the boardroom. In this respect, one practitioner stated the following:

> I think the number of independent BMs is not good. The independents are not independent; this because they are invited to the boardroom because of their relationships to other people who want support when they are passing decisions. Therefore, independents should come from head hunting companies, and not from the invitations of other BMs. The "independent" is sometimes introduced via a relative as an independent, but actually he is not! I need an independent devil's advocate in my path if I go in the wrong direction [GP1 (M)].

As mentioned by this interviewee, using head hunting recruitment companies might be better than hiring BMs from the networks of the CEO or chairperson, especially independents. Also, this issue seems to be most prevalent in family businesses. Using international BMs might be a solution if this issue arises in a family business. Introducing diversity of nationality in the form of international BMs might also work. One BM said the following:

> Independent board members are very important because they will not be influenced by the emotions that 70% of family businesses are subject to. Thus, their existence is very important. I think one of the biggest problems in the boardroom is the passion for emotion. This is because BMs might represent the special interests of one major owner or another. When there is a need for change there is resistance. Appointing foreign independent BMs might break the pattern of embarrassment [BM6 (M)].

However, some interviewees argued against bringing in independent directors from outside of the network of the chairperson. They felt that that this could affect the harmony of the boardroom. As one BM said:

> Sometimes people have certain agendas and they impact harmony between members [BM14 (M)].

This confirms that problems surrounding the independence of directors exist in the market, and this issue needs to be studied in more detail. One practitioner suggests using senior independent directors to choose others, as is done in other countries. He talked about the role of the independent director, as follows:

> In other countries, there is a senior independent director who chooses other independents directors. He is able to stop sensitive decisions that are taken without enough information. He requires sufficient information before any decision is formally taken. It is the role of the independent members to make sure that grey areas are not left in any of the necessary decisions [GP1 (M)].

7.11 Summary

This chapter has presented the findings of three groups of interviews undertaken to critically analyse stakeholders' perspectives. The interviews were semi-structured in nature. The findings highlighted key themes of boardroom effectiveness and diversity.

Board effectiveness is a broad and varied concept, and it attracted a range of responses from the participants. Essentially, it can be summarised as issues that concern input and output in the boardroom. Input concerns the feeding of formal actions to the board. This includes board structures and the BMs' understanding of their roles and duties. Output concerns added value (e.g., performance), strategic thinking, and CG.

The findings revealed that the majority of the participants define boardroom diversity as relating to different backgrounds, education, and experience. Some also included the diversity of age. Other participants identified diversity as a mixture of genders, ages, nationalities, cultures, and backgrounds. The findings also highlighted the interviewees' views about the contributions made by boardroom diversity. Various diversity types were investigated in this project, including the characteristics of age, experience, and educational background, level of education, gender, and nationality.

The results for age diversity indicated that most boardrooms are dominated by older BMs, and younger BMs are in a minority. The results highlight some advantages of employing BMs from different age groups. The interviewees noted the advantages of age diversity for boardroom effectiveness. Nevertheless, they also noted some drawbacks of youth and barriers to access (e.g., training and ownership). The results suggest that diversity of experience is crucial to board effectiveness. This contributes to problem solving, stakeholder confidence, added value, and monitoring. Moreover, the findings show that different elements need to be considered when applying diversity of experience in the boardroom, such as the importance of IT experience. Problems were also noted, including a lack of experience which can lead to some board members relying on executives.

Educational diversity was understood in relation to variations in educational background and educational level. The findings showed that educational background is viewed as an asset in different ways (e.g., as something that is an asset to the company's future strategy). Some backgrounds are essential in every boardroom. Moreover, some backgrounds can be supplied by committees of externally appointed members. Educational background contributes to the effectiveness of risk management, decision making, limiting self-interest, to strategy, and to monitoring. On the other hand, educational level was not found to improve BM effectiveness, though it may have other benefits.

The results showed that the participants supported the inclusion of women in the boardroom. They discussed issues of female involvement, the number of female BMs, and their contributions, especially in relation to decision making in meetings. Barriers to female representation appear to be cultural, as well as due to a lack of positive regulations, a lack of nomination for membership, and the absence of a pool of experienced women.

Diversity of nationality can indirectly impact on CG and give credibility to an organisation. This finding emerged from the analysis of the participants' views of the benefits and need for diversity of nationality and barriers to hiring foreign BMs. Furthermore, the essential contribution of foreign members relates to their international experience and networking skills, including ensuring confidentiality surrounding family businesses, dealing with the international community, being hired in a consultancy role, and their ability to train local representatives.

The selection of BMs was also investigated as part of this project, and two themes emerged: the role of the nomination committee, and the impact of ownership structure. Both factors appeared to directly affect the selection process, which affects diversity. The findings suggested that the Nomination Committee might not be properly fulfilling its role at present. In addition, ownership structures were seen to strongly influence levels of boardroom diversity.

Finally, the results indicated that board diversity can influence the effectiveness of three different mechanisms: risk management and internal control, the monitoring of management, and decision making. Moreover, the role of the chairperson is vital. Regulators stated that boardroom diversity is a sign of good CG, particularly when the wider views of shareholders are reflected. The majority of the participants felt that board diversity contributed to CG via the enhancement of CG. Additionally, the participants said that board diversity helps to develop the market to create the proper environment for foreign investment and a growing national economy. Therefore, board diversity could contribute to the achievement of Vision 2030. The final theme highlighted challenges to and methods for promoting boardroom diversity and CG in four ways: the need for diversity, the evaluation of the effectiveness of BMs, the right selection of BMs, and hiring independent directors.

CHAPTER 8: Consolidating and interpreting the findings of the secondary data analysis and the interviews through an institutional theory lens: The emergence of a new diversity logic.

8.1 Introduction

This project has sought to evaluate stakeholder perceptions of boardroom diversity in Saudi Arabia and it has explored how enhancing board diversity could lead to improved boardroom effectiveness in Saudi Arabian listed companies. These aims were addressed by applying two research methodologies; namely, secondary data collection and semi-structured interviews. The analysis of the secondary data was presented in Chapter Six, and details of the semi-structured interviews were presented in Chapter Seven. Chapter Seven also brought together the two different methods used, in order to answer the study questions.

The two different methods used yielded informative data. Chapter Four introduced the idea of institutional logics as the theoretical framework to be used for interpreting the research findings, and a new emerging logic was considered. After analysing the findings, it seems that the traditional logic is still prevalent. The data analysed showed very low levels of diversity within Saudi Arabian boardrooms. However, the interviews revealed some shifts in attitudes towards a new diversity logic. The following sections will compare the two methods used.

8.2 Understanding the Extent of Boardroom Diversity from the Stakeholder Perspective

8.2.1 The Two Logics Relating to Board Diversity in Saudi Listed Companies

The first research question was to assess the extent of boardroom diversity in Saudi Arabian listed companies, and in order to answer this question it was important to discuss how different stakeholders perceive and/or define the concept of boardroom diversity, and this task was undertaken in Chapter Seven. Although there is no consistent definition of the term “diversity” (Rose, 2007), many scholars have attempted to define diversity in terms of certain elements, attributes, characteristics, and skills and expertise (Milliken and Martins, 1996; Walt and Ingley, 2003; Kang et al., 2007; Krawiec et al., 2013; Ben-Amar et al., 2013). Harding and Lemayian (2018) describe the importance of outlining a precise formal definition of the term “diversity”. This current research defines diversity according to the definition offered by Kang et al. (2007) which focuses on non-observable types of diversity such as education, background, qualification levels, and expertise, as well as the observable types of diversity of gender, age, and nationality. Nevertheless, from the empirical data, two logics of boardroom diversity emerged. These logics “flesh” out the “skeletal frame” identified in chapter four by Laughlin (1995) using the institutional logics theory. The interviewees mainly defined diversity in relation to non-observable elements only, and discussed it in terms of the old institutional logic. A few described diversity in terms of a mixture of observable and non-observable elements, in relation to the new institutional logic. The logic of ‘traditional diversity’ indicates that there is no diversity in the boardroom or that the boardroom lacks diversity. The term ‘new institutional board diversity logic’ is used to convey the idea that diversity does exist in the boardroom. Many scholars have examined the area of diversity logic (e.g., Page, 2007; Mayorga-Gallo, 2019).

The secondary data study revealed that educational background played a reasonably important role in the market as a whole. Answers were consistent among the interviewees when they were asked to define diversity. However, the richness of the interview data revealed that while the stakeholders perceived diversity of educational background, on the whole, it was not applied in many boardrooms. The interviews exposed the prevalence of old institutional logic, and revealed both a willingness to change and some resistance to change. These attitudes have not been noted in previous research (e.g. see Sarhan et al., 2019). The institutional logics lens was used to capture possible improvements and to highlight resistance to change according to different stakeholder perceptions.

Research undertaken as part of this thesis shows that Saudi boardrooms appear to operate two main logics relating to the diversity of board members: the old traditional logic and the new diversity logic. Traditional logic is limited to the consideration of background and experience. However, some interviewees said that their approach to diversity was mixed, and not limited only to the traditional logic; they believed that they could identify and apply the new institutional logic in the context of the boardroom. Thornton and Ocasio (1999) explain that institutional logics theory is socially constructed, based on certain practices, assumptions, and beliefs that provide meaning to reality. In this research, the institutional logics perspective was used to understand the practices of diversity logics used by stakeholders on Saudi corporate boards. Many board members and internal stakeholders define diversity in terms of the traditional logic. In contrast, some board members and many external stakeholders invest in the idea of a new institutional logic of diversity, referred to in this research as “diversity logic”. In the context of this research, this contradiction was explored using the chosen research methods; traditional logic was seen as prevalent in the results of the secondary data analysis, while a new belief in encouraging and supporting diversity came across during the interviews.

The findings of this current research revealed the main reasons behind the prevalence of traditional logic, i.e. gender diversity was not recognised because some board members did not believe in gender diversity. Harding and Lemayian (2018) argue that some socio-demographic factors are not considered when board members are hired, and, instead, focus is placed on skills, experience, and knowledge. Milliken and Martins (1996) also explain that individuals are likely to respond by means of bias, stereotypes, or prejudice, depending on whether they are considering a non-observable and or observable diversity type. For example, education level seems not to feature as being important, except among those who possess higher level degrees. Similarly, some interviewees said that they *“don’t care about gender”* and that *“gender doesn’t make a difference”*. Nevertheless, it is clear from both the secondary data analysis and the interviews that men continue to dominate the boardroom, and some participants felt that reverse discrimination might lead to accusations of tokenism (Deloitte, 2016). A study by Konrad et al. (2006) uses the metaphor of “colour blinding” in order to describe the diversity practice of erasing the outcomes of past lifetimes of oppression and/or differentiation due to culture, gender, and other socially significant differences, by ignoring these differences. However, paying no attention to these differences might lead to resistance to change towards a new logic.

Another reason why diversity is not applied is because directors are not experienced or practised in dealing with diversity in the boardroom. Hill et al. (2015) finds that many Saudi boardrooms are made up of directors from the same background and female boardroom members are under represented. The interviews and the secondary data analysis undertaken as part of this current study were in line with the findings of Hill et al. (2015). The interviewees admitted that many of their friends and families served on their board, which mainly comprised older men from only one or two social backgrounds, and that there were no women on the board. The secondary data analysis revealed that less than 1% of those who serve in the boardroom across all Saudi Arabian listed companies are women.. Therefore, the old traditional logic, which is characterised by a significant absence of diversity, still prevails in society. Some of this might be due to historical and cultural factors and the absence of certain regulations.

A shift towards a new diversity logic appeared in some of the answers from the interviewees as a willingness from different stakeholders to embrace diversity, for example, "*diversity is important nowadays*" and this is an "*era of change*". However, improvements need to be made to enhance corporate governance and board effectiveness by both stakeholders and the Government in order to promote diversity. A study by Doldor et al. (2016) recommends that it is essential to acknowledge the contribution of stakeholders and to understand their interests when linking to the new logic. Moreover, steps should be taken by the Government to improve the economy and the lifestyle of all citizens (e.g. by implementing the Vision 2030, and improving the empowerment of women, etc.) in order to ease the shift towards a new diversity logic. Seierstad et al. (2017) talk about how national policies should work to motivate changes in institutional logics in order to promote women onto the boards of European countries. However, it is usual to expect resistance on different levels (e.g. individual, organisational, and societal) which might delay the change to the new diversity logic, e.g., *"If there is diversity, it will kill my business."* In this respect, using the institutional logics perspective has fitted well for this research. The following sections will address each diversity type in more detail to present more profound insights.

8.2.2 A Comparison of Current Board Representations based on the Secondary Data and Stakeholder Perspectives for Different Diversity Types

As previously discussed in Chapters Five and Six, the secondary data analysis covered only the elements of gender, nationality, qualification levels, and background education. However, the interviews targeted all six types of diversity. Differences found between the findings of the secondary data analysis and the interviews are discussed below.

In terms of gender diversity, the secondary data analysis revealed low representations of women on boards (WOBs) in Saudi Arabia, and that males were in the majority (as already stated above). Many stakeholder interviewees seemed to want more gender diversity, but others still could not see the value of gender diversity, even though they supported change in the country for the empowerment of women. From the secondary data analysis, it was observed that female board representation is often connected to family firm ownership rather than Government ownership.[16] This result was consistent with the results of other studies that show the influence of family firm ownership on appointing WOBs in developing countries (Zainal et al., 2013; Hodges, 2017; Piesse et al., 2012; Abdullah, 2014; Mahadeo et al., 2012). On the other hand, some studies show that institutional ownership (other than the family) does not impact on female board representation (Piesse et al., 2012; Gregorič et al., 2017). In this respect, it would be helpful to appoint more WOBs in Government (state) owned firms (e.g. pension funds, and public investment funds). This might encourage an increase in experienced women and open the door for them through Government channels. These funds represent a 37.1% of the total market (Abdullah, 2017). According to Brieger et al. (2019), appointing female board members can enhance the acceptability and recognition of women working in general, especially in the boardroom. Doing this might speed up the shift towards the new logic and promote the support of empowerment for women.

Different industry sectors also differ in the representation of different diversity types. A recent review by Kent Baker et al. (2020) reveals the importance of exploring diversity across different sectors. For example, in terms of gender diversity, this current research finds that women on boards are most represented in firms that sell women's products in the market. This was confirmed by many of the interviewees, who said that WOBs representation is vital for

[16]This can be found by looking at the names of women on the board that correlate to the family name of the company.

sectors or companies that deal with predominantly female customers. This finding is consistent with a study by Liu et al. (2014) which states that female board representation is mainly connected to companies that sell to female clients.

Another example relates to the diversity of nationality. In this current research, the secondary data analysis showed significant correlation between foreign board members working on the boards of industries such as telecommunications and banks. The interviewees explained that foreign board member representation contributes the most in sectors which connect the most with global businesses as a part of their operation. In this respect, this system is essential for international operation in many ways. This finding is consistent with the findings of a study by Estélyi and Nisar (2016), which reveals a positive relationship between foreign board member representation and operational benefits. Thus, each diversity type has different implications in different sectors.

In terms of nationality diversity, the secondary data analysis of this current study showed that levels of foreign board members correlate to the amount of foreign investment in the market as a whole. The interviewees' perspectives revealed that, often, foreign ownership also drives the representation of international directors. This finding is consistent with many other similar studies undertaken (Estélyi and Nisar, 2016; Peck-Ling et al., 2016; Maturo et al., 2017). For example, Peck-Ling et al. (2016) show that in Malaysian listed companies, when foreign ownership increases, then nationality diversity improves. Thus, foreign ownership is associated with the appearance of foreign directors on boards.

The interview perspectives revealed the needs, benefits, and the motives for board representation (see Chapter Seven). The new logic for nationality diversity was linked to needs connected to safeguarding, globalization, transition, expansion, training, and consulting.

However, applying diversity differs between sectors and is dependent on each company's situation. Some studies (e.g. van Veen and Marsman, 2008; Van Veen and Elbertsen, 2008) find that nationality diversity is related to the governance regime of the country. Nevertheless, in this current study, the findings of the interviews indicated that it is related to specific needs and benefits; traditional logic is preferred when hiring local directors who understand the local environment. This might be because foreign directors might apply agendas that relate to the overseas corporate atmosphere (Salloum et al., 2019). Furthermore, it is unlikely that some Saudi Arabian stakeholders will approve the appearance of foreign directors as the impact of the regulative nationalisation programme deepens (Saudi-ization). However, foreign representation is still important and beneficial to some industries and sectors.

The secondary data analysis indicated that the education level of directors is mostly divided between those who possess a first degree and those who possess a post-graduate degree, with a few individuals who have a diploma or lower degree. High educational achievement was associated with institutional ownership, including Government ownership. This trend is also observed by Alshareef and Sandhu (2015), who suggest that government owners should enrich their boards with educational diversity to encourage companies to increase their social and environmental responsibility. On the other hand, the interview data for the current study showed that many stakeholders, especially board members do not believe in educational diversity. This result was in line with a study undertaken by (Rose, 2007) which finds that board functioning does not require any specific educational level. In contrast, Adnan et al. (2016) suggest that board homogeny in terms of education level works better than diversity. In this current study, the interview data showed some benefits of diversity, such as multifaceted operational or financial conditions. According to a recent study by Makhlouf et al. (2018) of Jordanian companies, diversity of educational levels can boost director monitoring and financial reporting reliability. Indeed, diversity of educational level, combined with other diversity factors, can boost company performance (Ararat et al., 2015). Overall, education level diversity appeared to exist in the market, but with unobservable advantages to the interview participants. In other words, if it has benefits, they were not seen by many of the stakeholders.

The results of the interview data analysis indicated that educational background diversity could be more important than educational level. Previous research tends to measure educational diversity in two different ways: according to educational background or according to educational level (Kagzi and Guha, 2018). The findings of this current study show that educational background and educational level are distinct entities, and are separated diversity types. The secondary data revealed the representation of diverse educational backgrounds in the Saudi market, and, as board size has increased in companies, the variety of educational backgrounds have increased (e.g. engineering backgrounds, and marketing and economic backgrounds). However, the interview data showed that stakeholders valued educational background over educational level. Many stakeholders believed that a specific educational background was vital for board membership in some industries. This result is in line with a recent study undertaken by Harjoto Maretno et al. (2019) who show that background education positively correlates with company social performance; this study shows that from a stakeholder theory perspective, the diverse educational backgrounds of board members ensures that managers can apply the correct oversight role relating to company activities. This supports the results of the current study that educational level is classed as something different from educational background.

The most commonly referred to diversity type by all the stakeholders was experience. According to some stakeholders, diversity of experience is essential. The secondary data analysis did not cover expertise diversity and age diversity, but the data collected from the interviews showed that experience was a vital diversity type for representation in the boardroom. This finding correlates with the findings of many studies that discuss the importance of diversity of experience among board members in relation to different aspects of company success (Westphal and Milton, 2000; Alshareef and Sandhu, 2015; Rao and Tilt, 2016; Kabongo and Okpara, 2019). However, based on the stakeholders' perspectives, the findings showed that experience is limited to operational, management, or legal experience on many Saudi boards. The participants suggested that some companies could do better in linking experience to company strategy when appointing new members, rather than repeating the same approach for recruitment when it comes to relevant experience. However, appointing board members on the same basis as previously used might originate from social pressure (e.g. social networks, or ownership structure). In other words, sometimes the representation of board experience does not fulfil the board's needs. This implies that some boards might be "sticky", i.e. not flexible enough to change because of perceived social capital (Johnson et al., 2013). Appointing women in some cases to the boardroom simply because of institutional or regulatory pressure (e.g. gender quotas) rather than selecting from the most relevant candidates also might make a board "sticky" (Gregorič et al., 2017).

The interviewees stated that old age currently dominates Saudi boardrooms due to mimetic isomorphism. This might be because the board member's age is perceived as an indicator of experience (Johnson et al., 2013). However, according to Hagendorff and Keasey (2012), experience is valued over age and tenure by potential investors. The different stakeholder interviewees revealed perspectives that encourage age diversity. This aligns with an article by Ferrero-Ferrero et al. (2015b) who suggest that age diversity is associated with information fruitfulness, knowledge, and experience, which all relate to good corporate performance.

The results of the current research showed that, in many cases, there is support for different types of diversity, which is consistent with previous research undertaken about boosting board effectiveness. This indicates that the new logic is somewhat supported by the stakeholders. However, overall, the secondary data analysis and interviews revealed that the traditional logic still holds considerable sway. The willingness to change to the new logic could not be confirmed from the secondary data analysis alone. Nevertheless, changes made at a societal level might impact the logics applied at organisational level (Greenwood et al., 2008).

8.3 The Shift Towards a New Diversity Logic

Chapter Four identified elements that can cause a shift towards and resistance to the new logic at different institutional levels. “Shifting” the corporate board to the logic of diversity is more likely to be pressed from organisational and societal levels rather than on an individual basis. At an individual level, different participants can have a willingness to promote change, but acting alone, they face challenges. The interviewees confirmed that changes made at corporate and societal levels could advance diversity in Saudi-listed companies. These changes can also be linked to developments in the business environment and in the economy at both an organisational and a national level. This kind of national economic development promotes two different kinds of pressure, namely internal and external, which might lead to change. The following sections will examine how these pressures might impact the shift.

8.3.1 The Development of the Business Environment at an Organisational Level

Factors that affect the speed of development in the business environment might affect diversity within the boardroom. These aspects include emerging new technology and targeting alignment between stakeholders and governance. These factors might force boards to embrace diversity in the boardroom. For instance, the interviewees stated that emerging new technology meant that certain types of diversity, for example, age, education level, educational background, and specific experience were needed. These findings are consistent with a study by Valentine and Stewart (2013) which states that developing new technology requires boardroom executives to acquire the talent, knowledge and expertise associated with new technology to close observable gaps. This move ensures that the boardroom makes the right decisions, such as approving the technology budget to eliminate future technology risks (Noor et al., 2016). This autogenous shift retains the implicit enumeration of a boardroom restructure (Thornton et al., 2012).

Diversity among board leaders can promote a better understanding among stakeholders, and this enhances the company's ability to penetrate the market (Fernandez Whitney and Thams, 2019). The stakeholder interviewees felt that three types of diversity - age, gender and experience - might work to improve stakeholders' understanding. For example, they said that age diversity could work to represent the younger generation, and that women should represent half of the stakeholders. Freudenreich et al. (2019) suggests that businesses should recognise that stakeholders are associated with the company and should not be treated as standard factors in business models. The importance of stakeholders in the business environment nowadays can pressure organisations to consider boardroom diversity.

Good governance is another essential factor that can encourage diversity in the boardroom. Corporate governance was discussed in Chapter Three. The interviewees highlighted the need for diversity among the board in relation to various different parts of the system of an organisation. Stakeholders represent one part of a business as discussed above. According to Sarhan et al. (2019), in Middle Eastern countries, the association between company performance and board diversity is closer in companies that have good governance. Many other scholars find a positive link between company performance and good corporate governance (e.g. Adams and Ferreira, 2009; Lucas-Pérez et al., 2015; Alshareef and Sandhu, 2015; Buse et al., 2016; Abad et al., 2017). This view was shared by the stakeholder interviewees. Therefore, governance is a crucial element that drives different organisations towards a shift to the policy of diversity.

8.3.2 Economic Development at a Societal Level

Chapter Two discussed internal changes that take place within a country which can influence a change in attitudes. In the case of Saudi Arabia, the Vision 2030, the new corporate governance code, and new business laws have contributed towards this kind of change. Other external pressures, such as opening up the Saudi economy to the world, SDGs, and the international financial market (IFM), as well as changes at a societal level are pushing organisations to apply board diversity. All these factors are playing a role in a shift towards diversity in the boardroom.

The increase in diversity due to external pressures is recognised in a study by Zhu et al. (2014). Moreover, a study by Knippen et al. (2019) adds to the work done by Zhu et al. (2014) by theorising on an increase in gender diversity; the study illustrates the positive association of external pressures on organisations. The findings of the current study show, empirically, the role that outside forces play on organisations at a societal level (externally and internally). This was discussed in Chapter Seven, in detail, which explained how these pressures can increase the application of different diversity types. For example, age diversity is now required in order to support youth leadership as part of Vision 2030, especially in connection with the rise of cyber security and new technology. Furthermore, gender diversity is now required because SDGs are promoting the empowerment of women as part of Vision 2030; this will help to open up IFM to attract foreign investment inwardly. It is the board's responsibility to maintain the balance between internal and external pressures on a business to assure its existence (Garratt, 2010). This leads organisations to adhere to institutionalised processes to improve legitimacy and their capacity to survive (Meyer and Rowan, 1977; Scott, 2013).

8.4 Resistance to the New Logic

The previous sections have discussed reasons for change, but resistance to change always exists, and can result in "decoupling" (Greenwood et al., 2008). Sometimes, resistance to change is characterised by compliance to the regulations in a tick list fashion or by making cosmetic changes rather than actually applying real change (Solomon, 2021). Knippen et al. (2019) note that, although there might be external pressures to push for more gender diversity, gender bias still exists that might prevent the appointment of women in the boardroom. This works as a barrier to diversity. This theory can also be applied to other groups, not only gender. The next sections will discuss the results in light of the institutional logics lens at different levels (i.e., individual, organisational, and societal).

8.4.1 A Lack of Understanding of Boardroom Diversity at an Individual Level

The stakeholders identified different individual beliefs or opinions that could work as barriers to board diversity. These beliefs included not believing in diversity, the over-valuing of personal wealth, power and social capital, a perceived lack of experience, ignoring those who do not directly apply to the board, and a resistance to change from older members. A study by Terjesen et al. (2009) reaps similar findings; this study uses different methods, including combining 400 research reviews from various fields to evaluate women in the boardroom and corporate governance. The study by Terjesen et al. (2009) discusses resistance to change at different organisational levels and in different environments. Moreover, Fitzsimmons (2012) refers to some of these factors as stereotypes that are fuelled by networks that prevent board diversity. These elements arise at an individual level, but can lead to confusion at an institutional level.

Cook and Glass (2014) explain that most previous studies are limited to giving informative viewpoints on an individual level about increasing the number of women in leadership position. However, individual owners could have the power to overcome these barriers by understanding the vital need for diversity, instead of assigning people to the boardroom with the intention of maximizing profits; in doing this, directors apply a traditional logic which fails to represent all stakeholders. For example, a study by Gregorič et al. (2017) finds that, in Norwegian companies, boardroom selection practices usually follow the same conventional board logic.

The results of the current study showed that continuous resistance appeared to originate from older people who highlighted the importance of experience, which was used as an excuse for not allowing diversity of the board. Power in the selection process is usually held by a block of voters dominated by a group of older men who own wealth and social capital. According to Leblanc and Gillies (2003) resistance to change is linked to the old board culture. As a consequence, some board members are not willing to train new younger or female directors or accept other opinions. A review by Fitzsimmons (2012) called *Similarity Bias* suggests that selection is driven psychologically in that people favour others who hold similar or identical values to themselves (Jenner et al., 2008). This makes access to the boardroom difficult and poses challenges for entry, unless there is a perceived similarity of characteristics, or an existing relationship to those who own the power to nominate. This repeating imitation of boardroom structure seems to be aligned with the concept of mimetic isomorphism (DiMaggio and Powell, 1983).

Some of the interviewees did not like to differentiate between genders, as mentioned above, stating that they thought that the quality of the person appointed was more important than gender diversity. Nevertheless, this might result in misjudgement, especially between genders (see Graves and Powell, 1996). In this respect, Homan et al. (2007) explain that holding positive beliefs about diversity is essential for recruiting a diverse management team to drive success. They suggest that there is a need to develop pro-diversity beliefs within organisations so that they can realise the benefits of diversity. This may explain why the change from the traditional logic is slow.

Four years after collecting the secondary data, an increase (in 2020) of WOBs in Saudi companies was observed, but was not a significant rise. Although there has been strong support from the Government in recent years, for the recruitment of more WOBs, there is slow movement in actual recruitment. This has been noted in other countries also, such as in Canada, in connection with problems experienced by women who look to access key networking groups (Jenner et al., 2008). The same study notes that many individual external stakeholders accept diversity but continue to follow social norms. In other words, many external stakeholders (including some regulators) accept diversity outwardly, but not internally (see Figure 7.4, Chapter Seven). Zhang (2020) explains that when there is a difference between regulations and social norms within an institutional environment regarding gender diversity, this usually leads to the neglect of diversity or a negative approach to it. This highlights that regulations alone cannot be used to drive through changes to the individual mindset. This view is consistent with previous research undertaken, such as that by Fitzsimmons (2012), a review from the US, and Gregorič et al. (2017), which reviews behaviour in Denmark, Finland, Sweden, and Norway. It is suggested that regulations might increase the number of females on a board, but cannot resolve underlying beliefs and issues, including ideas about tokenism and accusations of improving gender quotas without looking at other diversity types. These attitudes might also relate to other kinds of diversity in general, not only gender. However, if a corporate governance code was included in law relating to diversity, this might further lead to improving the local mindset. At least some companies would start to talk about diversity in the boardroom.

8.4.2 Committee and Ownership Decisions made at an Organisational level

The organisation plays a critical role in increasing or decreasing diversity in the boardroom. Organisations have a significant role to play in shifting towards diversity in their development of the environment of the business world. In this respect, there still resistance to diversity at the selections stage at company level. In Saudi Arabia, these issues appear to be derived from the two main but related parts of the selection process, namely the nomination and remuneration committee (NARC) and ownership structures (OS), and each one poses separate challenges.

8.4.2.1 The Roles of the Nominations and Remuneration Committees

The interviewees revealed that NARC does not pay attention to tasks that are not required by the corporate governance code, including issues connected to diversity, evaluation, rewards, and training. It only applies the minimum requirements, such as looking at the number of independent directors. When an independent director lose his/her independence by the law the board recruits to find a new director who will fit in with their group (network) requirements. In this respect, directors tend not to headhunt or apply diversity but they stick with recruiting from their own network and connected pool of applicants. In Canada, there is limited access to some boards due to an executive network, and, often, this keeps women away from the nomination pool (Jenner et al., 2008). As a result, some stakeholders only see a limited pool of talent. In the same way, NARC does not take the initiative to recruit or train inexperienced (e.g. younger, or female, etc.) directors via their committees. In this respect, some interviewees revealed that in some cases, the chairperson can miss out on relevant talent in an attempt to control and manage the committee. These issues are also identified by Fitzsimmons (2012) and referred to as a “limited recruitment pool” and missing leadership.

Some of the participants who took part in the current research complained that NARC could be improved. Indeed, many studies find a positive relationship between a diverse NARC membership and an increase in diversity within the boardroom (Hutchinson et al., 2015; Kaczmarek et al., 2012; Pirzada et al., 2017; Mans-Kemp and Viviers, 2019). This could be one solution for promoting an increase in diversity on the board and to speed up change. Moreover, FRC GBE (2018) recommends how NARC can increase diversity as follows: using evaluation; linking appointments to the future strategy of the company; appointing those who can contribute to the board; creating a pipeline for a different kinds of diversity; and benefiting from HR to apply proper diversity. All these factors were mentioned by the participants of the current research as essential factors, but these factors rarely exist in the market, and this could obstruct diversity. Thus, adopting such practices could improve diversity in the boardroom and expand the pool of talent from different places.

8.4.2.2 Ownership Influence and Resistance

Significant resistance to diversity often comes from the ownership structure. According to Solomon (2021) ownership structure and other elements such as cultural, religious, political, and economic factors can impact on systems of governance. For example, some interviewees stated that the selection of members for the board and the direction taken by the board depends on the number of shares that owners have and that this restricts diversity and independence. Notwithstanding, a study by Piesse et al. (2012) confirms that due to owner structure in Saudi Arabia and Egypt, appointments pressing to the board of directors are being made even when an individual might only hold a small shareholding. A study by Piesse et al. (2012) argues that board effectiveness in these countries is questionable, and that non-owner stakeholders are marginalised in the legal system and in company practices. Similarly, Ben-Amar et al. (2013) confirm that legal powers are limited when there is major block ownership; they recommended that there should be a balance between power and freedom from ownership when it comes to board selection. This aligns with perspectives offered by the interviewees who took part in the current research and who revealed that this kind of competition decreases board effectiveness.

Different kinds of ownership types (i.e. family, state, institutions, and foreign) can influence the shift towards the new logic of diversity differently. For example, the secondary data analysis and the interviews showed that international investors are more likely to hire foreign board representatives, but are not otherwise generally concerned about diversity. This parallels with the findings a study by Loukil and Yousfi (2016) which analyses the Tunisian share market, and finds that most foreign owned firms appoint only male directors, and have not capitalised on gender diversity in the boardroom. Different kinds of ownership structure can influence an increase in one diversity dimension over the other.

The secondary data analysis and the interviews showed that state and institutional owners hired older male directors, more foreign directors, and directors with a high level of education, but they did not appoint women or younger directors. This finding is consistent with the findings of a study by Terjesen et al. (2016) which reveals no evidence support the idea that ownerships, such as institutional ownership, for example, raises gender diversity. A few of the interviewees said that the maturity of the mentality of the owners, whether or not a firm is owned by a family, the Government or by others, is what really matters to encourage a diverse boardroom. A study by Ben-Amar et al. (2013) also finds that ownership structure can have both a generalised effect and a specific effect on diversity, depending upon the kind of ownership structure in place. In the current study, some interviewees suggested that state owners might take the lead in promoting change to encourage more diversity. This is also indicated in a study by Sturesson et al. (2015) which suggests that state owners could lead the way for making changes by creating a pipeline for talent (e.g. considering both genders, different nationalities and different ages). They explain that Saudi Aramco is committed to employing more women in the workforce.

Some of the interview participants felt that institutional owners (including Government owners) are in a good position to formalise diversity more than family owners. This contradicts findings by Saeed et al. (2017) from emerging economies, where negative associations are seen between diversity and family ownership in comparison with institutional ownership. This is because institutional ownership is connected to political networks that have no room for younger people or females in their networks. According to a study by Thompson Renée et al. (2019), this kind of political interference could lead to governance issues, such as a decline in transparency and accountability, and weak disclosure. Also, it could impact on board effectiveness issues such as the practice of holding extended meetings which delays decision making, the issuing of unclear financial guide, a shortage of training, and inappropriate candidate selection and board composition.

In family owned companies, when the owner starts up the business, he does not usually like to change how he manages the business. Directors of family run firms are usually likely to appoint more family members to their boards. Many previous studies confirm this behaviour, and also find that any women appointed to the board of a family owned firm are usually a family member (Mahadeo et al., 2012; Nekhili and Gatfaoui, 2013; Ben-Amar et al., 2013; Abdullah, 2014; Mustafa et al., 2020). Similarly, institutional owners use network connections to appoint to the boardroom. This result aligns with a study by Abdullah (2014) about Malaysian listed companies, which finds that women hired to the boardroom are usually relations of or connected to major shareholders. Also, according to Nekhili and Gatfaoui (2013) institutional owners block women from accessing the boardroom, senior positions, and board committees. Thus, a significant factor that prevents board diversity is networking, which can impact board independence.

Previous research also discusses various problems connected to family and network connections which can impact on board diversity and board effectiveness. For example, Dahya et al. (2008) show that in countries with weak legal protection rights for small shareholders, a company's value increases when there are independent board members who are not connected specifically to the company owner. The presence of independent members who are affiliated to the dominant owner was seen to reduce company value. Likewise, in Saudi Arabia, a study by Al-Janadi et al. (2016) reports that Government ownership impacts on board independence; the interference of Government in appointing chairpersons restricts the chairperson from undertaking their proper role to serve shareholders. The same study advises the Government to reduce their role in the appointment of chairmen so as to give a chairperson the flexibility to fulfil their responsibilities. Thus, owners seem to have significant involvement in the boardroom, and this approach is embedded in traditional logic.

8.4.3 Resistance at Societal Level

The pressure of resistance towards board diversity in Saudi Arabia at a societal level is seen in many aspects, which hinders diversity in corporate boardrooms and reduces its effectiveness. The following sections look at barriers to diversity in regulations, religion, and culture.

8.4.3.1 Regulations

The new corporate governance code is well thought of as a quality code designed to enhance Saudi corporate governance, but it does not consider diversity within the new law. Recently, regulators have adopted cumulative voting to limit ownership voting and to reduce ownership competition for boardroom spots. A comparative study by Naif and Ali (2019) (between the new Saudi Arabian corporate governance code and the new Malaysian code) shows that although preventing accumulated voting amounts to a considerable change in the law, the law still needs to solve the problem of board diversity, independence, and the integrity of the decision making process. In this respect, a study by Al-Janadi et al. (2016) explains that state ownership in Saudi Arabia impacts on director decision making power because it is the State that appoints directors. Therefore, corporate governance legislation needs to boost the support of independence and diversity via voting selection rather than how seats are held in boardrooms by adopting diversity regulations into the new code.

8.4.3.2 The Islamic Religion - Past and Present

The interviewees mentioned the Islamic religion only once. This was when one interviewee noted that seeking diversity must be aligned with the Islamic perspective rather than just adopting a copy and paste implementation of the Western perspective on diversity. As mentioned in Chapter Two, the Islamic faith does not have any major concerns or restrictions in relation to gender diversity. However, how diversity is implemented in the boardroom/workplace can vary from one Muslim school of thought to another. Also, in Saudi Arabia there is a unique mixing of culture and religion (Al Alhareth et al., 2015). In this respect ideas about the segregation of women differs between different Muslim countries (Doumato, 1992). In this respect, Doumato (1992) explains that, historically, Saudi Arabia has not been influenced by the colonial experience, and so there has been a smooth merging between existing cultural conventions and religion over time, which backs gender separation, and deems that females should run households, while men should work in the public system.

Religious thought in the Kingdom has also somewhat changed over the past few decades (from 1979 onwards) as discussed in Chapter Two. However, the interplay between religion and culture still exists in the workplace (Sian et al., 2020). This is one of the reasons why Islam is slightly mentioned as a barrier to top-level board diversity. According to a study by Al Alhareth et al. (2015), which presents a review of education for women in Saudi society (from a feminist theory and an Islamic feminism perspective), some practices are in place that contradict the Holy Quran. Overall, very few people ever mention that the Islamic religion might be a reason for the absence of diversity.

The findings of the current study showed that only one BM was completely against the full participation of females in the boardroom, due to the prevalence of traditional logic. The Government has applied gender diversity on the Shura Council, and this has impacted on traditional ways of thinking. Other interviewees did not want women to represent 50% or more of representatives in boardrooms, and, in this context, one interviewee compared the boardroom to a marriage. However, other interviewees did not care if the boardroom was full of women. According to Brammer et al. (2007), companies are not expected to keep-up an equal division between males and females with an organisation. Even though the Islamic faith offers different rights to both genders, in Islam the value of the genders remains equal (Brammer et al., 2007). Thus, differences in understanding the texts of the Islamic religion may lead the Government to try to unify the issue for the majority of people and religious leaders (*Imam)*, to reflect the thinking of the Shura Council. This finding is in line with a study by Grosvold et al. (2015) which suggests that religious institutions are more resistant to change than governments and economic institutions, which experience a faster pace of change. Therefore, changes that originate from the Government and the economy might, ultimately, influence changes in Saudi society more than religion. In this context, hardly any interviewees mentioned religion in their interviews, instead commenting on changes to align with Government and economic needs.

It is worth mentioning here that the Islamic perspective on gender from a religious point of view might appear to hinder diversity from a Western perspective, but this may or may not be the case in Saudi Arabia. According to Dadparvar and Shen (2017), Islamic and Western cultures are different and the differences mainly concern the views of Islamic peoples on community, ethics and religion, in comparison to objectivism and individualism that is favoured in the West (Dadparvar and Shen, 2017). For example, Saudi Arabia has not taken any measures to promote issues such as trans-gender rights, because changing gender wholesale by choice (as opposed to being born with both male and female attributes) is prohibited from the Islamic perspective. Another example of how views about gender diversity may differ between Eastern and Western countries concerns the rights of women to drive in Saudi Arabia. Some individuals in Western countries may argue that women in Saudi Arabia were not being treated equally in this respect, but the Eastern perspective is that women are seen as “queens” who have high status, and, as such, should be relieved of driving (see Aljarallah, 2017). In this respect, there is disparity between Western and Eastern opinions in some aspects relating to gender.

8.4.3.3 Traditional Cultural Resistance

Some of the norms of traditional culture could lead to resistance against diversity and work as barriers to the new diversity logic in boardrooms. This matter is complicated by the construction of society, culture and religion in Saudi Arabia, which intersects. In this respect, Hofstede’s cultural theory model can help us understand matters in more detail (his theories of collectivism, and power distance especially) in connection with recognised cultural norms such as family hierarchy, *wasta* (networking), the tribal society, gender segregation, and a patriarchal society.

Respect for older people is part of many different cultures and religions (Nakpodia and Adegbite, 2018; Mahadeo et al., 2012). In the Kingdom of Saudi Arabia, people apply this approach professionally also, and it impacts on how people behave in the boardroom. However, the interviewees noted that in relation to age diversity, levels of respect vary for younger and older board members; respect for older people is also a tenet of Islam (respect for parents and elderly individuals) as outlined in Chapter Two. In this context, the majority of chairperson allocations are based on the preferences of the oldest board member. This is a tradition based on respecting older people. However, this can hinder diversity in some cases, and discriminate against younger board members who have bright ideas or who have new technology skills, and those who wish to constructively challenge the opinions of an older board member. This phenomenon was also observed in Nigerian boardrooms, where, *"attitude increases the possibility of exempting older people from liabilities and penalties"* (Nakpodia and Adegbite, 2018, p 24). Nevertheless, a different situation could be applied in the more mature boardroom, whereby the chairperson, and older directors, give opportunities to the young generation for their voice to be heard. For example, appointing younger board members might help to drive through future economic value, as seen in a study undertaken in Mauritius by Mahadeo et al. (2012). In this respect, the Islamic religion gives certain rights to both younger and older individuals (see Chapter Two).

Wasta is a social practice of favouritism based on a personal relationship (which is similar to the Western concept of nepotism) (Hutchings and Weir, 2006). However, using this approach might result in creating pressure barriers. In Saudi Arabia, social obligations exist towards friends and family, deriving from the collective mentality of the culture (Al.Harbi et al., 2017). This approach might also be influenced by the power distance hierarchy of the social culture, as identified in Chapter Two. Power distance in an organisation leads employees to fear managers and results in the acceptance of inequality (Ailon, 2008). Hutchings and Weir (2006) find that *wasta* persists as a convention which impacts on work and cultural life in the Arab world, including in Saudi Arabia. They recommend hiring foreign managers to improve training and to adopt less traditional networking practices. A study by Al.Harbi et al. (2017) points out that *wasta* leads to injustices but is driven by cultural tradition. However, the appearance or development of another value system might work to challenge the social norms of collectivism and power distance.

In the current study, the interviewees perceived *wasta* as something that prevented younger people, women, and foreign talent from joining power circles. It is a requirement that foreign BMs should understand the culture in which they are working, but some local BMs and internal stakeholders do not prefer to appoint those who have studied abroad and/or foreign board members because, they say, these individuals "do not fully understand Saudi culture". In this context, the typical value that is shared between both Saudis who study abroad and foreign executives is the Western culture, and this Western culture is perceived as rejecting certain social norms according to traditionalists (Al.Harbi et al., 2017). This means that in Saudi Arabia, women depend on males to act as mediators in networking to represent their professional ambitions, i.e. via financial and network links (Abalkhail Jouharah and Allan, 2016). This makes it difficult for candidates to be visible, if they are not represented by the right males.

Tribal values form another part of the Saudi social structure that could impact on a shift towards board diversity. According to Alshetwi (2017), the domination of the tribal system in Saudi Arabia leads to favouring individual relationships over talent or competency in the selection process of boardrooms. This is consistent with the findings of Hofstede's cultural model which indicates that Saudi Arabia is a collective culture which favours working in groups more than individualism. In this light, foreign talent or educated BMs might be rejected if they are not part of a specific group connection. This approach also impacts on gender diversity. Abu-Lughod (2016) explains that one of the characteristics of traditional tribal societies is that females must display shyness and modesty in the company of men. Segregation between genders assures that females do not challenge male authority or make connections with outsider males. These values explain why women do not apply for boardroom positions in Saudi Arabia, and why they might only represent their families in the boardroom, rather than making connections with outside boards.

Attitudes differ in other tribal societies that operate as part of the Gulf Cooperation Council (GCC) i.e., in Bahrain and Kuwait, where women are allowed to participate in a social life (Hamdan, 2005). Attitudes also vary between different regions and peoples in the Kingdom of Saudi Arabia. Indeed, not all Saudi Arabians boasts tribal descendants; some citizens have backgrounds from different ethnicities (from those who came to work in the Kingdom or who were pilgrims who stayed in the Kingdom) (Hamdan, 2005) and society has also been moulded by these people (urbanisation) (Al-Saif, 2019).

Saudi Arabia is a patriarchal society where men dominate in positions of power (Dirani et al., 2017). Although many changes have taken place in the past few years to offer power to more women, i.e., women can now drive and are allowed to work in leadership positions, the old culture still remains in the deeply held beliefs of some individuals, and this is reflected in how organisations are structured and led. Some of the interviewees, both male and female, commented that they knew no women who had ever applied for a board position. Moreover, there is now a lack of experienced females due to the impact of the effects of the patriarchal structure on society. For example, Hamdan (2005) reports on the unbalanced sharing of educational funds between genders in Saudi Arabia, and how this reflects the gender based social hierarchy. She concludes that these discrepancies will persist (between modernity and tradition) until the Kingdom overcomes matters such as gender segregation restrictions on women's occupations. Abalkhail Jouharah and Allan (2016) find that women in GCC countries are dependent on males when accessing social capital and networking. Therefore, social traditions are slowing down the movement of women in the boardroom, even though there is support from the Government for female empowerment. The patriarchal society is the elemental of authority that is essential to understand the diversity logics of board members (Thornton 2012)

Old norms and traditional culture can increase an institution's resistance to the shift towards the new diversity logic (creating a pipeline for women). According to Abalkhail Jouharah (2017), the social environment and institutions block women from leadership positions. Moreover, it restricts the pipeline of talented women and younger talent generally, as noted by some of the interviewees. This finding is in line with a recent study by Kemp (2020) which reveals that firms are slow to appoint women to managerial positions (including boardrooms) in the Arab world. Consequently, with a culture that has many mixed norms, coercive action from the Government to promote gender quotas and promote diversity may help to create a new gender pipeline and increase other types of diversity as well. This action will allow firms to shape their destiny and introduce a more diverse boardroom that is more appropriate to new institutional frameworks (Zhang, 2020).

8.5 Boardroom Diversity and Board Effectiveness

8.5.1 Exploring Board Effectiveness

Previous research notes that board effectiveness is usually defined based on certain attributes (Rezaee, 2009; Jaskyte, 2018) and there is probably no universal definition of board effectiveness in general, except the one offered by the FRC GBE (2011, p. 2) as follows:

> An effective board develops and promotes its collective vision of the company's purpose, its culture, its values and the behaviours it wishes to promote in conducting its business… An effective board should not necessarily be a comfortable place. Challenge, as well as teamwork, is an essential feature. Diversity in board composition is an important driver of a board's effectiveness, creating a breadth of perspective among directors, and breaking down a tendency towards 'group think.

Seven more dimensions can also be noted, including: directing management, framing the ethical values of the company, valuing and making risk assessments, making quality decisions, following regulations, providing accountability, and providing governance *(FRC GBE, 2011)*. The above quoted definition covers all aspects of board effectiveness. In 2018, the FRC Guidance on Board Effectiveness was amended with more details included about the elements noted above *(see FRC GBE, 2018)*. Also, according to this definition of board effectiveness, it can be noted that a diverse boardroom is a driver for effectiveness. In this respect, the findings of the current study are in line with the above definition description, and this is important, because this definition was constructed from stakeholders' perspectives and it offers a holistic view of board effectiveness.

According to Nicolas et al. (2016) there is a lack of research about board effectiveness from the perspective of the stakeholder. Furthermore, the Saudi Corporate Governance Code does not give a clear definition of what an effective board should look like. Based on this, a question was posed to the participant stakeholders asking for their definition of board effectiveness in order to get an in-depth understanding of what they perceive effectiveness to be, see Figure 8.1.

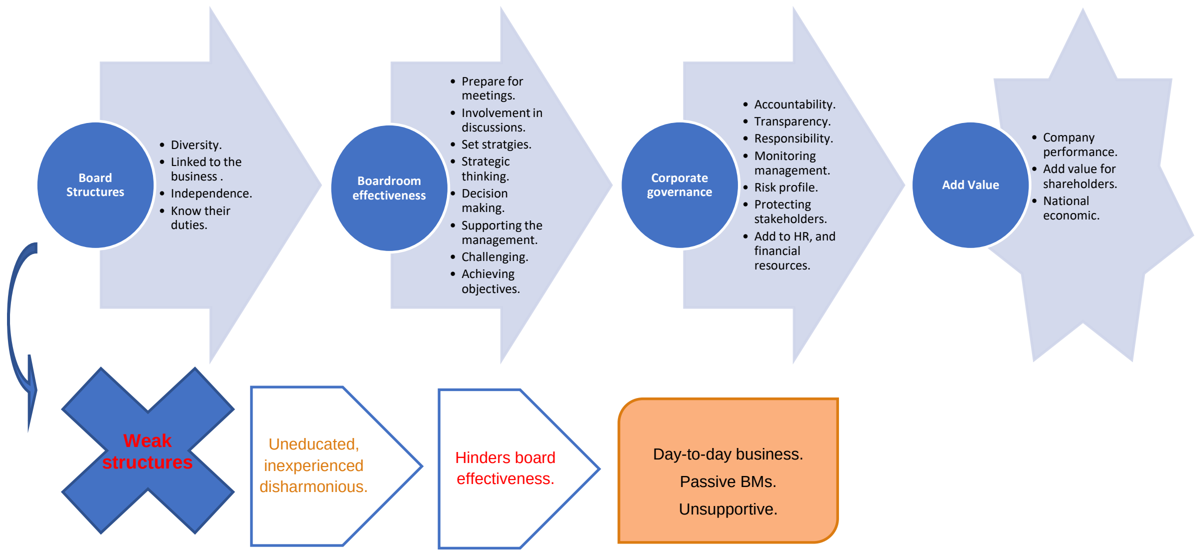

Figure 8.1: How Structure Leads to Board Effectiveness or the Hindrance of Effectiveness

The answers from the interviewees revealed disparity between stakeholders who defined an effective board based on their own experiences and positions, whether external or internal (see Figure 7.2 in Chapter Seven). Based on these perspectives, an effective boardroom was defined as one with a good mix of directors (one which included diversity) who had good links to the business, were open-minded, were independent, and knew their duties. Other qualities listed were contributing in board meetings and preparing, showing competence, being involved in the discussion, setting strategies, using strategic thinking, engaging in decision making, challenging opinions, supporting management, and achieving objectives. These activities should be mandated, regulated, and pay attention to the corporate governance system (accountability, transparency, responsibility, monitoring management, risk profile, protecting stakeholders, and adding to financial and human resources) all of which might lead to improving company performance, adding value for shareholders and for the national economy. Also, board evaluation should be undertaken in order to avoid passive membership and to identify the talents needed for the boardroom, which includes being able to avoid involvement in the day-to-day business (which is the work of the executives).

The above indicates that structure is the primary driver of board effectiveness. Weak structures can hinder boardroom progress, while board effectiveness can enhance corporate governance. Corporate performance is the result of the effort which is divided between the boardroom and the executive management. The findings showed that it would be relevant to test both diversity and board effectiveness in future research should be linked to corporate governance then company performance. This consistency with a study by Alabede (2016), who revealed that board diversity is an essential moderating for a corporate governance role and operational performance.

Board effectiveness can be impacted negatively by some factors, i.e., passive board members and a lack of independence among board members. It should be noted that one critical difference outlined from the BMs group relates to how active and passive directors behave during meetings. According to Walker (2009), passive (free rider) board members decrease board effectiveness. Furthermore, increasing board size from eight to twelve persons might result in board members forming alliances which benefit each other, the eclectic disclosure of information, separations and invasions, and dislocation which makes delegation and participation diminish (Walker, 2009). This result is in line with the results of a study by Alshetwi (2017) which tests board size in relation to independence and company performance in Saudi Arabia; this phenomena might occur with non-executive directors due to social factors and tribal bonds which sometimes place decisions in the hands of a few individuals rather than in the hands of those with ability or relevant qualifications, especially during the selections and appointments process. Wang and Oliver (2009) note that the selection and appointment of non-executive board members is usually made based on candidates holding similar or identical demographic characteristics or previous experience on passive boards rather than active ones. According to Scott and Davis (2015) this because the chairperson or appointee appears to adopt the passive practices of externally created logic, rather than thinking about what is needed for the firm. Thus, diversity could be used as a treatment for such phenomena; this is because it would encourage the appointment of directors with different demographic characteristics.

The outcome of company performance was linked to two groups: executive management and board members; this was mentioned by the participant stakeholders. However, good governance and a positively diverse boardroom also connects with good financial performance (Sarhan et al., 2019). For example, Westphal (1999) shows how the collaboration between independent directors and the CEO positively contributes to company performance. Also, these findings support the argument that not only company performance (business case) is linked to board diversity (i.e. gender diversity) but what happens in governance and society links to diversity too (see Ferreira, 2015).

External stakeholders were keener to discuss stakeholder protection, including protection for shareholders and added value. Previous research also reveals a similar trend (Carter et al., 2007; Campbell and Mínguez-Vera, 2008). On the other hand, similarities with previous research only related to the structure of the board, i.e. applying diversity, whereas external stakeholders were more interested in discussing independence in relation to structure. Using the FRC definition of board effectiveness, it can be noted that the structure of the boardroom includes diversity and independence as primary drivers to boost board effectiveness, from the perspective of the stakeholders. This finding is in line with research by (Walt and Ingley, 2003; Carter et al., 2007; Alshareef and Sandhu, 2015; Kakabadse et al., 2015; Byoun et al., 2016;

Nicolas et al., 2016). In particular, the results are in line with research that examines how to boost corporate governance (Adams and Ferreira, 2009; Upadhyay and Zeng, 2014; Chen et al., 2016; Terjesen et al., 2016), and how to enhance decision making and strategic thinking (Makhlouf et al., 2018; Alshareef and Sandhu, 2015).

One factor agreed on by all interviewees was that board effectiveness can be hindered by the involvement of board members in the day-to-day running of the business rather than focusing on strategy. This has been noted by Garratt (2017), who explains that board members can sometimes confuse managing and directing roles. This results in a misunderstanding that can lead to dire financial results for owners, BMs, and the public. According to Taghavi Moghaddam et al. (2018), when a chairperson holds power but cannot differentiate between oversight and executive tasks, this might lead to a perversion of the shareholders' rights. This issue seems to occur in Saudi corporate boardrooms, and many of the participants of the current research mentioned it. It is also commonly referred to as 'micromanagement' and typically leads to a higher turnover of managers, lost opportunities, delays in decision making, and a lack of focus on corporate governance and strategy (Beck, 2016). This problem is also referred to as interference with the management function (rather than concentrating on directing and taking strategic decisions) (Bruni-Bossio et al., 2016). An over involvement in the management role hinders the effectiveness of the board firstly, and then the governance of the organisation, as shown in the Figure 8.1 above. This might also occur due to the weak structure of the boardroom and a lack of understanding among directors of their duties. Barlow (2016) suggests that introducing diversity into boardroom structure could overcome this issue; directors would be evaluated according to whether they linked well to the business and represented the company in the overall need.

8.5.2 Boardroom Diversity and Mechanisms to Enhance Board Effectiveness

The findings of the current study show that the mechanisms used to enhance board effectiveness (monitoring, independence, decision making, and assessed risk management/internal control) are interrelated. For example, it may be said that risk and decision making are two mechanisms that are tied together, since taking a risk or avoiding it is based on the decisions made by board members. Based on the findings of the current study, it can be said that diversity and independence are part of board structure, which contributes to other mechanisms that can be used to boost effectiveness. Moreover, failure in one of these elements would impact the other mechanisms.

Many of the interviewees said that Saudi boardrooms suffered from a lack of independence, and there was a need for more quality independent board members and diversity. Saudi corporate governance laws require boardrooms to appoint at least 33% of independent directors on the total board, or at least two independent directors.[17] Even so, the independence of these directors might still be influenced by dominant owners, or the chairperson or CEO (Hamdan, 2018). This impacts on diversity in Saudi boardrooms, which is not in the spirit of the new law (see Naif and Ali, 2019). In other words, the board must review an independent director for independence annually[18], and, if for any reason, any director does not meet the requirements to abide by the law in respect of independence, then they must be replaced; the company should seek a replacement director that abides with the law/requirements for independence. It is important to note that when a board is seeking to allocate an independent director, their main

[17]Article 16 (3) Saudi's Corporate Governance Code 2019

[18] Article 20 (a) Saudi's Corporate Governance Code 2019

goal is to achieve the requirements set out by the law and not to choose a director based on the emphasis of diversity, as it is not required by law Saudi Arabia. The interviewees said that there were few independent directors of a young age and/or women appointed outside of social or family connections. This has been observed by Mahadeo et al. (2012) in Mauritius. A study by Loukil and Yousfi (2016) presents a resource dependence theory perspective and finds that increasing women on boards enhanced independence and the monitoring role in Tunisian listed companies. Furthermore, a study by Abdullah (2014) uses agency theory perspective to examine data from Malaysia; this study reveals that independence impacted negatively when there was tokenism, including appointments made from family connections. In this current study, the interviewees said that having a foreign and/or operational background played a positive role in enhancing independent membership, which works to increase board independence and offers better insight into operations, and it improves decision making (see Estélyi and Nisar, 2016).

Diversity has been shown to improve risk management and internal controls by providing different perspectives on oversight. Chapter Seven (Figure 7.1) illustrates various diversity factors that the interviewees thought might impact risk management and internal control. However, for gender diversity no consistency was found with previous research to suggest that increasing female representation would reduce or increase good risk management. Some studies show a positive impact on risk management (Jizi Mohammad and Nehme, 2017; Jane Lenard et al., 2014; Bernile et al., 2018; Loukil and Yousfi, 2016), while others show no influence or a negative influence on risk management (Bruna et al., 2019; Sila et al., 2016). Nevertheless, the findings of this current study show that different diversity types contribute differently to various elements of risk management and internal control, which is in line with the findings of previous research. For example, women can bring a risk-averse perspective to the boardroom (Loukil and Yousfi, 2016); age diversity (younger people) can bring increased oversight of technology risks (i.e. cyber security) (Noor et al., 2016); diversity of nationality (appointing foreigners) can help to mitigate local risk, based on their experience of similar cases in their home country (Pfeffer and Salancik, 2003; Estélyi and Nisar, 2016); and expert directors can help identify operational red flags (Barakat and Hussainey, 2013). These findings reveal that board diversity offers an increased holistic viewpoint that might lead to lower risk-taking and better risk management and internal controls. These results align with a study by Bernile et al. (2018), who report that board diversity is less likely to result in the taking of financial risks, but can increase the quality of ideas and output.

In the current study, the interviewees suggested that board diversity can enhance decision making and monitoring, but with some limitations. In Chapter Seven (see Figure 7.2) it was shown that a diverse boardroom can contribute to the quality of decision making. The results confirmed that diversity enriches decision making by adding more perspectives from different people (women and men, older people and younger people, foreigners and citizens, and from different backgrounds, education levels, and experience) thus increasing perspectives of a problem from various angles. This approach can enhance problem solving and can bring in new ideas that can boost strategy and the monitoring role (Anderson et al., 2011). The findings are in line with previous studies which confirm the impact of diversity on decision making and monitoring (Carter et al., 2003; Davies and Hopt, 2013; Berger et al., 2014; Ntim, 2015; Lucas-Pérez et al., 2015; Byoun et al., 2016; Makhlouf et al., 2018).

The findings of the current study show how individuals on a diverse board can use their influence to take the lead or convince other members to support their views. For example, directors with financial experience can enhance financial decisions and boost the monitoring of financial information; the same applies for operations, and so on. This result shows that different diversity types and backgrounds can help to identify various areas of decision making and monitoring within boardrooms. The new institutional logic of diversity integrated into models of organisational decision making through a focus on specific identities, function, and schemas (Thornton, 2004; Thornton et al., 2012).

According to Kent Baker et al. (2020), a diverse board might bring more conflict between directors in the decision making process. This result is in line with the findings of the current study which showed that, sometimes, decisions can be delayed due to the assessment of different viewpoints or due to conflict resulting from different personalities and/or a weak chairperson. Jhunjhunwala and Mishra (2012) explain how conflict reduces the effectiveness of the diverse team. The outcome of different ideological perspectives can lead to a reduction of communication and harmony; they suggest that effectively managing diversity is a crucial requirement for enhancing boardroom effectiveness. This managing role is the chairperson's responsibility. However, micro-management can lead to delayed decisions and lost opportunities (Beck, 2016). Thus, it is essential to identify each director's duties based on their experience and background accordingly, and for them not to over interfere in the management role.

Alshetwi (2017) explains that in Saudi Arabia a tribal cultural system and its associated values exists, and this influences board structure. Furthermore, board structure is also profoundly influenced by societal norms. As a result, decision making is undertaken by only a few people who wield power. This structure sometimes leads to the appointment of people with irrelevant experience and qualifications and who cannot fulfil the monitoring role (Alshetwi, 2017). This finding is in line with research undertaken by Hernik and Vera (2017) who suggest that the boardroom should move behind management capability to include persons with specific knowledge, education, and appoint both genders. Furthermore, women should be involved in board decisions instead of being eliminated and marginalised from decision making (Abalkhail Jouharah, 2017). Some argue that women are more faithful in following market activity (Hernik and Vera, 2017). Brieger et al. (2019) also explain how women play a quality role in some boardroom responsibilities, especially maintaining uniformity, ensuring monitoring, and promoting strategic improvements.

8.6 Board Diversity: Ways of Achieving the Saudi Vision 2030

The interviewees suggested that board diversity for listed companies could play a role in the achievement of the National Vision 2030 (see Figure 8.2). This could be achieved in two significant ways: firstly, increasing employment objectives by implementing board diversity to create a pipeline for board recruitment that does not discriminate based on age, gender and nationality. These goals are targeted in the Vision's objectives.

The board performs an essential function when it comes to hiring other board members and employees, whether these are female, younger people, or from minority background groups; creating diversity is one way to ensure that appointments are balanced and reflect the company's stakeholders and other community groups (Ibrahim and Hanefah, 2016). In other words, if the board becomes diverse, then this will affect how future employees are hired. This some of the social benefit that board diversity can be offered to community instead of looking at the 'business case' only as mentioned above (see Ferreira, 2015).

The second method suggested was to develop the economy by aligning corporate vision with the National Vision 2030 via strategic thinking to develop the capital market and by attracting foreign investment. Chapter Two identified some of the objectives that Vision 2030 has targeted for the development of the capital market, including objectives for listed companies. Similarly, Chege (2018) suggests that introducing board diversity into the Kenyan manufacturing sector has enhanced performance, and has contributed to the Kenyan Vision 2030.

Improvements in relation to introducing diversity into the boardroom should reflect down to the lower levels of the company itself, to create equal job opportunities in the company and in the market as a whole. Vision 2030 looks to target the following: the willingness of young people to gain employment; the empowerment of women in the labour market and in leadership positions; improving access to foreign experts; improving working conditions; and recruiting talent. Boardroom diversity aligns with the objectives of Vision 2030 and works towards applying them to companies. According to Gennari (2018), diversity at the top-level might lead to eliminating discrimination and might advance equitable job opportunities. These suggestions confirm the findings of the current study. For example, younger generation job opportunities were mentioned (Ingusci, 2018), more women on boards might increase gender equality (Brieger et al., 2019), and recognising obstacles for women (Terjesen et al., 2016) and for foreign talent might help to tackle a lack of diversity. Thus, board diversity can play an essential role in the objectives of Vision 2030 and increase employment by creating a diverse pipeline through listed companies.

The interviewees said that diversity of nationality might help Saudi firms identify foreign investment barriers and work to overcome these barriers using international directors. This might lead to improving the market environment to attract foreign investment, which is one of the objectives of Vision 2030, in order to develop the capital market. A study by Thams et al. (2018) argues that companies need diversity of nationality (the *global mindset)* to overcome cultural barriers in order to benefit companies and culture. Also, board diversity leads to increased levels of governance within companies (Chen et al., 2016; Sarhan et al., 2019). Good corporate governance also drives economic development (Morck et al., 2004) and strategic thinking (Makhlouf et al., 2018). This might lead to enhancing investor confidence, which leads to attracting more foreign investment (Das, 2014). Board diversity plays a vital role that can contribute to the Vision 2030 by boosting both the Saudi capital market environment and pulling in foreign investment.

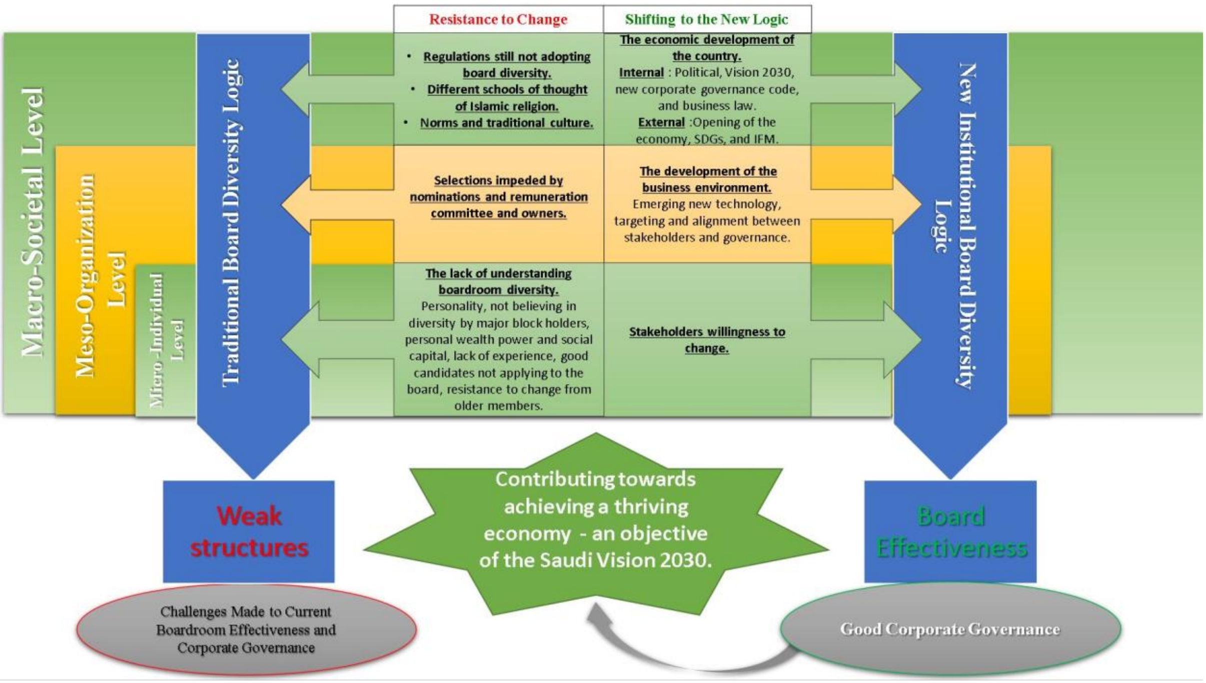

Figure 8.2: Shifts Towards and Resistance to Change.

8.7 Recommendations for Policymakers

The Capital Market Authority (CMA) has made essential improvements to the new CG Code (2017). However, it still has limitations for coping with global trends and capital markets development, as well as in relation to the Vision 2030. Naif and Ali (2019) identify the challenges of board independence and gender diversity, among others, when the Saudi code is compared with the Malaysian code. The results of the current research confirm the findings of

Naif and Ali (2019) empirically, based on the stakeholders' perspectives. The findings suggest further recommendations for policymakers as follows:

8.7.1 Board Diversity and Gender Quotas

The interviewees highlighted the importance of diversity in general as well as the idea of gender quotas. According to Naif and Ali (2019), the Saudi's CG Code should promote the involvement and recruitment of more women in the boardroom and into senior positions in order to enhance gender diversity in the same way as the Malaysian CG code does. The Code could obligate companies to create a pipeline through to top positions, and this point of view was articulated during the stakeholder interviews. This strategy is also recommended by Sarhan et al. (2019), who suggest that the MENA countries, including Saudi Arabia, should release regulations to align with global practices to overcome the weakness of women's representation in senior and board positions. This might enhance the business environment and attract more foreign investment. A study of barriers for women in British multi-national companies in Saudi Arabia highlights that there is support from the Government for the empowerment of women, but that this support needs to be backed up by regulations to improve gender equality, in order to challenge the social norms that prevent women from entering into top level management (Alhejji et al., 2018). According to the interviewees who took part in this current research, boardroom decisions are sometimes made by executives and the CEO even when they have insufficient expertise to make these decisions. In this respect, tools were identified by the interviewees that might enhance general boardroom diversity in Saudi listed companies. These mechanisms are listed as follows:

- Applying diversity and inclusion, so that the new members feel welcome (see Landaw, 2020).

- Disclosing statistics about diversity (i.e. tenure, gender) to identify problems (i.e. see Williams, 2019) (such as the same decisions still being made by directors for fifteen years).
- Create awareness of the benefits of diversity (Robinson and Dechant (1997), via guidance in the CG Code in order to integrate the topic of diversity within the boardroom agenda and among nomination committees.
- Including a HR background director on nomination committees might be relevant to improve appointments (see McNulty et al., 2011; Chaudhry Naveed et al., 2020). Hiring independent directors from a HR background was also found to be beneficial by Creary et al. (2019) who undertook a Harvard business review; they suggest that some directors should be appointed from the pools of CEOs and CFOs. By doing this, they argue, improvements might be seen in boardroom culture and diversity within the boardroom.
- Encourage state owners to adopt a board diversity agenda, because in Saudi Arabia, the Government holds a significant amount of shares in the market (Saeed et al., 2017).
- Recruit/headhunt directors from outside of the pool of nominations. Sometimes, if someone believes they will not obtain enough votes due to being unconnected to the right networks it will restrict them from applying, even if they have the right talents and skills (Burke Ronald, 1994).

8.7.2 Mandatory Board Evaluation from Independent Organisations

The CG Code includes guidance for board evaluation by the board and the chairperson[19] via a nominated committee rather than in an obligatory fashion by an independent organisation. Active board assessment by an independent body can encourage the boardroom and associated committees to develop efficiency and to recognise and classify possible issues (Hanks Jr et al., 2018). In the current research, some of the interviewees complained that they knew passive board members, and this frustrated other active members and restricted board performance, see (Walker, 2009). Strong social ties that exist within social and family networks make it

[19] See Article 41 of the Saudi Corporate Governance Code 2019.

difficult to undertake self-assessment via nominated committees alone. Moreover, a chairperson might use inactive members to raise voting numbers which specifically serves the interests of certain stakeholders over others. Furthermore, some directors appoint others to the boardroom as a way of controlling decision making (see Alshetwi, 2017). Thus, it might be relevant to elaborate the corporate governance code to overcome these obstacles (see, i.e. Soana and Crisci, 2017). However, it is better to apply legal frameworks that fit in with the local culture, for example, in Saudi Arabia the current code frameworks have been based on UK codes (Naif and Ali, 2019). Nevertheless, sometimes it has been difficult to apply some Western practices and apply them to local Saudi culture (see Alhejji et al., 2018).

Independent assessment can ensure that the right selections to the boardroom are made. This would provide the opportunity to fill a spare space with a new director who is willing to play an active role. This rule could encourage board accountability, and then its effectiveness would impact the whole corporate governance policy (Minichilli et al., 2007).

8.7.3 Independent Directors

Appointing independent directors seems to be a particular problem for Saudi Arabian corporate boards, as discussed above. This was stated by the interviewees and has been discussed in previous studies (Naif and Ali, 2019; Alshetwi, 2017; Ghabayen, 2012; Al-Matari et al., 2012; Piesse et al., 2012; Hill et al., 2015; Sarhan et al., 2019; Hamdan, 2018). This might be because of the strict hierarchical culture structure (Al-Bassam et al., 2018) of Saudi boards, which depends on social networking, and this is something directors take into account when voting for an independent board member (Hamdan, 2018). For example, Ghabayen (2012) finds that some Saudi boardrooms have two board members who are brothers, but who are defined as independent directors. The new code has attempted to improve on this kind of practice, and seeks to restrain some relationships among 'independent directors'.[20] Nevertheless, the old cultural mindset still exists. Naif and Ali (2019) suggest that independent directorships should be restricted to nine years only, as stated in the Malaysian CG code. Also, a study by Sarhan et al. (2019) recommends that diversity in the boardroom can enhance independence. The findings of the aforementioned research are in line with the findings of the current research; indeed, some interviewees added suggestions to improve the status of independent directors in the Saudi market, and these suggestions are summarised as follows:

Independent directors should be headhunted or recruited from independent governmental institutions and allocated based on background (see Ahrens et al., 2011), rather than being recruited from a network of CEOs or from major ownership blocks (from which some members already serve on the board as executives or non-executive directors) (Abdullah et al., 2016). Furthermore, foreign directors might play a good role as independent directors (Miletkov et al., 2017) and the creation of a senior independent HR officer who can select independent directors and veto bad decisions (see, FRC GBE, 2018, p. 20) would be a good move. Lastly, the creating of a new board orientation workshop formed of CMA (policymakers) for all old and new boards members in the market to improve the understanding of board job descriptions and create an awareness of diversity and governance (Buallay et al., 2017; Al-Matari et al., 2012) would help promote board effectiveness.

[20]Article 20(b) of the Saudi Corporate Governance Code (2017)

8.8 Summary

This chapter has summarised the findings of the secondary data analysis and the interviews using the perspective of institutional logic. The first part of the chapter discussed understandings of diversity and how different logics emerged from the data, as well as comparing the extent of board diversity representations. Also, the chapter examined stakeholder perspectives on how the pressures of organisational and societal changes can promote a shift towards the new logic. The chapter went onto discuss different types of resistance to the new logic, including individual, organisational, and societal. It also explored the role of stakeholders and how diversity logics is driven by different mechanisms. Lastly, the chapter showed how board diversity could impact on the Saudi National Vision 2030, and further recommendations were presented for policymakers. The next chapter will outline the conclusions of the study, its contributions, its limitations, and avenues for future study.

CHAPTER 9: Conclusion

9.1 Introduction

The board of directors is one of the most important mechanisms of corporate governance for protecting stakeholders. The composition of the boardroom is an essential driver for an effective business. Many countries, especially developed ones, adopt diversity as part of their corporate governance regulations, to try to ensure the fair representation of a variety of stakeholders. However, only a few developing countries have adopted boardroom diversity regulations. This may be due to cultural and organisational factors that work to resist boardroom diversity, but this can put some countries behind the curve when it comes to female representation, for example. This research has sought to evaluate stakeholders' perceptions about increasing board diversity, and its potential implications for board effectiveness in Saudi Arabian listed companies. In order to do this, an institutional logics perspective was used; this lens was useful for capturing the shifts taking place in Saudi Arabia, and resistance to change at an individual, organisational, and societal level. This perspective helped the researcher identify issues of board diversity and develop recommendations for policymakers to increase board diversity based on the opinions of the stakeholders.

The study adopted two different methods to attain in-depth insights, namely, a secondary data and semi-structured interviews. The analysis of the secondary data was used as a starting point to obtain an idea about the extent of board diversity in the market, and to inform the interviews. The interviews provided a deeper understanding of how Saudi Arabian stakeholders view board diversity and an effective boardroom. Using Saudi Arabia as a context, the study revealed information about the extent of diversity practised in boardrooms, the impact of social dimensions on board diversity, and how a diverse board can influence its effectiveness. The study also put forward recommendations for policymakers, as well as looking at the implications of board diversity in relation to the National Vision 2030. It is anticipated that this investigation will contribute to a body of research that offers an understanding of how board diversity is perceived in emerging economic settings, such as Saudi Arabia, and how, in some cases, fast change is now being pushed through cultural, legal and political frameworks.

The next section will summarise the research contributions made by the study, and a brief outline of the limitations of the study will also be given. Finally, suggestions for future research will be discussed.

9.2 A Review of the Findings of the Research Questions

Research Question 1: *To what extent does boardroom diversity exist in Saudi Arabian listed companies? (Diversity includes gender, age, expertise, educational background, qualification level, and nationality.)*

This question sought to reveal the extent of diversity on the boards of Saudi listed companies. The secondary data analysis showed that men dominate the boardroom, but there is a notable range of educational levels and backgrounds, as well foreign board members serving on boards in the market as a whole. Moreover, family ownership influences the appointment of women to the boardroom more so than Government ownership, and foreign ownership impacts foreign representation in the boardroom. However, Government owned firms usually appoint board members who have attained a higher educational level, in comparison to family owned and private firms. Furthermore, whether or not women and other diversity types are seen in the boardroom depends on the specific company sector in which a firm operates. For example, women appear on the board more in family companies that exist to sell products and services specifically to women. At the same time, foreign board members are represented more in sectors that operate in the international community (i.e. telecommunication firms and banks).

The interview data revealed that many board members were able to recognise non-observable elements of diversity (i.e. experience and educational background). However, external stakeholders were able to recognise both observable elements of diversity (i.e. gender, age and nationality) as well as non-observable elements of diversity. The interviews also revealed that many participants were willing to increase levels of diversity, but a few did not believe in gender diversity. This openness to change was not revealed in the secondary data analysis alone, and an appreciation of different kinds of diversity could not be confirmed only by means of the interviews. This picture showed that two different logics about diversity operate in the Saudi market, namely, an old traditional logic and a new diversity logic. Moreover, some older male directors who dominated the boardroom were more influenced by traditional cultural beliefs. For example, they did not believe in gender diversity, but believed in bringing their family and friends into the boardroom.

In a developing economy such as Saudi Arabia, there remains a need for foreign directors to bring in useful resources to the boardroom, in order to achieve company advancement in the market as a whole. However, the old traditional logic favours employing local citizen directors who, it is felt, better understand the market environment. The interviewees also seemed to value educational background above educational level, and where boards were larger in size, different backgrounds, such as engineering, marketing and economics, were seen more often. This revealed a keenness to improve oversight in the boardroom of some companies.

The interviewees valued diversity of experience as the most important type of diversity. However, some complained that boards tended to appoint members who had similar kinds of experience as a result of links to certain social networks, or ownership, rather than identifying relevant experience that fitted in more with company strategy. This tendency towards the repetition of past behaviour impacted on age diversity; it was perceived that younger directors did not have much experience, and, therefore, older board members were appointed rather than younger ones who might have relevant new experience.

Research Question 2: *How might social dimensions such as culture, norms, religion, and regulation affect boardroom diversity?*

The findings related to this question added to the theory by showing contradictions between different institutions at various institutional levels in terms of culture; this was revealed using the institutional logics lens. These conflicts showed up at an individual, organisational, and societal level. Firstly, at an individual level, the interviews revealed a willingness to change towards a new board diversity logic. At the same time, there was a lack of understanding, culturally, about board diversity and its benefits. This lack of understanding about diversity encompassed similarity bias; there is limited access to networks dominated by major block holders who do not value board diversity; there is an application of stereotyping, where suitable applicants are not applying for boardroom positions; and boards are dominated by older directors who have the power resist change.

At an organisational level, developments of the business environment, including the speed of new technology, stakeholders' interests, and corporate governance, all point towards the benefits of applying diversity in the boardroom. This might be because board diversity can enhance company performance. However, it was found that the nomination committees of different companies do not actually make much effort to improve diversity in the boardroom, as it is not required by current regulations. This situation might hinder proper recruitment for the boardroom. Also, the findings showed that block voting by ownership can influence board structure, and this can work to resist a change towards diversity. This situation could lead a reduction in board effectiveness because it puts decision making in the hands of a few individual directors.

Finally, at a societal level, internal and external pressures can influence the adoption of board diversity. Internal influences come from the need for economic and social development, and external influences can come from the need to align with international standards, in order to attract foreign investment and business expansion. These factors mean that new ideas are needed, as well as diverse board member experience in order to exploit the qualities of society and commerce. Thus, pressure can arise for communities to change some of their norms to cope with new needs, and regulatory change might be needed to influence social behaviours, such as limiting ownership structures and boardroom selection. Although accumulative voting regulations have been adopted to reduce the dominance of owners in all aspects of decision making, ownership still plays a vital role in resisting board diversity. In spite of the introduction of a new Corporate Governance Code in 2017, there is an absence of diversity regulations in this Code. Diversity is not required as part of the new Code and firms are busy focusing on implementing the requirements of the new Code, rather than applying diversity.

The Islamic religion was not found to conflict with board diversity. In recent years, Government efforts have been made to change and unify the Islamic schools that operate in Saudi Arabia, and which have had significant influence for over forty years. The findings showed that many interviewees were open to diversity, e.g. gender diversity. However, there are still differences that exist between the different Islamic religious schools of thought, as well different interpretations of the Quranic texts among religious scholars and the general public. Sometimes, different interpretations of Islamic texts are used to affirm certain beliefs or norms, and some religious perspectives deposit ideas such as the separation of genders, and these ideas still hold strong in the minds of many Saudi people. The findings showed that these beliefs influence how men interact with women in the boardroom. The Islamic schools operating in Saudi Arabia do not prevent women from working with men, but they provide guidance to implement good religious manners. The findings showed that some interviewees did not want to apply Western practices relating to gender, and wanted to continue to implement practices that fit in with their traditional culture and religion. This confirms the need for government intervention in some respects, to create laws that align the different Islamic schools of thought and endorse interpretations that do not contradict the Islamic faith. This intervention may help to separate ideas that relate to the different spheres of religion and culture.

Cultural tradition plays a vital role in hampering boardroom diversity. Some cultural practices, even though they are valuable, such as a strict respect for older people in society might sometimes work to restrict younger board members taking part in discussions or making challenges in the boardroom, especially if the younger person is a relative or a close friend of the older board member. This leads to the practice of “rubber stamping” in the boardroom. Other factors such as *wasta* (close networking or nepotism), the tribal society, and a patriarchal society tend to favour specific groups or individuals over others. Furthermore, Hofstede categorises the Saudi culture as a collective one, a tribal one, and a patriarchal one; one which offers more opportunities to men, and friends and family. This can lead to gender discrimination, which restricts board diversity.

Research Question 3: *How might diversity affect board effectiveness through different mechanisms, such as monitoring, independence, decision making, and assessed risk management/internal control?*

This question was answered in two different ways as follows:

Firstly, by defining what board effectiveness is in general, based on stakeholder perspectives. In this respect, the research tried to offer a clear general definition of board effectiveness. No common definition of board effectiveness can be found from examining previous research, and, therefore, this study defined board effectiveness according to stakeholders' perspectives. This definition made a central contribution to the body of research in this field. Furthermore, the research asserted that a well-structured boardroom drives board effectiveness, while a weakly structured boardroom hinders effectiveness. The current research argues that board effectiveness enhances corporate governance and can positively impact on company results. Company performance is a consequence of effort divided between the board and executive management, and, in this context, board diversity and independence of the board structure both play an essential role in boosting an effective boardroom. The interviewees revealed the bad practices they had witnessed on some boards, including the appointment of passive directors, a lack of independence, the over involvement of the board in the micro-management of the firm, directors who do not supporting executive management, directors who do not become involved in board discussions, and the absence of board evaluation or inadequate evaluation. Some of these issues may be a result of the cultural issues already mentioned above.

Secondly, the researcher looked at different mechanisms relating to board effectiveness that are connected with diversity. The results showed that different mechanisms are interrelated as discussed in section 8.5.2. In this context, a lack of independence and a lack of diversity seem to be characteristic on Saudi boards. However, the independence of directors is required by the law, but diversity is not. The research argued that some types of board diversity could enhance the independence of the boardroom, as shown in previous studies. Thus, board diversity could add to board independence if applied with caution (in light of the influences of social structure).

In relation to risk management and internal control mechanisms, the findings showed that a diverse board can offer holistic views on a variety of risks. The findings support the argument that board diversity enhances risk management and lowers risk taking in the boardroom. Moreover, the results showed that each type of diversity has its own features and makes its own contribution to risk management. For example, the appointment of more women might brings a risk averse perspective; the appointment of younger people can offer new perspectives to tackle technology risk (i.e. cyber security); diversity of nationality (appointing foreign directors) is associated with alleviating damaging local risk, due to the application of international experience; operational expertise helps the board identify red flags; while a financial background helps to assess financial reporting risk.

Appointing directors who are experts in their field can help manage decision making and enhance the monitoring role, because these directors can take the lead to convince other directors about any decisions made and/or practice oversight. The findings showed that a diverse boardroom also boosts problem solving and strategic thinking. However, this can lead to conflict in some cases; the chairperson is the maestro who should manage conflicts between different viewpoints and make sure there is no delay in decision making. The duties of different directors should be identified to eliminate micro-management and any passive directors. Sometimes, cultural norms can lead to the selection of irrelevant directors, based on social networks, and this can work to concentrate decision making in the hands of a few dominant groups. This can contribute to weak monitoring, because there are not enough qualified directors. Also, the absence of diversity, such as not appointing women, can lead to weaker decision making and monitoring in the boardroom.

Research Question 4: *To what extent might the Saudi Vision 2030 contribute to increasing boardroom diversity?*

The findings showed that the Vision 2030 and board diversity are interrelated in collaboration to fashion future employment trends and the development of the capital market. A diverse board could help to bridge employment gaps and place emphasis on various categories of social change (e.g. the employment of women, younger people, and foreign talent). Diverse boardrooms can offer enhanced strategic thinking and better corporate governance, which will advance the capital market as a whole. More diverse boards could help align company strategy with the Vision 2030. Consequently, this might work to attract foreign investment; pulling in international investment one of main objectives of the Vision 2030, which seeks to enhance economic and social life.

This current study was planned in 2017, and, since then, positive change has occurred in Saudi Arabia in relation to the empowerment of women. Women are now allowed to drive cars, something that had been previously prohibited by regulation and social norms. The IPOs of newer companies, such as Aramco, have adopted gender diversity in the boardroom, which shows that diversity is vital to the Vision 2030. Moreover, more women can now work in leadership positions in public organisations, including as ambassadors, and university presidents (Inbc, 2020), as deputy ministers (Day, 2020), as cultural attachés (Arab News, 2020), and as heads of regional councils (Naar, 2020), among other roles. The number of unemployed women in the country has also dropped by 13.9% over the past four years, and female employment has now taken over male employment (Albilad, 2020).

Research Question 5: *What recommendations might be drawn in practice for enhancing board diversity and effectiveness, based on the findings of the interviews?*

Some social and cultural norms can impede or prevent board diversity (see Chapter Two). For example, Saudi Arabia is a collective culture, and individual loyalty to a group or family impacts recruitment practices (Idris, 2007). This approach often results in social obligation, such as '*wasta*' or nepotism (Al.Harbi et al., 2017). Also, the different schools of thought in Islam work to influence people's beliefs within the same religious faith, and Saudi Arabia is a patriarchal society, where men dominate the boardroom and companies. All these aspects mean that legislation is needed to introduce diversity. There is also a fixed power hierarchy (as identified by Hofstede) where the Government sits at the top, and it is the Government that needs to work to overcome challenges, and to decrease feelings of uncertainty and avoidance in the community.

Based on the findings of the interviews, this current research offers several recommendations for policymakers (see Section 8.7). Firstly, it recommends adopting coercive rules to promote board diversity, especially, by improving quotas for women. These plans can be adopted gradually via regulation, as has happened in Malaysia and in other countries, to begin to create a pipeline for female talent in top management. Also, adopting guidance in relation to age and different nationalities is recommended, especially if a business operates multi-nationally, for example. Coercive regulations should also emphasise the importance of diversity of educational background, education level, and expertise.

Recommendations were identified to increase boardroom diversity, such as the recommendation to legislate for diversity, increase regulation, and make companies disclose more information about their diversity practices and diversity strategy in their reports.

Moreover, it is important to generate more awareness about the benefits of diversity, and in this respect, an article could be added to the CGC relating to the nomination committee, or a separate code created for best practices, for example, something similar to that which is implemented in the UK (the UK FRC, Guidance on Board Effectiveness). These suggestions are made to encourage discussion and the application diversity in Saudi Arabian companies, and to develop investor awareness of board diversity. All this might result in encouraging companies compete to implement more diverse boardrooms.

Those directors who come from a HR background to work on nomination committees could boost appointments and operational diversity within the boardroom. This would help state owners employ more diverse boards, as state ownership represents a significant portion of the market in Saudi Arabia, and could speed-up board diversity practices (e.g. like in the UAE). The state could get assistance from external sources, such as from head-hunting organisations. This approach is suggested because the pool of nominations sometimes does not fulfil the purposes of diversity. It could be worthwhile to support a candidate who has obtained fewer votes, but who does not have a connection to the voters, if he or she has the right skills and talent, and could fulfil diversity needs in the boardroom. All this could help speed-up operations and the shift towards diversity in the Saudi market and it could boost boardroom effectiveness.

Board evaluations should be mandatory and undertaken by independent organisations. This might help to eliminate current problems that are holding back firms in the market, such as passive directors, wrong candidate selection, and a lack of accountability for board members. Article 41 of the Saudi CGC highlights the importance of evaluations, but issues this advice as guidance only, rather than as a rule of law. Robust social ties in the Saudi community also make it difficult to trust evaluations undertaken by the company itself. This is because some companies are family run, or there a social relationship between individuals serving in boardrooms which could introduce bias into the evaluation. Often, these relationships lead to the practice of "rubber-stamping" among directors. Thus, potentially, assessments undertaken by independent organisations can be more accurate and relevant. Many passive directors might be replaced by new directors from a female or younger demographic, who are more willing to participate in the boardroom. Moreover, this approach could work as a way of securing effective board member selections on the second try; ensuring the right selection of directors if the selection failed at the first attempt.

The current study and previous research has highlighted a lack of independent directors in the market generally. Thus, introducing more regulations for the selection of independent directors is needed. Saudi culture is based on strong social ties and is influenced by a hierarchical culture structure. This seems to impact the independent selection of directors to the boardroom. Therefore, more regulations to enforce independent board selection are needed. This approach can be implemented by registering all those who wish to obtain a job as independent members; registering their names and qualifications in a special record under the management of the CMA, which can then distribute this information to relevant companies. Hiring independent directors via head-hunting companies might also encourage more independent foreign directors, and creating a senior independent director position to oversee independence would help to enforce this rule.

Furthermore, the introduction of mandatory workshops by the CMA for all directors, including new directors (i.e. an orientation programme) could make them aware of important regulations and help to encourage board independence. This could work by creating a separate entity under the CMA to develop awareness of best practices. This might include improving awareness of the role of the independent director and explaining how this is an essential mechanism of CG.

Lastly, increasing board diversity could work to increase the independence of board directors, as suggested in this current study, and in previous studies.

9.3 Contributions Made by the Research

The research has sought to contribute to the body of research in its field at different levels: theoretically, methodologically, empirically, and practically, as follows:

9.3.1 Theoretical Contributions

At a theoretical level, this research has sought to contribute to a body of knowledge in three ways, as follows:

Firstly, it has used institutional logics theory to explore board diversity and board effectiveness in an emerging market. This complements current corporate governance research that uses institutional logics theory to explore corporate board diversity generally, such as research by Jonsen et al. (2011), Grosvold (2011), Grosvold et al. (2015), (Terjesen et al., 2009), and Zhang (2020). It has also sought to provide an in-depth understanding of board diversity in Saudi Arabia and how institutional pressure at various levels (societal level, organisational level, and individual level) (categories identified by Jonsen et al., 2011) can work in the future. These pressures shift between two boardroom diversity logics: an old traditional diversity logic and a new diversity logic. However, resistance to a shift towards the new logic remains, even though there is some support for a shift to the new logic. These results showed how the institutional logics lens fitted well to interpret the results of the current research about boardroom diversity in Saudi Arabian listed companies.

Secondly, the research sought to contribute to existing literature by providing an understanding of different types of diversity (i.e. gender, age, nationality, educational background, educational level, and experience). It showed how different diversity types might impact the boardroom and how boardroom diversity can contribute to positive societal and business change. For example, it might help to improve employment and the national economy at a societal level, and corporate governance and future company performance at the business level. It also identified the barriers experienced by women and other groups in emerging economies, in the context of a unique setting. This was done by offering explanations of different social dimensions. In Saudi Arabia, the Islamic religion and traditional culture play an important role in society.

Thirdly, this research has sought to add to existing knowledge by providing a general definition of what an effective boardroom is. It has constructed explanations based on different stakeholder perspectives to show how board diversity and the structure of the boardroom can drive board effectiveness. Corporate governance is an essential moderator between company performance and board effectiveness. This is because business outcomes in large firms comprise the accumulative effort of the board and of executive management. Moreover, the research has sought to outline factors that can limit an effective boardroom. These factors are important in order to determine how effective boardrooms work, such as eliminating passive directors and preventing micro-management.

9.3.2 The Methodological Contribution

At a methodological level, this research has contributed to a body of research that engages with qualitative study. It has offered an in-depth understanding of six types of diversity, using two methods of data collection: a secondary data analysis and conducting qualitative interviews. The secondary data analysis provided insight into the market, and helped to inform the questions delivered in the semi-structured interviews. The interviews yielded good insights to complement and challenge the secondary data analysis. For example, the secondary data analysis showed that adopting gender diversity can be a very slow moving process, beset by resistance and refusal to change, but the interviews revealed a willingness to change and to address any issues that might constrain board diversity effectiveness and good company performance.

The interviews showed how board diversity can contribute to social change, a factor that is often difficult to capture using quantitative data. Most previous studies in this field have employed quantitative based research techniques, and only a few have engaged with qualitative study. The methodological approach used in this current study was suggested by (Sarhan et al., 2019) who recommend an in-depth study of different diversity types in GCC countries.

9.3.3 Empirical Contribution

On an empirical level, this research has made an essential contribution by presenting comprehensive data about board diversity in Saudi Arabia, a subject on which there is a paucity of data, even in recent studies. To the best of the author's knowledge, the research is the first to analyse perceptions of board diversity in relation to six different diversity types in order to evaluate how various Saudi stakeholders perceive diversity, by employing semi-structured interviews. The data complements empirical research that investigates inside the boardroom, referred to as the '*black box*' by Adams et al. (2010 p. 100). The current study explores the extent of boardroom diversity within Saudi listed corporations, and the outcomes of this research seek to stimulate the adoption of diversity and enhance the understanding of boardroom diversity and board effectiveness. It seeks to motivate listed companies in Saudi Arabia to create a pipeline to adopt more diverse boardrooms. Moreover, it seeks to inform shareholders and internal and external stakeholders about the importance of a diverse boardroom composition.

9.3.4 Practical Contributions

At a practical level, the study might be of importance to shareholders, owners, directors, policymakers, and stakeholders. Furthermore, this study has contributed to practice by offering recommendations. The recommendations focus on enacting several laws through the legislators and raising the awareness of firms and ownership structures, in addition to offering training in order to promote boardroom diversity. These suggestions were gathered based on a secondary data analysis and semi-structured interviews with stakeholders who experience real board situations on a day-to-day basis. Additionally, it aligns with research into the Saudi Vision 2030, a plan that aims to implement corporate governance reforms in Saudi Arabia. The findings of this research seek to contribute to the achievement of the Vision 2030. The results might also be informative to shareholders when appointing new board members, to potential investors seeking to invest in Saudi Arabia from overseas, and academics who might be seeking to conduct corporate governance research.

9.4 The Implications of the Study

The results of the study are not generalisable, but could be useful to other countries with the same cultural backgrounds as Saudi Arabia (e.g. GCC countries). These countries are Bahrain, the United Arab Emirates, Kuwait, Qatar, and Oman, who share some commonality of social structure and economics. The Kingdom of Saudi Arabia borders all these countries and is the largest country among these countries; this creates a strong relationship between tribes who share the same religion, values, and norms. Furthermore, all the GCC countries depend mainly on natural resources (e.g. oil) for their economic income, and, due to this, have experienced changes in standards of living and lifestyle over time (At-Twaijri and Al-Muhaiza, 1996). These countries are also mainly community based and patriarchal. According to Alhashmi (2018), female representation in GCC countries is still weak, with only 9% of those who serve on local councils are women and in public parliaments, compared to 29.1% internationally, and 18.8% in other Arab countries.

GCC countries differ in the progress each has made towards board diversity (e.g., hiring female directors). According to Hamdan (2005, p. 55) achievement in this respect in Saudi Arabia is insufficient when, "other Gulf nations such as Kuwait and Bahrain that, though consisting of tribal families, do not restrict women's participation in public life." For example, in 1994 Oman was the first country to allow women to nominate themselves for Parliament and for the local council, followed by Qatar in 1999, then Bahrain in 2001, Kuwait in 2005, and the United Arab Emirates in 2006, with Saudi Arabia allowing this in 2015 (Alhashmi, 2018). Nowadays, these countries compete to adopt more regulations and economic reforms for gender equality and diversity targeting to secure economic benefits (Ugwumadu, 2019).

According to a OECD (2019) report, the G20/OECD recommendations for corporate governance encourages board evaluation and assessing for boardroom diversity to enhance gender diversity in boardroom and executive positions. The OECD report shows that no country has adopted quotas for female directors among the MENA countries, including the GCC countries, except for the UAE. However, even in the UAE, the quota is limited to companies who are state owned, and which only require 20% of females to work on their boards, and to disclose yearly statistical information for board gender diversity. State ownership plays a vital role in GCC countries and works to improve corporate governance. Abdallah and Ismail (2017) reveal that when there state ownership in GCC companies, corporate governance is associated positively with company performance. One of the recommendations of the current study is to support state owners to enhance board diversity, simply because state ownership occupies such a big share of the market. It might also be relevant to imply for other GCC countries to adopt rules already adopted in the UAE.

The OECD (2019) have reported on the percentage of Middle Eastern companies who hire women to their boardrooms as follows: Oman 19%, Bahrain 19%, Kuwait 18%, the United Arab Emirates (UAE DIFC 17% and UAE Federal 15%), Qatar 11%, and Saudi Arabia 7%. These low representations of women show that a problem still exists with the idea of board diversity in relation to gender. Sarhan et al. (2019) suggest that, in some Arab countries, including in Oman, Saudi Arabia, and in the UAE (the GCC countries) that board diversity is not thought of in terms of its social impact, but only in terms of its cost-benefits. A recent study of GCC countries by Arayssi et al. (2020) reveals that board composition (i.e. independent directors and women) contributes to the equilibrium between a company’s social responsibility and financial benefits. This current research has underpinned and recommended the importance of independent directors, as well as increasing awareness of board diversity. The current research aligns with the goals of some GCC countries in that it suggests that board diversity can benefit listed companies in GCC countries.

The implications and benefits of this current research were evident from when the interview data was first collected. One interviewee who holds a PhD said, “You are not really taking up information from us. You are really educating us at the same time. You are driving questions for us that if the individual is smart enough, he/she will take some notes and try to help his/her board, reaching what you have in mind, reaching that level. I think it is very healthy. It is very important!” BM8 (M). This shows that the current research was inspirational to at least one person interviewed. The next steps to take will be to disseminate this work via various channels.

It might be essential to send some policy briefs to regulators and state owners containing the results and recommendations of the research in the English and Arabic languages. This might help target people who do not speak English. Furthermore, holding workshops and conferences with board members, executives, and those who are interested in the field of corporate governance might help to disseminate the recommendations further and develop them to speed-up changes in practices. Awareness needs to be created about the positive importance of increasing boardroom diversity both socially and financially. It would be interesting to show people how the logics of diversity can bring benefits to society. This endeavour is also important in order to speed-up change. In the context of the social norms that are influenced by the Islamic religion, it could be valuable to seek the contributions of Islamic leaders (*al-shikkas*) to encourage board diversity and to show that there no barriers from the Islamic perspective. This research has shown that there are no religious obstacles to board diversity, but it would be important to get the opinions of the different schools of thought in Islam, and from Islamic leaders. Lastly, it would be good to cooperate with experts from both genders to create an institution or an office for training and consulting which is dedicated to increase boardroom diversity.

9.5 The Limitations of the Study

In common with other research, the current study has some limitations as outlined below:

One of the barriers that researchers often face in the Kingdom of Saudi Arabia is a lack of response to participate in research, mainly because many believe that it is a waste of their time and that nothing can be contributed by them. Although some appreciate the importance of research and its impact on the development of society, board members in Saudi companies are profoundly busy and they are high status individuals, and, as such, it is difficult to persuade them to take time out to participate in this kind of study. It was also difficult to reach female and younger board members who served in family companies, due to cultural issues already explained, and it was also difficult to reach major shareholders. However, the researcher managed to conduct thirty interviews with different male and female participants, including fourteen board members and sixteen participants from other groups, as described in Chapter Five.

Furthermore, fear can prevent some stakeholders from participation, such as administrators and some policymakers, from taking part. Internal stakeholders often feel that they might reveal secret matters that might harm their future careers, while policymakers are often very conservative and are very reluctant to disclose any future plans. Fear also drives some female board members from participating due to cultural issues or sensitivity around sharing information.

Limitations were also experienced when undertaking the secondary data analysis. The data was collected manually from board reports as required by the new Corporate Governance code, including information on education. The researcher was able to collect some information on gender, nationality, educational level, and educational background, but it was difficult to access comprehensive information on age, tenure, and experience.

Another limitation of the secondary data analysis was that, although information was collected from several sources, it was limited to just the one year; board structure has not changed much during the past few years, and there was a lack of information about previous years. This undertaking would also have required collecting information about a period of major changes in board structure. In addition, company performance has been heavily influenced by low oil prices and a series of reforms in the country.

Logistical restrictions, such as the lack of commitment of some participants to adhere to the dates of the interviews, led to the need to reschedule or cancel, and time and effort was wasted trying to reach some potential participants.

The Kingdom of Saudi Arabia covers a vast land area, and, therefore, not all regions are covered in this research, which focuses only on three main business locations, in which city business is concentrated. These areas are Jeddah, located in the western region, Riyadh, which is located in the central region, and Dammam which is located in the eastern region. Time and financial constraints limited the ability to cover all geographical areas.

The generalisation of this study was also limited to the Kingdom of Saudi Arabia, in spite of any similarities and differences between some Gulf countries. There is a presence of some similarities in the cultural and religious structure of the Gulf countries, but differences also make it difficult to generalise.

Although the interview questions were carefully selected, some questions were misunderstood during the interviews and were changed so as to obtain the participants’ understanding and obtain in-depth answers.

9.6 A Reflection on the Impact of COVID 19

COVID-19 has impacted most businesses around the world and the normal dynamic of business practices. In boardrooms, for example, meetings have now changed from round the table face-to-face to being virtual (e.g. via phone, and video conference systems). Some challenges have been posed relating to how to deal with the physical signing of important documents and how to maintain speedy decision making, and recently appointed board members might not have had the opportunity to receive proper training (Gibson and Graham, 2020). These new challenges might slow down the shift towards the new logic, simply because other pressing priorities need to be met. However, Fitzsimons (2020) believes that some of the problems associated with the COVID-19 crisis could have a positive impact in the long term, especially for creating a pipeline of women for directorship and senior positions. In the Saudi context, conducting meetings using new technology can help to overcome cultural issues connected with females being physically present with males in the boardroom, i.e. virtual meetings could remove some of the barriers created by culture and religion (Alsuwaida, 2016).

Moreover, in such a crisis, enhancing risk management and decision making are important challenges. Kirkpatrick (2009) suggests that the CG lesson to be learned from the previous financial crisis is that it is essential to have capable boardroom oversight and strong risk management that is not restricted to financial organisations only. This shows how diversity is important now more ever. For example, age diversity might introduce people into the boardroom who are aware of the social implications of the pandemic. According to (Belgibayeva et al., 2020), the economic impact of the COVID-19 pandemic on the different dimensions of diversity (e.g. age, gender, and ethnicity) has meant that industries have needed to accommodate and devise new strategies to meet a variety of generational demands. Comprehensive information in the boardroom is gained from a balance of different generations (Ferrero-Ferrero et al., 2015a). Furthermore, diverse backgrounds in the boardroom could include a scientific background or a medical background, and this kind of diversity might help the company respond to health issues, such as COVID-19. For example, in the financial crisis companies appointed external directors who had a banking background in order to gain advice about how to survive and overcome financial pressures (Gilson, 1990). In the same way, COVID-19 could have a positive impact when it comes to driving change towards diversifying the boardroom. Companies need to acquire boardroom members who are highly qualified in their different fields, so as to gain a variety of different viewpoints. This will help to drive through change.

9.7 Avenues for Future Research

The current study has attempted to fill a gap in research about board diversity in emerging economies, such as Saudi Arabia. Future research might seek to undertake a cross-national study of emerging economies, such as the GCCs, or Middle Eastern and North African MENA countries. In this respect, wide differences, including political, cultural, and business environments would affect the results. It would be interesting to explore a range of diversity types, such as gender, age, and nationality, in relation to these countries. Moreover, most of these countries practise the Islamic faith, and different schools of thought in these countries would reap interesting results, especially in relation to the representation of women in boardrooms.

The current research focused on board diversity in listed companies. A future study might expand the data to non-listed companies. This would be to compare factors that influence board diversity in non-listed companies with those found in listed companies. Additionally, the current study includes institutional, foreign, and family ownership structure, and alludes to government institutional ownership. A future study might investigate the impact of government ownership as separate to institutional companies.

Although the current study investigates the boardroom, a future study could include C-level (executive management) in order to further explore embedded organisational logics, as well as practical and symbolic logics. The current study noted issues concerning a lack of independent directors and the level of activism of board members. A future study could investigate these areas further to assess whether changes are likely in practices and traditions in relation to board diversity. Furthermore, future research could apply a mixed methods approach, and integrate quantitative and qualitative data results. It might also use other techniques of data collection, such as questionnaires, using more stakeholders, to explore how they perceive board diversity.

Finally, another useful avenue for future study might be to undertake field research to investigate the level of spread of the new diversity logic within organisations, across different industries and across various ownership structures, studying in particular the role of internal actors. The investigation of different sectors might reveal different kinds of acceptance and resistance to different diversity types.

9.8 Summary

This chapter has reviewed the findings of the study and underlined the contributions made to the body of knowledge at different levels (theoretical, methodological, empirical, and practical). It has also outlined the limitations of the research and made suggestions for future study. In conclusion, this research has explored levels of board diversity in Saudi listed companies, to reveal that there is a low level of diversity in relation to gender. Foreign directors are employed at an average level in relation to foreign ownership/investment. There is a range of educational backgrounds in the market, and the level of education of board members is divided between those with a first degree and those with a post-graduate degree, with some having lower level qualifications. It also suggested relationships between variables (the secondary data analysis) and field study (the semi-structured interviews) which provided further insights into the boardroom.

The perspective of institutional logics was used to analyse the secondary and the primary data, and this approach fitted well with the overall goals of the research. The data revealed that two logics exist in the market, namely, a new diversity logic and a traditional diversity logic. The new logic showed that individual stakeholders were willing to change, and that new developments in the business environment is placing pressure on firms to adopt board diversity, as well as make changes at a societal level. However, traditional logic prevails, and this prevented some individual stakeholders from understanding diversity. Moreover, the interviews revealed how the selection process of board members at company level restricts diversity to the traditional logic, and limitations in current legislation and cultural traditions also restrict diversity at a societal level. The shift towards diversity will continue to be very slow moving without the creation of coercive rules to encourage boardroom diversity. In this respect, normative and cognitive pressures are more resistive than shifting compressions.

The findings exposed that the new logic of diversity is associated with a more effective boardroom and can contribute towards board effectiveness in terms of decision making, independence, better monitoring, and promoting more effective risk assessment and internal controls. Each different type of diversity offered a different contribution to these mechanisms. The findings afforded a general definition of board effectiveness based on stakeholder perspectives. It also found that the main contribution of board effectiveness was to enhance corporate governance, and then company outcome. The study also exposed some factors that hindered an effective boardroom. Furthermore, the new logic can make a contribution to society, and it fits in well with the goals of the transformational Vision 2030.

After revealing the advantages and disadvantages of change and resistance, the study provided recommendations to policymakers for overcoming obstacles to diversity and problems faced by stakeholders. These recommendations were based on the evaluations of stakeholders and are supported by previous studies to ensure their validity. Finally, the study answered each research question and evaluated the stakeholders' perceptions for increasing boardroom diversity, in order to achieve an effective boardroom.

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Appendices

Appendix 1: Variables used for the Measurements

Variables	Measurements
Gender	Number of male and female members.
Nationality	Number of Saudi and foreign members.
Qualification Level	Number of diploma or lower, first degree, and post-graduate degree members.
Education Background	Number of accounting and finance, engineering, law, computing and science, marketing and economics, management and business, and other backgrounds members.
Average Pay	Total board member compensation divided by numbers.
Foreign Ownership	Percentage of foreign ownership of the company.
Family Ownership	Percentage of family ownership of the company.
Institutional Ownership	Percentage of Government and other firm ownership of the company.
Firm Size	Log of total assets.
Performance	Measured according to earnings before interest and taxes EBIT divided by total assets.
Board Size	Number of directors sitting on the board.
Leverage	Measured as long-term debt divided by total assets.
IND	Industry dummy variable that used 1 for financial firms and 0 for all other firms.
Tobin’s Q	Measured as equity market value + liability market value, divided by equity book value + liability book value.
Member Classification	Position of the members on the board (e.g. non-executive, independent, etc.).
Sectors	The core of the business (e.g. industrial, financial).
Regions	The location of the company as divided into five regions (e.g. Central, North, etc.).

Diversity Types - Firm and Other Variables Used

Appendix 2: Correlation Table

			Diploma or lower	First degree	Postgrad degree	Female	Male	Foreign	Suadi	Accounting& Finance	Engineering	Computing & Science	Management & Business	Marketing & Economics	Law	Others	BoardSize	Avrage Pay	Foreign Ownership	Family Ownership	Institutional Ownership	Performance	Firm Size	Leverage	Tobin's Q	IND
Spearman's rho	Diploma or lower	Correlation Coefficient	[redacted]	-0.055	-0.032	-0.043	-0.054	-.278**	0.129	0.027	-0.028	-0.131	-0.025	-0.125	0.118	.512**	-0.061	0.005	0.113	0.030	-.207*	-0.050	-0.082	-0.119	-0.172	0.003
		Sig. (2-tailed)	[redacted]	0.585	0.750	0.666	0.595	0.005	0.199	0.791	0.785	0.205	0.811	0.226	0.251	0.000	0.545	0.966	0.264	0.764	0.041	0.626	0.424	0.245	0.090	0.975
		N	[redacted]	101	101	101	101	101	101	96	96	96	96	96	96	96	101	78	100	100	98	98	98	98	98	101
	First degree	Correlation Coefficient	-0.055	[redacted]	-.197*	-0.085	.296**	-0.089	.360**	0.194	.230*	0.172	.349**	.308**	0.030	0.005	.275**	-0.015	0.068	0.171	-0.107	0.163	-0.027	0.050	0.084	-0.057
		Sig. (2-tailed)	0.585	[redacted]	0.048	0.400	0.003	0.376	0.000	0.058	0.024	0.094	0.000	0.002	0.770	0.965	0.005	0.898	0.498	0.088	0.294	0.109	0.790	0.624	0.413	0.572
		N	101	[redacted]	101	101	101	101	101	96	96	96	96	96	96	96	101	78	100	100	98	98	98	98	98	101
	Postgrad degree	Correlation Coefficient	-0.032	-.197*	[redacted]	0.093	0.162	0.124	0.084	0.181	0.186	0.176	.241*	.294**	0.170	-0.029	0.172	0.147	0.056	-0.053	.208*	-0.017	.244*	-0.150	-0.100	0.095
		Sig. (2-tailed)	0.750	0.048	[redacted]	0.355	0.105	0.217	0.401	0.077	0.070	0.087	0.018	0.004	0.097	0.779	0.086	0.199	0.577	0.599	0.040	0.867	0.015	0.139	0.326	0.345
		N	101	101	[redacted]	101	101	101	101	96	96	96	96	96	96	96	101	78	100	100	98	98	98	98	98	101
	Female	Correlation Coefficient	-0.043	-0.085	0.093	[redacted]	-0.081	.224**	-0.104	0.122	-0.163	-0.013	-0.082	-0.057	0.192	-0.119	0.063	0.059	0.087	0.110	0.012	-0.123	0.025	0.011	0.019	0.086
		Sig. (2-tailed)	0.666	0.400	0.355	[redacted]	0.288	0.003	0.169	0.231	0.108	0.901	0.423	0.579	0.058	0.244	0.408	0.495	0.252	0.146	0.879	0.110	0.746	0.888	0.804	0.256
		N	101	101	101	[redacted]	176	176	176	98	98	98	98	98	98	98	176	135	175	175	171	171	171	171	171	176
	Male	Correlation Coefficient	-0.054	.296**	0.162	-0.081	[redacted]	0.093	.795**	-0.061	.251*	0.195	0.169	.286**	0.034	0.055	.988**	.258**	-0.005	-0.044	.257**	0.024	.409**	0.074	-0.072	0.137
		Sig. (2-tailed)	0.595	0.003	0.105	0.288	[redacted]	0.220	0.000	0.549	0.013	0.055	0.096	0.004	0.740	0.592	0.000	0.002	0.944	0.560	0.001	0.755	0.000	0.338	0.351	0.069
		N	101	101	101	176	[redacted]	176	176	98	98	98	98	98	98	98	176	135	175	175	171	171	171	171	171	176
	Foreign	Correlation Coefficient	-.278**	-0.089	0.124	.224**	0.093	[redacted]	-.450**	0.028	-0.130	0.002	-0.052	.244*	-0.080	-.316**	0.132	-.233**	.405**	-.186*	.352**	-0.124	-0.083	0.075	-0.008	.460**
		Sig. (2-tailed)	0.005	0.376	0.217	0.003	0.220	[redacted]	0.000	0.787	0.201	0.986	0.614	0.015	0.435	0.002	0.080	0.007	0.000	0.014	0.000	0.105	0.279	0.332	0.921	0.000
		N	101	101	101	176	176	[redacted]	176	98	98	98	98	98	98	98	176	135	175	175	171	171	171	171	171	176
	Suadi	Correlation Coefficient	0.129	.360**	0.084	-0.104	.795**	-.450**	[redacted]	-0.055	.294**	0.160	0.192	0.127	0.071	.227*	.775**	.388**	-.243**	0.111	-0.011	0.073	.415**	0.041	-0.068	-.155*
		Sig. (2-tailed)	0.199	0.000	0.401	0.169	0.000	0.000	[redacted]	0.590	0.003	0.116	0.058	0.211	0.488	0.025	0.000	0.000	0.001	0.143	0.882	0.342	0.000	0.595	0.376	0.040
		N	101	101	101	176	176	176	[redacted]	98	98	98	98	98	98	98	176	135	175	175	171	171	171	171	171	176
	Accounting & Finance	Correlation Coefficient	0.027	0.194	0.181	0.122	-0.061	0.028	-0.055	[redacted]	0.042	0.038	0.021	.247*	-0.039	-0.198	-0.049	-0.098	0.033	0.131	0.092	-0.021	0.038	-0.031	-.228*	0.065
		Sig. (2-tailed)	0.791	0.058	0.077	0.231	0.549	0.787	0.590	[redacted]	0.679	0.709	0.840	0.014	0.705	0.051	0.635	0.406	0.747	0.203	0.377	0.842	0.712	0.765	0.026	0.523
		N	96	96	96	98	98	98	98	[redacted]	98	98	98	98	98	98	98	74	97	97	95	95	95	95	95	98
	Engineering	Correlation Coefficient	-0.028	.230*	0.186	-0.163	.251*	-0.130	.294**	0.042	[redacted]	-0.031	-0.069	-0.072	0.089	-0.098	.230*	0.078	-0.026	0.052	0.023	0.133	0.199	-0.014	-0.079	-0.110
		Sig. (2-tailed)	0.785	0.024	0.070	0.108	0.013	0.201	0.003	0.679	[redacted]	0.764	0.497	0.484	0.386	0.337	0.023	0.506	0.799	0.610	0.829	0.198	0.053	0.892	0.447	0.279
		N	96	96	96	98	98	98	98	98	[redacted]	98	98	98	98	98	98	74	97	97	95	95	95	95	95	98
	Computing & Science	Correlation Coefficient	-0.131	0.172	0.176	-0.013	0.195	0.002	0.160	0.038	-0.031	[redacted]	0.007	.244*	-0.025	0.085	0.195	0.142	-0.097	0.095	0.009	0.162	0.141	-0.012	-0.014	-0.075
		Sig. (2-tailed)	0.205	0.094	0.087	0.901	0.055	0.986	0.116	0.709	0.764	[redacted]	0.945	0.016	0.808	0.407	0.054	0.228	0.345	0.355	0.931	0.118	0.172	0.911	0.891	0.464
		N	96	96	96	98	98	98	98	98	98	[redacted]	98	98	98	98	98	74	97	97	95	95	95	95	95	98
	Management & Business	Correlation Coefficient	-0.025	.349**	.241*	-0.082	0.169	-0.052	0.192	0.021	-0.069	0.007	[redacted]	0.089	-0.034	-0.127	0.157	0.066	-0.083	0.178	-0.068	0.168	-0.064	-0.030	0.092	-0.023
		Sig. (2-tailed)	0.811	0.000	0.018	0.423	0.096	0.614	0.058	0.840	0.497	0.945	[redacted]	0.383	0.741	0.213	0.123	0.574	0.420	0.081	0.512	0.104	0.538	0.772	0.377	0.825
		N	96	96	96	98	98	98	98	98	98	98	[redacted]	98	98	98	98	74	97	97	95	95	95	95	95	98
	Marketing & Economics	Correlation Coefficient	-0.125	.308**	.294**	-0.057	.286**	.244*	0.127	.247*	-0.072	.244*	0.089	[redacted]	0.059	-0.049	.277**	0.195	.232*	-0.115	.213*	0.132	.277**	-0.024	0.002	.206*
		Sig. (2-tailed)	0.226	0.002	0.004	0.579	0.004	0.015	0.211	0.014	0.484	0.016	0.383	[redacted]	0.566	0.632	0.006	0.096	0.022	0.261	0.039	0.202	0.007	0.815	0.986	0.042
		N	96	96	96	98	98	98	98	98	98	98	98	[redacted]	98	98	98	74	97	97	95	95	95	95	95	98

Spearman's rho			Diploma or lower	First degree	Postgrad degree	Female	Male	Foreign	Suadi	Accounting& Finance	Engineering	Computing & Science	Management & Business	Marketing & Economics	Law	Others	BoardSize	Avrage Pay	Foreign Ownership	Family Ownership	Institutional Ownership	Performance	Firm Size	Leverage	Tobin's Q	IND
	Law	Correlation Coefficient	0.118	0.030	0.170	0.192	0.034	-0.080	0.071	-0.039	0.089	-0.025	-0.034	0.059		0.091	0.066	0.081	0.089	-0.045	-0.188	-0.098	-0.064	-0.007	-0.050	-0.115
		Sig. (2-tailed)	0.251	0.770	0.097	0.058	0.740	0.435	0.488	0.705	0.386	0.808	0.741	0.566		0.372	0.519	0.490	0.386	0.658	0.068	0.346	0.537	0.949	0.628	0.258
		N	96	96	96	98	98	98	98	98	98	98	98	98		98	98	74	97	97	95	95	95	95	95	98
	Others	Correlation Coefficient	.512**	0.005	-0.029	-0.119	0.055	-.316**	.227*	-0.198	-0.098	0.085	-0.127	-0.049	0.091		0.037	0.120	-0.057	-0.150	-.230*	-0.033	-0.097	-0.077	0.102	-0.102
		Sig. (2-tailed)	0.000	0.965	0.779	0.244	0.592	0.002	0.025	0.051	0.337	0.407	0.213	0.632	0.372		0.720	0.307	0.579	0.141	0.025	0.753	0.351	0.460	0.324	0.320
		N	96	96	96	98	98	98	98	98	98	98	98	98	98		98	74	97	97	95	95	95	95	95	98
	Board Size	Correlation Coefficient	-0.061	.275**	0.172	0.063	.988**	0.132	.775**	-0.049	.230*	0.195	0.157	.277**	0.066	0.037		.266**	0.005	-0.036	.262**	-0.001	.419**	0.077	-0.074	.152*
		Sig. (2-tailed)	0.545	0.005	0.086	0.408	0.000	0.080	0.000	0.635	0.023	0.054	0.123	0.006	0.519	0.720		0.002	0.947	0.632	0.001	0.989	0.000	0.318	0.338	0.044
		N	101	101	101	176	176	176	176	98	98	98	98	98	98	98		135	175	175	171	171	171	171	171	176
	Avrage Pay	Correlation Coefficient	0.005	-0.015	0.147	0.059	.258**	-.233**	.368**	-0.098	0.078	0.142	0.066	0.195	0.081	0.120	.266**		-0.149	0.062	0.011	0.027	.519**	-0.064	-0.051	-0.140
		Sig. (2-tailed)	0.966	0.898	0.199	0.495	0.002	0.007	0.000	0.406	0.506	0.228	0.574	0.096	0.490	0.307	0.002		0.085	0.475	0.900	0.759	0.000	0.459	0.558	0.105
		N	78	78	78	135	135	135	135	74	74	74	74	74	74	74	135		135	135	135	135	135	135	135	135
	Foreign Ownership	Correlation Coefficient	0.113	0.068	0.056	0.087	-0.005	.405**	-.243**	0.033	-0.026	-0.097	-0.083	.232*	0.089	-0.057	0.005	-0.149		-0.069	0.009	-0.085	-0.131	-0.044	-0.036	.414**
		Sig. (2-tailed)	0.284	0.498	0.577	0.252	0.944	0.000	0.001	0.747	0.799	0.345	0.420	0.022	0.386	0.579	0.947	0.085		0.365	0.912	0.269	0.088	0.564	0.639	0.000
		N	100	100	100	175	175	175	175	97	97	97	97	97	97	97	175	135		175	171	171	171	171	171	176
	Family Ownership	Correlation Coefficient	0.030	0.171	-0.053	0.110	-0.044	-.186*	0.111	0.131	0.052	0.095	0.178	-0.115	-0.045	-0.150	-0.036	0.062	-0.069		-.291**	.162*	-0.086	-0.123	0.059	-.258**
		Sig. (2-tailed)	0.764	0.088	0.599	0.146	0.560	0.014	0.143	0.203	0.610	0.355	0.081	0.261	0.658	0.141	0.632	0.475	0.365		0.000	0.034	0.262	0.109	0.445	0.001
		N	100	100	100	175	175	175	175	97	97	97	97	97	97	97	175	135	175		171	171	171	171	171	175
	Institutional Ownership	Correlation Coefficient	-.207*	-0.107	.208*	0.012	.257**	.352**	-0.011	0.092	0.023	0.009	-0.068	.213*	-0.188	-.230*	.262**	0.011	0.009	-.291**		0.073	.326**	0.066	0.133	.197**
		Sig. (2-tailed)	0.041	0.294	0.040	0.879	0.001	0.000	0.882	0.377	0.829	0.931	0.512	0.039	0.068	0.025	0.001	0.900	0.912	0.000		0.346	0.000	0.393	0.083	0.010
		N	98	98	98	171	171	171	171	95	95	95	95	95	95	95	171	135	171	171		171	171	171	171	171
	Performance	Correlation Coefficient	-0.050	0.163	-0.017	-0.123	0.024	-0.124	0.073	-0.021	0.133	0.162	0.168	0.132	-0.098	-0.033	-0.001	0.027	-0.085	.162*	0.073		0.044	-0.100	.407**	-.168*
		Sig. (2-tailed)	0.626	0.109	0.867	0.110	0.755	0.105	0.342	0.842	0.198	0.118	0.104	0.202	0.346	0.753	0.989	0.759	0.269	0.034	0.346		0.565	0.193	0.000	0.028
		N	98	98	98	171	171	171	171	95	95	95	95	95	95	95	171	135	171	171	171		171	171	171	171
	Firm Size	Correlation Coefficient	-0.082	-0.027	.244*	0.025	.409**	-0.083	.415**	0.038	0.199	0.141	-0.064	.277**	-0.064	-0.097	.419**	.519**	-0.131	-0.086	.326**	0.044		.178*	-.298**	-0.085
		Sig. (2-tailed)	0.424	0.790	0.015	0.746	0.000	0.279	0.000	0.712	0.053	0.172	0.538	0.007	0.537	0.351	0.000	0.000	0.088	0.262	0.000	0.565		0.020	0.000	0.271
		N	98	98	98	171	171	171	171	95	95	95	95	95	95	95	171	135	171	171	171	171		171	171	171
	Leverage	Correlation Coefficient	-0.119	0.050	-0.150	0.011	0.074	0.075	0.041	-0.031	-0.014	-0.012	-0.030	-0.024	-0.007	-0.077	0.077	-0.064	-0.044	-0.123	0.066	-0.100	.178*		-0.075	-0.059
		Sig. (2-tailed)	0.245	0.624	0.139	0.888	0.338	0.332	0.595	0.765	0.892	0.911	0.772	0.815	0.949	0.460	0.318	0.459	0.564	0.109	0.393	0.193	0.020		0.332	0.441
		N	98	98	98	171	171	171	171	95	95	95	95	95	95	95	171	135	171	171	171	171	171		171	171
	Tobin's Q	Correlation Coefficient	-0.172	0.084	-0.100	0.019	-0.072	-0.008	-0.068	-.228*	-0.079	-0.014	0.092	0.002	-0.050	0.102	-0.074	-0.051	-0.036	0.059	0.133	.407**	-.298**	-0.075		-0.119
		Sig. (2-tailed)	0.090	0.413	0.326	0.804	0.351	0.921	0.376	0.026	0.447	0.891	0.377	0.986	0.628	0.324	0.338	0.558	0.639	0.445	0.083	0.000	0.000	0.332		0.121
		N	98	98	98	171	171	171	171	95	95	95	95	95	95	95	171	135	171	171	171	171	171	171		171
	IND	Correlation Coefficient	0.003	-0.057	0.095	0.086	0.137	.460**	-.155*	0.065	-0.110	-0.075	-0.023	.206*	-0.115	-0.102	.152*	-0.140	.414**	-.258**	.197**	-.168*	-0.085	-0.059	-0.119	
		Sig. (2-tailed)	0.975	0.572	0.345	0.256	0.069	0.000	0.040	0.523	0.279	0.464	0.825	0.042	0.258	0.320	0.044	0.105	0.000	0.001	0.010	0.028	0.271	0.441	0.121	
		N	101	101	101	176	176	176	176	98	98	98	98	98	98	98	176	135	176	175	171	171	171	171	171	

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Appendix 3: Interview Questions (English and Arabic)

1.	What you understand by board effectiveness?
	ما الذي تفهمه أو تعرفه عن فعالية المجلس؟
2.	What do you understand by boardroom diversity?
	ماذا تعرف أو تفهم عن تنوع غرفة الاجتماعات؟
3.	How diverse do you believe your boardroom is?
	ما مدى تنوع غرفة اجتماعاتك؟
4.	Are any of your board's subcommittees responsible for diversity in the boardroom? If so, what mechanisms are in place to ensure and enhance diversity?
	هل تعتبر أي من اللجان الفرعية لمجلس الإدارة مسؤولة عن التنوع في غرفة الاجتماعات؟ إذا كان الأمر كذلك، فما هي الآليات الموجودة لضمان وتعزيز التنوع؟
5.	Do you believe that diversity in the boardroom makes the board more effective? If so, in what way?
	هل تعتقد أن التنوع في مجالس الإدارة يجعل المجلس أكثر فعالية؟ إذا كان الأمر كذلك، كيف؟
6.	What role do you consider diversity plays in the boardroom?
	ما هو الدور الذي يلعبه التنوع في غرفة الاجتماعات؟
7.	Is there a preferred age for boardroom members or do you think a range of ages is better for boardroom effectiveness?
	هل هناك سن مفضل لأعضاء مجلس الإدارة أو هل تعتقد أن سلسلة من الأعمار(مثلا 30-40 أو40-60) أفضل لفعالية مجلس الإدارة؟
8.	In your view, are there advantages to including older or younger members on your board? Please give reasons
	من وجهة نظرك، هل هناك مزايا استقطاب أعضاء أكبر سنا أو أصغر في مجلسكم؟ يرجى إعطاء الأسباب
9.	How important do you consider experience and expertise to be among boardroom members?
	ما مدى أهمية المتخصص وذوي الخبرة في أن يكونوا من بين أعضاء مجالس الإدارة؟
10.	Do you think that diversity in experience and expertise enhance boardroom effectiveness? If so, in what ways?
	هل تعتقد أن التنوع في المتخصصين وذوي الخبرة يعزز من فعالية مجلس الإدارة؟ إذا كان الأمر كذلك، ما هي الاتجاهات؟
11.	How important do you believe background and education/skills of boardroom members are to boardroom effectiveness? Are there any specific skills or qualifications which you think are more important than others for your boardroom members?
	ما مدى أهمية الخلفية العلمية / المهارات العلمية لأعضاء المجلس بالنسبة لفعالية مجالس الإدارة؟ هل هناك أي مهارات أو مؤهلات معينة تعتقد أنها أكثر أهمية من غيرها لأعضاء مجالس الإدارة؟
12.	In your view, is it beneficial to have a diversity of background and education/skills among the boardroom members? If so, why?

	من وجهة نظرك، هل من المفيد وجود خلفيات تعليمية أو مهارات علمية متنوعة بين أعضاء مجلس الإدارة؟ إذا كان الأمر كذلك، لماذا؟
13.	Do you think that qualifications levels among boardroom members can enhance board effectiveness? If so in what ways?
	هل تعتقد أن الدرجة العلمية بين أعضاء مجلس الإدارة يمكن أن تعزز فعالية المجلس؟ إذا كان الأمر كذلك، ما هي الاتجاهات؟
14.	Do you think that international qualifications or experience among boardroom members can enhance board effectiveness? If so in what ways?
	هل تعتقد أن المؤهلات أو الخبرة من خارج البلاد بين أعضاء مجلس الإدارة يمكن أن تعزز فعالية المجلس؟ إذا كان الأمر كذلك، ما هي الاتجاهات؟
15.	Do you consider that the global ranking of Higher Education institutions attended by boardroom members is an important factor in boardroom effectiveness?
	هل تعتبر أن التصنيف العالمي لمؤسسات التعليم العالي التي حصل عليها أعضاء مجالس الإدارة هو عامل مهم في فعالية مجالس الإدارة؟
16.	Do you think including women in the boardroom enhances boardroom effectiveness? If so, in what ways?
	هل تعتقد أن إشراك النساء في مجالس الإدارة يعزز فعالية مجالس الإدارة؟ إذا كان الأمر كذلك، ما هي الطرق؟
17.	How do you feel women can contribute in the boardroom?
	كيف تشعر أن النساء يمكن أن يساهمن في مجالس الإدارة؟
18.	Do you think there are any obstacles currently to gender diversity in Saudi boards? If so, what are they?
	هل تعتقد أن هناك أي عوائق في الوقت الحالي للتنوع بين الجنسين في المجالس السعودية؟ إذا كان الأمر كذلك، ما هي؟
19.	Do you encourage or prefer different nationalities in the boardroom? If so, why?
	هل تشجع أو تفضل جنسيات مختلفة في مجالس الإدارة؟ إذا كان الأمر كذلك لماذا؟
20.	Do you think Saudi-ization programme is preventing the inclusion of foreign members in the boardroom? If so in what ways?
	هل تعتقد أن برنامج التوطين السعودي يمنع إدراج أعضاء أجانب في مجالس الإدارة؟ إذا كان الأمر كذلك، ما هي الاسباب؟
21.	Do you think having more foreign board members leads to increased foreign ownership and attracts foreign investors? If so, why?
	هل تعتقد أن وجود المزيد من أعضاء مجلس الإدارة الأجانب يؤدي إلى زيادة الملكية الأجنبية ويجذب المستثمرين الأجانب؟ إذا كان الأمر كذلك لماذا؟
22.	In terms of enhancing board effectiveness, which types of boardroom diversity do you think are most important? Gender, age, expertise, educational background, qualification level, nationality
	من حيث تعزيز فعالية مجلس الإدارة، ما هي أنواع تنوع مجالس الإدارة التي تعتقد أنها الأكثر أهمية؟ النوع، العمر، الخبرة، الخلفية التعليمية، مستوى التأهيل، الجنسية

23.	In what ways do you believe ownership structures influence the level of boardroom diversity? Are there any forms of ownership structure which are more likely to result in a more diverse boardroom?
	بأي الطرق تعتقد أن هياكل الملكية تؤثر على مستوى تنوع مجالس الإدارة؟ هل هناك أي شكل من أشكال هيكل الملكية (أجنبي، عائلي، مؤسساتي) التي من المرجح أن تؤدي إلى مجالس إدارة أكثر تنوعا؟
24.	What other factors do you believe influence the level of boardroom diversity including, board size, firm size, firm activity, executive remuneration, or Chairperson? why?
	ما هي العوامل الأخرى التي تعتقد أنها تؤثر على مستوى التنوع في مجلس الإدارة بما في ذلك، حجم المجلس، حجم الشركة، نشاط الشركة، المكافأة التنفيذية، أو رئيس المجلس؟ لماذا ا؟
25.	Do you believe that boardroom diversity enhances risk management and internal control? If so, in what ways?
	هل تعتقد أن تنوع مجالس الإدارة يعزز إدارة المخاطر والرقابة الداخلية؟ إذا كان الأمر كذلك، ما هي الطرق؟
26.	Do you believe that boardroom diversity assists in monitoring management activities?
	هل تعتقد أن تنوع مجالس الإدارة يساعد في مراقبة أنشطة الإدارة التنفيذية؟
27.	Do you believe that boardroom diversity contributes to effective decision-making within the board?
	هل تعتقد أن تنوع مجالس الإدارة يساهم في اتخاذ القرارات الفعالة داخل المجلس؟
28.	Do you think that boardroom diversity brings conflict into the boardroom? If so in what ways?
	هل تعتقد أن تنوع مجلس الإدارة يجلب الصراع إلى المجلس؟ إذا كان الأمر كذلك، ما هي الطرق؟
29.	How would you deal with monitoring operations?
	كيف تتعامل مع مراقبة العمليات للإدارة التنفيذية؟
30.	What do you prefer more a diverse or non-diverse boardroom? Why?
	ماذا تفضل غرفة اجتماعات متنوعة أو غير متنوعة؟ لماذا؟
31.	Do you think that boardroom diversity represents an important aspect of Saudi corporate governance? If so in what ways?
	هل تعتقد أن تنوع مجالس الإدارة يمثل جانباً مهماً من حوكمة الشركات السعودية؟ كيف ذلك؟
32.	Do you think that boardroom diversity contributes to the achievement of the Saudi 2030 Vision? If so in what ways?
	هل تعتقد أن التنوع في غرف الاجتماعات يساهم في تحقيق رؤية 2030 السعودية؟ كيف ذلك؟
33.	Are there any issues relating to boardroom diversity or Saudi corporate governance which we have not discussed and that you think are important?
	هل هناك أي قضايا تتعلق بتنوع مجالس الإدارة أو حوكمة الشركات السعودية التي لم نناقشها والتي تعتقد أنها مهمة؟

Appendix 4: Ethical Approval

Downloaded: 13/11/2018
Approved: 22/06/2018

Abdullah Eskandarany
Registration number:
Management School
Programme: PhD

Dear Abdullah

PROJECT TITLE: Boardroom diversity effectiveness: evidence from Saudi Listed Companies
APPLICATION: Reference Number 018379

On behalf of the University ethics reviewers who reviewed your project, I am pleased to inform you that on 22/06/2018 the above-named project was **approved** on ethics grounds, on the basis that you will adhere to the following documentation that you submitted for ethics review:

- University research ethics application form 018379 (dated 21/06/2018).
- Participant information sheet 1042902 version 2 (21/06/2018).
- Participant consent form 1042903 version 2 (21/06/2018).

If during the course of the project you need to deviate significantly from the above-approved documentation please inform me since written approval will be required.

Yours sincerely

Lucy Bartrick
Ethics Administrator
Management School

Appendix 5: Consent Form (English)

Participant Consent Form

Board Diversity Effectiveness: Evidence from Saudi Listed Companies Consent Form

Please tick the appropriate boxes	Yes	No
Taking Part in the Project		
I have read and understood the project information sheet dated DD/MM/YYYY or the project has been fully explained to me. (If you will answer No to this question please do not proceed with this consent form until you are fully aware of what your participation in the project will mean.)	☐	☐
I have been given the opportunity to ask questions about the project.	☐	☐
I agree to take part in the project. I understand that taking part in the project will include being interviewed and being audio recordings of me.	☐	☐
I understand that my taking part is voluntary and that I can withdraw from the study at any time during the study and before 01/04/2019; I do not have to give any reasons for why I no longer want to take part and there will be no adverse consequences if I choose to withdraw.	☐	☐
How my information will be used during and after the project		
I understand my personal details such as name, phone number, address and email address etc. will not be revealed to people outside the project.	☐	☐
I understand and agree that my words may be quoted in publications, reports, web pages, and other research outputs. I understand that I will not be named in these outputs unless I specifically request this.	☐	☐
I understand and agree that other authorised researchers will have access to this data only if they agree to preserve the confidentiality of the information as requested in this form.	☐	☐
I understand and agree that other authorised researchers may use my data in publications, reports, web pages, and other research outputs, only if they agree to preserve the confidentiality of the information as requested in this form.	☐	☐
I give permission for my interview data that I provide to be deposited in University of Sheffield so it can be used for future research and learning	☐	☐
So that the information you provide can be used legally by the researchers		
I agree to assign the copyright I hold in any materials generated as part of this project to The University of Sheffield.	☐	☐

Name of participant [ ] **Signature** **Date**

Name of Researcher [Abdullah Eskandarany] **Signature** **Date**

Project contact details for further information:
If you would like to contact the researcher regarding this study, you may email him at AAEskandarany1@sheffield.ac.uk. Should you have any questions or concerns regarding how this study was conducted, please feel free to contact my PhD supervisor Professor. Jill Atkins, J.F.Atkins@sheffield.ac.uk. Sheffield University Management School, The University of Sheffield, Conduit Road, Sheffield, S10 1FL

The template of this consent form has been approved by the University of Sheffield Research Ethics Committee and is available to view here: https://www.sheffield.ac.uk/rs/ethicsandintegrity/ethicspolicy/further-guidance/homepage

Appendix 6: Information Sheet (English)

The University Of Sheffield.

Participant Information Sheet

Dear Participant,

My name is Abdullah Eskandarany and I am a doctoral researcher in the management school at the University of Sheffield located in Sheffield, UK. As part of my PhD thesis, I am conducting a study and I would like to request your participation. This study has received ethical approval through the University of Sheffield.

Study Details: This study is designed to gain a better understanding of board diversity effectiveness in Saudi Listed Companies. The study involves one on one interviews between the researcher and participants. During the interview, the researcher will ask questions relating to your experience and thoughts about boardroom diversity effectiveness. You will also be asked questions about your experiences on how diversity is applied in a boardroom. Your responses to the interview questions will be used to understand board members thoughts and perceptions of the boardroom diversity in order to better understand its effectiveness and its influence in corporate governance which contribute to the boardroom diversity. The interviews will be audio recorded.

What will happen during the study: Should you choose to participate in the study, you will be interviewed in person by the researcher and asked questions about your boardroom diversity effectiveness and your thoughts regarding this. You will **not** be asked questions regarding your personal life or private information. You will only be asked questions regarding and related to your boardroom diversity effectiveness and your thoughts in it.

Time Commitment: Interview will take around 60 min on average. Only one interview per participant will be needed.

Participants' Rights: Your participation in this study is completely voluntary. You are free to withdraw from the study at any time during the interview process and no questions will be asked. Should you choose to withdraw from the study; your data will not be used in any way. You have the right to ask questions about the study at any time. You have the right not to answer any questions you do not wish to answer during the interview. You also have the right to end the interview at any time.

Benefits and Risks: There is minimal risk associated with your participation in this study. However, if any of the questions asked during the interview cause your distress or make you feel uncomfortable, you are encouraged to ask the interviewer to move on to the next topic.

You have the right to withdraw from the study at any time, with no questions asked. Participating in this study will give you the opportunity to contribute to the existing research taking place at the University of Sheffield.

Confidentiality / Anonymity: The audio recordings and any notes made by the researcher during the interview will be kept strictly confidential. The interviews will not be heard by anyone other than members of the research team, and will not be used for any other purpose other than for academic research. Furthermore, should you wish for your interview to remain anonymous, please let the researcher know and he will be happy to accommodate this.

The legal basis for processing my personal data: 'According to data protection legislation, we are required to inform you that the legal basis we are applying in order to process your personal data is that 'processing is necessary for the performance of a task carried out in the public interest' (Article 6(1)(e)). Further information can be found in the University's Privacy Notice https://www.sheffield.ac.uk/govern/data-protection/privacy/general.'

Data Controller: in this Project the University of Sheffield will be 'Data Controller' for the personal data that will be collected and used as part of the research.

If you would like to contact the researcher regarding this study, you may email me at AAEskandarany1@sheffield.ac.uk.

Should you have any questions or concerns regarding how this study was conducted, please feel free to contact my PhD supervisor Professor. Jill Atkins, J.F.Atkins@sheffield.ac.uk

Appendix 7: Consent Form (Arabic)

The University Of Sheffield.

نموذج موافقة المشارك

Board Diversity Effectiveness: Evidence from Saudi Listed Companies Consent Form

فعالية التنوع في مجلس الإدارة: دليل على نموذج موافقة الشركات المدرجة في البورصة السعودية

يرجو وضع علامة في المربعات المناسبة	لا	نعم
المشاركة في المشروع		
لقد قرأت وفهمت ورقة معلومات المشروع بتاريخ DD / MM / YYYY أو تم شرح المشروع لي بالكامل. (إذا كنت ستجيب بـ لا على هذا السؤال، يرجى عدم المضي قدمًا في نموذج الموافقة هذا حتى تكون على علم تام بما ستعنيه مشاركتك في المشروع).	☐	☐
لقد أتيحت لي الفرصة لطرح الأسئلة حول المشروع.	☐	☐
أوافق على المشاركة في المشروع. أدرك أن المشاركة في المشروع ستشمل إجراء المقابلات والتسجيلات الصوتية لي.	☐	☐
أفهم أن مشاركتي هو اختياري وأنني أستطيع الانسحاب من الدراسة في أي وقت أثناء الدراسة وقبل ٤/١ - ١٩/ - ٢٠؛ لا يتعين علي إعطاء أي أسباب لماذا لم أعد أرغب في المشاركة ولن تكون هناك عواقب سلبية إذا اخترت الانسحاب.	☐	☐
كيف سيتم استخدام المعلومات الخاصة بي أثناء وبعد المشروع		
أعي أنه لن يتم الكشف عن بياناتي الشخصية مثل الاسم ورقم الهاتف والعنوان وعنوان البريد الإلكتروني وما إلى ذلك لأشخاص من خارج المشروع.	☐	☐
أفهم وأوافق على أنه قد يتم اقتباس كلماتي في المطبوعات والتقارير وصفحات الويب ومخرجات الأبحاث الأخرى. أدرك أنه لن يتم تسميتي في هذه المخرجات إلا إذا طلبت ذلك على وجه التحديد.	☐	☐
أتفهم وأوافق على أن الباحثين المعتمدين الآخرين يتمكنوا من الوصول إلى هذه البيانات إذا وافقوا على الحفاظ على سرية المعلومات كما هو مطلوب في هذا النموذج.	☐	☐
أتفهم وأوافق على أنه يجوز للباحثين المعتمدين الآخرين استخدام بياناتي في المطبوعات والتقارير وصفحات الويب والمخرجات البحثية الأخرى، فقط إذا وافقوا على الحفاظ على سرية المعلومات كما هو مطلوب في هذا النموذج.	☐	☐
أعطي تصريحًا لمعلومات المقابلة التي أقدمها لأودعها في جامعة شيفلد بحيث يمكن استخدامها في الأبحاث في المستقبلية والتعلم.	☐	☐
بحيث يمكن استخدام المعلومات الي تقدمها بشكل رسمياً من قبل الباحثين		
أوافق على تعيين حقوق الطبع والنشر التي تخص معلومات المقابلة في أي مواد يتم إنشاؤها كجزء من هذا المشروع لجامعة شيفيلد.	☐	☐

اسم المشارك: **التوقيع** **التاريخ**

اسم الباحث: عبدالله أديب إسكندراني **التوقيع** **التاريخ**

لمزيد من المعلومات تفاصيل الاتصال بالمشروع:

إذا كنت ترغب في الاتصال بالباحث فيما يتعلق بهذه الدراسة، فيمكنك إرسال بريد إلكتروني لي على **AAEskandarany1@sheffield.ac.uk** إذا كان لديك أي أسئلة أو استفسارات تتعلق بكيفية إجراء هذه الدراسة، فلا تتردد في الاتصال بأستاذ درجة الدكتوراه الخاص بي بروفسور جيل اتكنز عبر البريد إلكتروني على
J.F.Atkins@sheffield.ac.uk
كلية الإدارة بجامعة شيفيلد Sheffield University Management School
The University of Sheffield, Conduit Road, Sheffield, S10 1FL

The template of this consent form has been approved by the University of Sheffield Research Ethics Committee and is available to view here: https://www.sheffield.ac.uk/rs/ethicsandintegrity/ethicspolicy/further-guidance/homepage

Appendix 8: Information Sheet (Arabic)

ورقة معلومات المشارك

عزيزي المشارك،

اسمي عبدالله إسكندراني وأنا باحث دكتوراه في كلية الإدارة في جامعة شيفيلد الواقعة في مدينة شيفيلد، المملكة المتحدة. كجزء من أطروحة الدكتوراه، أقوم بإجراء دراسة وأود أن أطلب مشاركتك. وقد حصلت هذه الدراسة على الموافقة الأخلاقية من جامعة شيفيلد.

تفاصيل الدراسة: تم تصميم هذه الدراسة لاكتساب فهم أفضل لفعالية التنوع في الشركات السعودية المدرجة. تشتمل الدراسة على مقابلة واحدة بين الباحث والمشاركين. خلال المقابلة، سيطرح الباحث أسئلة تتعلق بفعالية التنوع في مجلس الإدارة. سيتم أيضًا طرح أسئلة حول تجاربكم في المجلس بالإضافة إلى العلاقات مع الأعضاء الآخرين. سيتم استخدام إجاباتكم على أسئلة المقابلة لفهم أفكار أعضاء مجلس الإدارة وتصوراتهم حول تنوع مجالس الإدارة من أجل فهم أفضل لفعاليته وتأثيره في حوكمة الشركات التي تساهم في فعالية مجالس الإدارة. سيتم تسجيل المقابلات صوتياً.

ماذا سيحدث أثناء الدراسة: إذا اخترتم المشاركة في الدراسة، فسوف يتم مقابلتكم شخصيًا من قبل الباحث وطرح أسئلة حول مدى فاعلية التنوع في مجلس الإدارة و أرائكم بخصوص ذلك. لن يتم طرح الأسئلة المتعلقة بحياتكم الشخصية أو معلومات خاصة سرية. وستطرح عليكم أسئلة تتعلق بفعالية تنوع مجالس الإدارة والأفكار المتعلقة بها.

التزام الوقت: سوف تستغرق المقابلة حوالي 40-60 دقيقة. ستكون هناك حاجة لمقابلة واحدة فقط لكل مشارك.

حقوق المشاركين: مشاركتكم في هذه الدراسة تطوعية تمامًا. لكم الحرية في الانسحاب من الدراسة في أي وقت خلال عملية المقابلة ولن يتم طرح أي أسئلة إذا اخترتم الانسحاب من الدراسة؛ لن يتم استخدام البيانات الخاصة بكم بأي شكل من الأشكال. لديكم الحق في طرح أسئلة حول الدراسة في أي وقت. لديكم الحق في عدم الإجابة على أية أسئلة لا ترغب في الإجابة عنها أثناء المقابلة. لديكم أيضًا الحق في إنهاء المقابلة في أي وقت.

الفوائد والمخاطر: هناك حد أدنى من المخاطر المرتبطة بمشاركتكم في هذه الدراسة. ومع ذلك، إذا كان أي من الأسئلة التي طرحت خلال المقابلة يسبب لكم الضيق أو جعلك تشعر بعدم الارتياح، يمكنك مطالبة الباحث بالانتقال إلى الموضوع التالي. لديكم الحق في الانسحاب من الدراسة في أي وقت، دون أي أسئلة. ستمنحكم المشاركة في هذه الدراسة الفرصة للمساهمة في البحث الحالي الذي يُجرى في جامعة شيفيلد.

السرية / عدم الكشف عن الهوية: سيتم الاحتفاظ بالتسجيلات الصوتية وأي ملاحظات يدونها الباحث خلال المقابلة بسرية تامة. لن يتم الاستماع إلى المقابلات من قبل أي شخص بخلاف الباحث، ولن يتم استخدامها لأي غرض آخر غير البحث الأكاديمي. علاوة على ذلك، إذا كنت ترغب في أن تظل المقابلة الخاصة بك مجهولة الهوية، فالرجاء إخبار الباحث بذلك وسيسعده استيعاب ذلك.

الأساس القانوني لاستخدام البيانات الشخصية: "وفقًا لتشريع حماية البيانات، يُطلب منا إعلامكم بأن الأساس القانوني الذي نطبقه من أجل استخدام بياناتكم الشخصية هو أن "استخدام البيانات ضروري لأداء المهمة التي يتم تنفيذها للمصلحة العامة" (المادة 6 (1) (هـ)). يمكن العثور على مزيد من المعلومات في إشعار خصوصية الجامعة https://www.sheffield.ac.uk/govern/data-protection/privacy/general.

وحدة التحكم في البيانات: في هذا المشروع، ستكون جامعة شيفيلد "هي وحدة التحكم في البيانات" للبيانات الشخصية التي سيتم جمعها واستخدامها كجزء من البحث.

إذا كنت ترغب في الاتصال بالباحث فيما يتعلق بهذه الدراسة، يمكنك مراسلتي عبر البريد الإلكتروني على AAEskandarany1@sheffield.ac.uk

إذا كان لديك أي أسئلة أو استفسارات تتعلق بكيفية إجراء هذه الدراسة، فلا تتردد في الاتصال على مشرف درجة الدكتوراه الخاص بي برفسور جيل اتكنز عبر البريد الإلكتروني على J.F.Atkins@sheffield.ac.uk