AN INVESTIGATION INTO CORPORATE GOVERNANCE (CG) AND ACCOUNTABILITY PRACTICES: EVIDENCE FROM LIBYAN LISTED COMPANIES

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DECLARATION

I confirm that this is my own work and the use of all material from other sources has been properly and fully acknowledged.

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IN THE NAME OF ALLAH, MOST GRACIOUS, MOST MERCIFUL

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DEDICATION

This work is dedicated to the memory of my beloved father, *Salem Elshahoubi*, who passed away when I was young, to my late martyr brother, *Ali Elshahoubi*, and to my late martyr cousin, *Abdulbari Elshahoubi*. Thank you for being there, I love you all and I miss you. May God (*Allah*) forgive you and grant mercy upon your souls.

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ABSTRACT

As awareness of the importance of CG has grown, it has received increasing attention from academic researchers, regulators and public policy makers, first in developed and latterly in developing countries. As yet, however, CG research in the MENA region is still relatively rare. This research seeks to address this gap by investigating CG and accountability practices in the listed companies of one MENA country: Libya. The study draws on data gathered from internal and external stakeholder groups to explore how CG and accountability are perceived, the extent to which CG mechanisms are being implemented, the current state of accountability practice and whether the current legal and regulatory framework of CG and accountability is adequate. Lastly, it investigates which factors these stakeholders perceive as having the most influence on CG and accountability in the Libyan environment.

The research employed a mixed methods research design comprising a quantitative survey followed by semi-structured, qualitative interviews. This allowed for methodological triangulation, enhancing the reliability of the findings; the semi-structured interviews were conducted after the questionnaire survey in order to confirm the earlier quantitative findings and to provide deeper understanding.

The findings suggest that stakeholders in Libyan listed companies are generally aware of and understand the concept of CG. Despite this, however, the perception in all stakeholder groups was that awareness of CG issues within the Libyan environment is currently inadequate. The results demonstrate that Libyan listed companies are generally committed to implementing CG mechanisms, but that there are significant weaknesses in terms of practice. Listed companies' commitment is most evident in their adherence to the LCGC's (2007) requirements regarding the board of directors mechanism. In contrast, the level of disclosure and transparency in these companies is barely satisfactory, since at present, disclosure and transparency practices in Libya are designed only to meet local requirements. Listed companies have also taken practical steps towards meeting the LCGC's requirements regarding the internal and external audit mechanisms, but the general view among stakeholders was that these mechanisms are currently not robust enough to ensure strong internal control systems. Majority shareholders were seen to enjoy much greater protection, both legally and in practice, than minority shareholders.

The findings indicate that Libya does not currently have a legal/regulatory framework that supports CG and accountability practices, but the interviewees were almost unanimous in identifying the lack of knowledge and awareness about CG at all company levels as the biggest factor inhibiting the advance of CG. The weakness of the legislative environment was seen as the second most influential factor, followed by the weakness of Libya's accountability mechanisms. The results suggest that both internal and external stakeholders are well aware of the concept of accountability, but that they see it as largely non-existent within Libyan listed companies in practice.

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LIST OF ABBREVIATIONS

Symbol	Name of Item
CG	Corporate Governance
LCGC	The Libyan Corporate Governance Code
OECD	The Organisation for Economic Cooperation and Development
LSM	The Libyan Stock Market
LSMA	The Libyan Stock Market Authority
ESE	The Egyptian Stock Exchange
SPSS	Statistical Package for Social Sciences
SD	Standard Deviation
MW	Mann-Whitney
KW	Kruskal-Wallis
MENA	Middle East and North Africa
CBL	Central Bank of Libya
LFB	Libyan Foreign Bank
WTO	The World Trade Organisation
LAAA	Libyan Association for Accountants and Auditors
LBL	Libyan Banking Law
LCL	Libyan Commercial Law
GAM	General Assembly Meeting
BOD	Board of Directors
NED	Non-Executive Director
INED	Independent Non-Executive Director
CEO	Chief Executive Officer
AFDB	African Development Bank Economic Brief
BRC	Blue Ribbon Committee
IIAA	Institute of Internal Auditors Australia
OFR	The Operating and Financial Review
CBI	The Confederation of British Industry
APB	Accounting Principles Board
SEC	The Securities and Exchange Commission
ESE	The Egyptian Stock Exchange
ECGC	The Egyptian Corporate Governance Code
SF	Secretary of Finance
BD	Board of Directors
FRC	The Financial Reporting Council
EM	Executive Management
RE	Regulators and External Auditors
OS	Other Stakeholders
ISG	Internal Stakeholders Group
ESG	External Stakeholders Group

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CHAPTER ONE

THE INTRODUCTION

1.1 Background

Over the last two decades, the debate about CG has intensified, driven by a string of major corporate collapses in the US and elsewhere (e.g. WorldCom, Enron, Parmalat, Arthur Anderson and Tyco) (Steger, 2014; Hamidi & Gabrielsson, 2014; Briano-Turrent & Rodríguez-Ariza, 2016). Subsequent investigations have revealed the role played by weak or non-existent governance structures (Ghafran & O'Sullivan, 2017) in these corporate failures, which have had long-term economic consequences at both national and global levels (Monks & Minow, 2004; Al-Baidhani, 2015). As a result, interest in CG has grown exponentially, with international initiatives being launched to improve CG practice (Al-Matari et al., 2012) and develop systems that protect the rights and interests of all stakeholders. The most significant is the OECD's creation of a set of internationally accepted principles of CG, the purpose of which is to protect companies from crises by ensuring they follow best practice (OECD, 2004).

At national level, too, there have been many initiatives, most notably in the UK, which has seen the publication of a series of recommendations and reports designed to improve CG mechanisms within British companies. These range from the Cadbury Report in 1992, through the Greenbury Report (1995), the Hampel Report (1998), the Turnbull Report (1999) and the Smith Report (2003), to the Combined Code of 2003 and finally, the UK CG Code of 2010, which brings together many of the previous reports' recommendations to clarify and give guidance on key aspects of CG, including the role and responsibilities of the BOD, disclosure and transparency, and internal control systems (Holland, 2002). In developing countries, the growth of interest being shown in adopting CG over the last two decades has prompted increased (though still limited) research interest in the extent to which CG codes in these countries are being implemented at firm level, the factors facilitating and impeding their implementation, and the consequences of implementation at national level (Andreasson, 2011; Salterio et al., 2013; Mahadeo & Soobaroyen, 2016; Ntim et al., 2017). Claessens & Yurtoglu (2012) highlight the particular importance of understanding how CG practices in developing countries compare with best practices,

arguing that such an understanding is central to improving CG mechanisms in these countries and, in turn, increasing listed companies' access to finance, raising performance and ensuring fair treatment for all relevant stakeholders. These are crucial considerations for Libya, which over the last twenty years has been shifting from a centrally controlled to a free-market economy.

Since 2001, the government has been pursuing a far-reaching programme of economic reform which has involved abandoning the socialist model and transferring some state-owned economic activities into the private sector (Masoud, 2013). The major driver of this shift towards privatisation has been the demands of international economic organisations such as the World Trade Organisation (WTO), who have made these changes a condition of membership (Alafi & Bruijn, 2010), but privatisation is also seen as a way of resolving the economic problems created by the socialist system (Metz, 2004; Alafi & Bruijn, 2010). At the same time, awareness is growing in Libya that adopting good CG practices – whether the organisation is in the private or public sector – helps protect shareholder and stakeholder rights and increases transparency and board independence (Basuony et al., 2014; Iswaissi & Falahati, 2017). A major step towards improving the economy and regulating the capital market was the establishment of the LSM in 2006. This has further intensified Libya's need for an effective CG system that will enhance the functioning of Libyan listed companies, the majority of which are in the banking and finance sector, and attract more local and foreign investment into the LSM (Otman & Karlberg, 2007; Abdulsaleh, 2014). Efforts so far to encourage listed companies to apply CG principles have included the CBL's LCGC (2005) and LCGC (2010), the LSM's LCGC (2007), and the government's enactment of Law No. (11/2010), which provided for the establishment of the LSMA. Investigation of whether the CG mechanisms mandated by these laws and regulations are actually being adopted by Libyan listed companies is now a matter of urgency.

The vast majority of CG research has concentrated on developed countries such as the the US, UK, Australia and Canada. However, the research results from these countries are not necessarily applicable to developing countries, where environmental, economic and cultural factors may be radically different (Barghathi et al., 2017). Mangena & Chamisa (2008) argue that national variances make it necessary to examine CG structures state by state, but to date, there has been limited investigation

of CG and accountability in the context of a developing state. The current research therefore presents evidence from the Libyan environment – a developing country with an emerging stock market and high levels of concentrated shareholding and state ownership. CG practice in the Libyan environment is still in its early stages and, as numerous researchers have observed, there are still significant obstacles to be overcome (e.g. Pratten & Mashat, 2009; Larbsh, 2010; Abu-Azza, 2012; Hamuda & Sawan, 2014; Faraj & El-Firjani, 2014; Iswaissi & Falahati, 2017). To date, however, there has been little support from researchers in terms of investigation into the current state of CG and accountability practices in Libyan listed companies or attempts to assess the legal and regulatory framework governing CG within these companies. This study seeks to address this gap.

1.2 The Rationale and Motivation for the Research

As noted above, relatively few CG studies focus on less-developed countries (Okike, 2007; Habbash & Alghamdi, 2015; Al-Faryan, 2017), and those that do tend to characterise CG practice in these countries as generally weak (Al-Matari et al., 2012; Zagoub, 2016). This weakness is often attributed to the lack of institutional frameworks (Boubakri et al., 2005) and inadequate legal and regulatory systems in these countries (Owusu & Vaaland, 2016). This is also a problem in Libya (Zagoub, 2016), but as yet, there has been little attempt to investigate the impact the country's legal and regulatory framework, which has undergone significant reform over the last two decades, is having on CG mechanisms and accountability. Crucially, the few studies that have highlighted CG in the Libyan environment were conducted prior to the Libyan revolution of 17 February 2011, since when there have been dramatic changes to this framework, including the establishment of the LSMA and the replacement of the LCGC (2005) with the compulsory LCGC (2010).

Since 2006, numerous changes have occurred in the Libyan business environment, especially with the issuance of more regulations and rules designed to improve the LSM. In 2007, this body introduced its own LCGC for all Libyan listed companies with the aim of enhancing corporate performance and encouraging local investment. The code covered the key mechanisms of CG, namely, the BOD, disclosure and transparency, the internal and external audit functions and shareholder rights. It was expected that the implementation of CG mechanisms would enhance supervision and monitoring within Libyan listed companies and in turn raise performance, but as yet,

there is no proof that this has happened, or even that the mechanisms have been implemented.

The growing focus on CG practices within Libyan listed companies has been driven by the desire to enhance corporate performance and encourage not only local but also foreign investment into the LSM. When Libya began accession talks with the WTO in 2004, it became even more crucial for the country to develop CG, not just to reduce the risk of company failure but also to attract this investment. According to the African Development Bank Economic Brief (AFDB) (2011), the Libyan government has made good progress, especially in its privatisation programme and restructuring of the banking sector (Shalba, 2016). However, recent corporate scandals have raised continuing questions about the role of governance in Libyan listed companies. At this point, one of the most important tasks facing the government in this area is to support the LSMA in monitoring and regulating these listed companies so that CG and accountability practice improves. Empirical evidence regarding current practice is a necessary starting point.

Finally, no one has yet investigated Libyan stakeholders' perceptions regarding the current state of CG and accountability practice in Libyan listed companies and the legal and regulatory framework of CG. This includes their views on the duties, responsibilities and composition of the BOD; disclosure and transparency; the internal and external audit functions; shareholders' rights and the factors influencing companies' CG and accountability practice. The study aims to respond to the dearth of practical evidence on CG mechanisms and accountability in Arab and developing countries by providing insights from both internal and external stakeholders in the Libyan environment.

1.3 Research Aim and Objectives

The key aim of the study is to investigate CG and accountability practices in Libyan listed companies. In furtherance of this aim, a number of objectives were identified:

- To investigate stakeholders' understanding regarding the meaning of CG in Libyan listed companies.
- To investigate the extent to which CG mechanisms are implemented in Libyan listed companies.

- To identify whether the legal and regulatory framework is adequate to support CG and accountability practices.
- To identify the key factors influencing CG and accountability practice in Libyan listed companies.
- To explore current accountability practice in Libyan listed companies.
- To gather recommendations from different groups of stakeholders for the improvement of CG and accountability practice in Libyan listed companies.

1.4 Research Questions

In order to frame the fundamental problem and achieve the aim and objectives of the research, a number of research questions were developed. It is intended that, at the end of this thesis, the following questions will have been answered with the help of the acquired results:

- How is the concept of CG understood in the Libyan context?
- To what extent are Libyan listed companies committed to implementing CG mechanisms?
- Does Libya have an adequate legal and regulatory framework to support CG and accountability practices?
- What factors influence CG and accountability practice in Libyan listed companies?
- How is accountability understood and practised in Libyan listed companies?
- What suggestions and recommendations would different groups of stakeholders make to develop CG and accountability practice in Libyan listed companies?

1.5 Significance of the Research and Expected Contribution

Corporate collapses over the last two decades have underlined the importance of robust CG mechanisms and have led researchers, theorists and regulators around the world to call for renewed attention to be paid to the improvement of CG. However, the literature review shows that most of what has been produced so far focuses on developed countries; there is much less on CG in developing countries, including MENA countries such as Libya (Larbsh, 2010; Iswaissi & Falahati, 2017). This research is therefore important because it addresses a gap in the accounting literature by exploring the CG and accountability practices of listed companies in a developing country – a context that is still poorly understood. By offering new, primary evidence

from a context that is legally, culturally, politically and socially distinct from those examined in most previous studies, and by representing a range of stakeholder perspectives, the research may help deepen our understanding of the concepts of CG and accountability. Consideration of the Libyan context is especially important as CG practice in the country is still in the early stages of development, and little is known about how CG and accountability are understood and enacted by its listed companies.

The research highlights the adverse effect that weaknesses in the Libyan legal and regulatory system are having on attempts to develop a CG framework in the country. The study shows that Libyan laws and regulations provide a weak environment that does little to encourage CG and accountability practices. These findings have significant policy implications for Libyan legislative and regulatory bodies such as the LSM and the CBL because they highlight firstly, that the country's legal framework needs to be reviewed to bring it into line with CG requirements, and secondly, that the quality and consistency of attempts at enforcement need to improve. They also have policy implications for regulators, external auditors and legislators seeking to review and update the CG system to meet international requirements. The findings of the research may thus serve as an empirical basis to inform future policy change.

Finally, the research offers an initial picture of those factors that have the most significant inhibiting effects on CG and accountability practices within Libyan listed companies. It takes steps towards identifying ways of enhancing CG and accountability practices, contributing to the CG literature with its discussion of the enabling factors which may have a positive influence on these practices in Libyan listed companies. Again, the findings of this research provide empirical evidence upon which policy makers and practitioners can draw to improve CG standards in the Libyan environment.

1.6 Research Methodology

The pragmatism paradigm framed both the data-gathering and analysis processes. The study, which is exploratory in nature, employed a mixed-method research design comprising a quantitative survey followed by semi-structured, qualitative interviews with representatives from different stakeholder groups. The survey allowed the collection of preliminary data to answer the five research questions relating to the level of compliance with CG mechanisms and accountability. However, the research

questions also required the collection of data that were beyond the scope of the questionnaire; in order to gain a more comprehensive insight into the issues surrounding CG and accountability, it was necessary to conduct qualitative, in-depth, semi-structured interviews with representatives from internal and external stakeholder groups. These interviews were used to investigate stakeholders' views of current practice and how it might be improved (Research Question 6). The two methods were carried out concurrently, with the survey being employed to gather general data and the interviews being used to access local knowledge and develop theoretical explanations (Kelle, 2006). The use of a mixed-method design allowed for methodological triangulation, enhancing the reliability of the findings (Creswell & Clark, 2011). Also, as a way of minimising reactivity and researcher bias and neutralising the influence of individual methods, thereby promoting the validity of and increasing confidence in the findings.

The quantitative data were analysed using the Statistical Package for Social Sciences (SPSS) version 21, one of the statistical programs most commonly used by social science researchers (Miller et al., 2010). Descriptive statistics were used to describe and summarise the collected data into simplified forms, while non-parametric tests including the Mann-Whitney (MW) and Kruskal-Wallis (KW) tests were employed to investigate whether there were fundamental differences between four stakeholder groups (board members, executive managers, regulators and other stakeholders) in terms of their answers.

Ghauri & Gronhaug (2010) indicate that qualitative data analysis software is helpful where there is a large amount of data that require coding, linking and explaining. Several such programs are available, but as only 20 interviews were conducted in this study and the amount of qualitative data generated was manageable, coding was done manually. Thematic analysis was applied as it was felt to be the most suitable for answering the research questions. Quantitative and qualitative data was gathered and analysed consecutively, with the second technique being used to supplement and interpret the findings derived from the first, but in this case, time and cost constraints made it necessary to conduct the quantitative and qualitative studies at the same time. Nevertheless, the quantitative and qualitative data analyses were mutually supportive.

Table 1.1 shows the research aim, objectives, questions and the instruments employed for data collection.

Table 1.1 Summary of Research Aim, Objectives, Questions and Methods of Data Collection

***Research Aim*: To investigate CG and accountability practices in Libyan listed companies**		
Research Objectives	***Research Questions***	***Instruments***
To investigate stakeholders' understanding regarding the meaning of CG in Libyan listed companies.	How is the concept of CG understood in the Libyan context?	Questionnaire & Semi-structured Interview
To investigate the extent to which CG mechanisms are implemented in Libyan listed companies.	To what extent are Libyan listed companies committed to implementing CG mechanisms?	Questionnaire & Semi-structured Interview
To identify whether the legal and regulatory framework is adequate to support CG and accountability practices.	Does Libya have an adequate legal and regulatory framework to support CG and accountability practices?	Questionnaire & Semi-structured Interview
To identify the key factors influencing CG and accountability practice in Libyan listed companies.	What factors influence CG and accountability practice in Libyan listed companies?	Questionnaire & Semi-structured Interview
To explore current accountability practice in Libyan listed companies.	How is accountability understood and practised in Libyan listed companies?	Questionnaire & Semi-structured Interview
To gather recommendations from different groups of stakeholders for the improvement of CG and accountability practice in Libyan listed companies.	What suggestions and recommendations would different groups of stakeholders make to develop CG and accountability practice in Libyan listed companies?	Semi-structured Interview

1.7 Thesis Structure

This thesis has been divided into nine chapters (see Figure 1.1). The present chapter provides an overview of the study, explaining the rationale and motivation for the research before outlining the research's aim, objectives and questions, explaining the significance of the research and its expected contribution, and describing its methodology.

Chapter Two presents an overview of the Libyan context, focusing on Libya's geographical location, population, language and religion, historical and political background, the evolution of its privatisation programme and the development of the accounting and auditing profession in the country. This chapter describes the Libyan banking sector in detail. It also discusses the establishment of the LSM and addresses the evolution of CG in the Libyan environment. The legal and regulatory framework

governing CG practice in the LSM is outlined. Finally, the main barriers faced by the LSM as it seeks to implement CG reforms are discussed.

Chapter Three aims to review some of the literature relating to CG and its theoretical underpinnings. It presents the most common definitions of CG before going on to discuss in detail the theories associated with its evolution. It also addresses the development of the CG concept, the differences between the insider and outsider models of CG and the legal and economic importance of CG, after which it discusses at length the main internal and external CG mechanisms. Finally, it reviews some of the key studies exploring CG practice in the emerging markets of Libya and other MENA countries.

Chapter Four addresses the theoretical framework of accountability. It presents the most common definitions of accountability and discusses the objectives of accountability in the private and public sectors. It also presents a generalised model of the formal relationship of accountability and discusses accountability codes. The structure of accountability in Libya is then discussed at length.

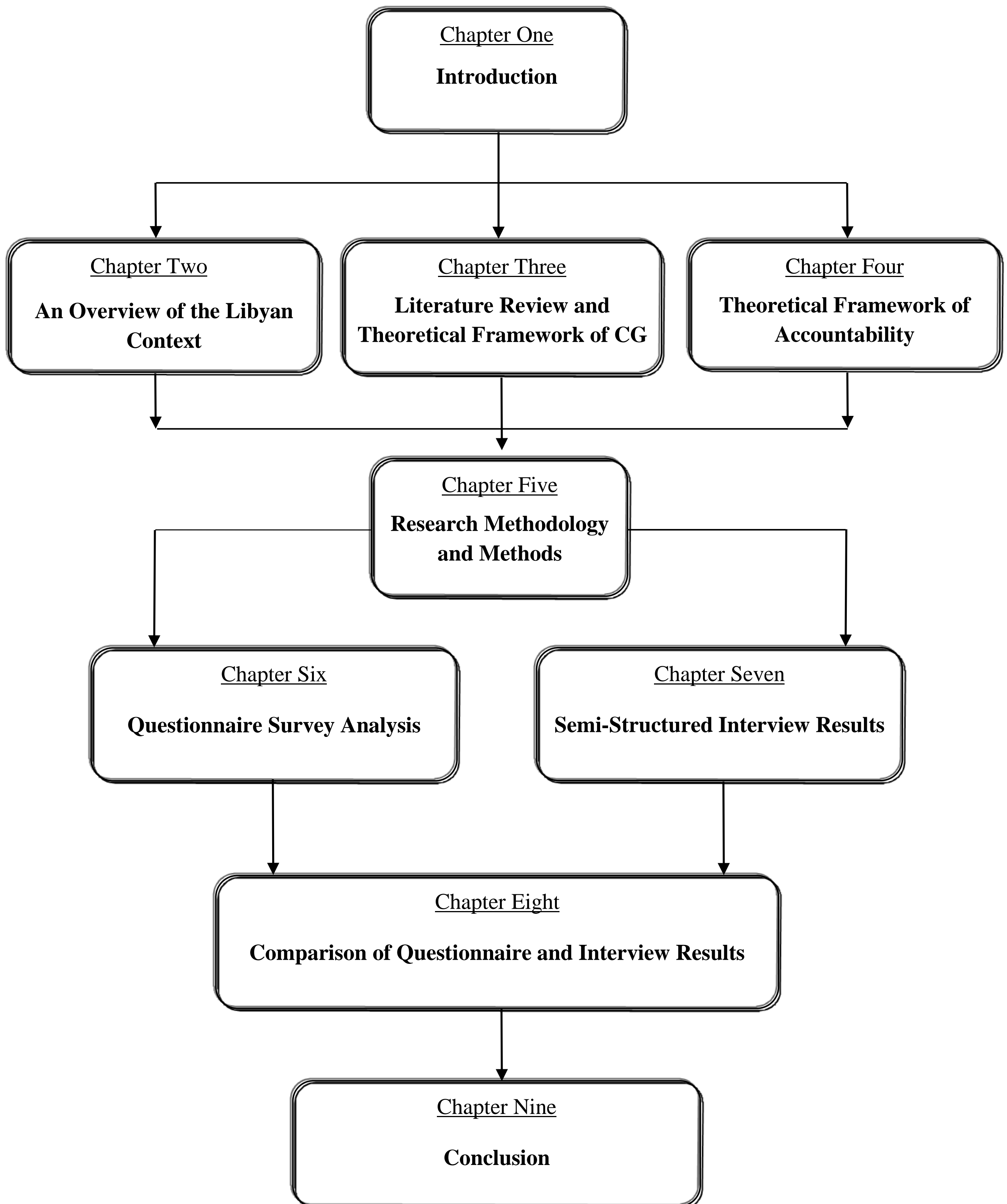
Chapter Five describes and justifies the research methodology that was employed in this research. It discusses the philosophical assumptions that guide social science research and the paradigms that are most commonly employed by researchers in this area before justifying the choice of the pragmatism paradigm for this study on the grounds that this encourages a mixed-method approach and the use of both quantitative and qualitative techniques. It describes at length the data collection methods that were employed before discussing how the quantitative and qualitative findings were combined.

Chapters Six and Seven report and analyse the data obtained from the questionnaires and semi-structured interviews respectively. For the purpose of the latter analysis, the interviewees were divided into two broad categories: internal and external stakeholders.

Chapter Eight synthesises the results derived from the questionnaires and semi-structured interviews and compares them with the results discussed in the literature review. Finally, Chapter Nine presents a concluding summary. This chapter begins by summarising the major research findings, presents the stakeholders' suggestions for developing CG practices and accountability in Libyan listed companies, outlines the

key contributions made by the study, acknowledges its main potential limitations and finally suggests avenues for future research.

Figure 1.1 Structure of the Thesis



CHAPTER TWO

AN OVERVIEW OF THE LIBYAN CONTEXT

2.1 Introduction

Numerous studies have pointed out that CG and accountability practices are influenced by a range of social, economic, legal and political factors (Dartey-Baah & Amponsah-Tawiah, 2011; Chahine & Safieddine, 2011; Mallin, 2010; Silveira & Saito, 2009; La Porta et al., 1997 and Demirguc-Kunt & Ross, 1996); Mallin (2007), for example, asserts that the ability of CG practice to evolve in any given country depends primarily on where the country is in terms of the development of its economic, social, legal and political structures. Accordingly, this chapter presents an overview of the Libyan context. Section 2.2 provides a comprehensive account of Libya's geographical location, population, language and religion, historical and political background, the evolution of its privatisation programme and the development of the accounting and auditing profession in the country. Section 2.3, which describes the Libyan banking sector, is divided into four sub-sections: sub-section 2.3.1 focuses on the CBL, sub-section 2.3.2 discusses Libyan commercial banks, sub-section 2.3.3 the Libyan Foreign Bank (LFB), and sub-section 2.3.4 Libyan specialised banks. Section 2.4 discusses the establishment of the LSM, while Section 2.5 addresses the evolution of CG in the Libyan environment. Section 2.6 outlines the legal framework for CG practices in the LSM. Section 2.7 describes the main barriers faced by the LSM as it seeks to implement CG reforms, after which Section 2.8 provides a brief summary of the chapter.

2.2 The Libyan Background

This section provides a comprehensive overview of the Libyan context. It is divided into five sub-sections: sub-section 2.2.1 briefly describes Libya's location and key geographical features; sub-section 2.2.2 gives details of the country's population, language and religion; sub-section 2.2.3 offers a brief summary of Libya's historical and political development; sub-section 2.2.4 discusses the evolution of the privatisation programme in Libya; and the development of the accounting and auditing profession are discussed in sub-section 2.2.5.

2.2.1 The Geographical Location of the Libyan State

The Libyan state is a developing Arab state located in North Africa. Covering 1,759,540 square kilometres (1,092,882 square miles), it is the fourth largest country in Africa and the fifteenth largest in the world (Pratten & Mashat, 2009). It has an area equivalent to one-quarter the size of the US or approximately one-half the size of Europe. As can be seen in Figure 2.1, Libya shares boundaries with six neighbouring countries; it is bounded to the west and northwest by Algeria and Tunisia respectively, to the south and southwest by Chad and Niger, and to the east and southeast by Egypt and Sudan respectively. To the north, its Mediterranean coastline extends approximately 1,800 kilometres (1,118 miles) from Egypt in the east to Tunisia in the west (Otman & Karlberg, 2007).

Geographically, Libya can be divided into three key regions – Tripolitania in the northwest, Cyrenaica in the northeast and Fezzan in the south (Malcolm & Losleben, 2004) – though in fact, nearly 90% of the country is unpopulated. 94.73% of the land is desert or semi-desert (characterised by vast sandy areas and mountains rising up to 3,000 feet above sea level), with just 0.29% being forest and 3.94% being used for agriculture (Terterov & Wallace, 2002). These geographical characteristics mean that the population is distributed unevenly, with most Libyan cities being located on the northern coast of the country. Among these major coastal cities are Tripoli, Zawia, Misurata and Benghazi.

The climate is Mediterranean along the northern coast and Saharan in the south; temperatures in most of the coastal cities reach about 30-35 °C in the summer and 7-15 °C in the winter, while those in southern areas range from 30 to 46 °C in the summer, dropping as low as 1-15 °C in the winter.

Figure 2.1 Map of Libyan State

Source: https://www.welt-atlas.de/map of Libya - Accessed 2016

2.2.2 Libya's Population, Language and Religion

Libya's last official census, conducted in 2011, measured the population at 6.423 million. Even though this figure is expected to increase in the future, it remains quite small, given the country's (mostly still untapped) huge land area.

The official language of Libya is Arabic, and Libyan legislation requires all legal documents to be in this language (Ahmad & Gao, 2004). English, French and Italian are widely used in the tourism and trade sectors, while ethnic groups such as the Imazighens, Touareqs and Tabou, who live in the deserts and mountains, speak a range of local languages (Oxford Business Group, 2008). The official religion in Libya is Islam, which is embraced by nearly 97% of the population. The overwhelming majority of Libyan Muslims follow the Sunni doctrine.

2.2.3 Historical and Political Background

On 24th December 1951, Libya obtained its independence from the United Nations to become the first independent Arab state. Before this, Libya's history was one of occupation and colonisation; over the centuries, it was occupied by the Greeks, Phoenicians, the Byzantine Empire and Imperial Rome (Kilani, 1988; Mahmud,

1997). Arguably its most difficult experience of colonialism began with the Italian invasion of 1911. This occupation only came to an end when Italian forces were driven out of Libya during the Second World War, and from 1943 to 1951, Libya was jointly managed by the British and French forces (Steel, 1967; Nyrop, 1973).

Since 1951, Libya has reinvented its political system several times; it has gone from being the United Libyan Kingdom (1951-1969), to the Libyan Arab Republic (1969-March 1977) and then the Libyan Arab Jamahiriya (Wright, 1981). Describing the early days of the newly independent Libya, Mahmud (1997, p.112) argues that:

> "The first major development of the new State was its admission to the Arab League in March 1953. The second major development indicated the close links of the new State with Western Europe, and the economic difficulties which it faced. The main problem for the new regime by that time was to ensure that enough funds from abroad should be available to meet the normal expenses of the State and to pay for much-needed improvements".

From 1951 until the military coup in 1969, Libya was a monarchy. Under the Libyan Constitution of 7th October 1951 (Kilani, 1988), the state followed a federal political system based on parliamentary government with the monarch, King Idris, serving as president (El-Shukri, 2007). It is perhaps not surprising that Libya should choose such a system, given its strong relationships with the US, the UK, France and Italy (Mahmud, 1997). During the reign of King Idris, the Libyan government sought to cement these international relationships, especially those with the UK and US, to help it improve Libya's economic and political situation. In 1953, for example, it signed an agreement with the UK permitting the latter to keep its military bases in Libya in exchange for providing military assistance to the Libyan army. These relationships were also to play an active role in oil exploration operations in Libya in 1959 (Alferjani, 2013).

In 1969, a group of military officers led by Muammar Gaddafi took advantage of the absence of Idris, who was out of the country undergoing medical treatment, to seize power in a coup. Domestically, there followed a period of major change, including a change of name – from the United Kingdom of Libya to the Libyan Arab Republic (Alferjani, 2013) – and a move from parliamentary government to dictatorship. Internationally, Gaddafi's support for acts of terrorism, including the 1988 Lockerbie bombing in Scotland, led to the United Nations imposing sanctions on Libya in April

1992. These sanctions continued for more than ten years (Vandewalle, 2012), isolating Libya from the rest of the world and doing significant harm to the country's economy. Finally, in 2008, Gaddafi began to seek a rapprochement with the Western world, which commanded him immediately to withdraw his support for terrorism (Alferjani, 2013).

Coinciding with the Arab Spring revolutions, on 17th February 2011, Libya witnessed its own popular revolution to overthrow the dictatorial rule of the Gaddafi regime. The revolutionaries sought enhanced civil rights for citizens, improvement in the Libyan economy and the adoption of a fair political system in the country. (Schwab, 2010) identifies the main drivers of the revolution as being rising unemployment, the lack of transparency in government policies and the lack of public trust in politicians; Libyans were aggrieved that despite the country being rich in natural resources such as oil and gas, they had, under the Gaddafi regime, suffered four decades of economic inertia, high unemployment, widespread financial and administrative corruption in state institutions, and international isolation.

Libya's political background is thus the major reason why it has been unable to achieve the conditions necessary to establish a strong business environment. Since 1951 it has experienced two very different political systems – monarchy and dictatorship. Under the first of these, the lack of internal financial resources left Libya dependent on foreign assistance, particularly from the UK, while under the second, chronic instability (not to mention the lack of a state constitution) created uncertainty which had a negative impact on the national economy. One negative consequence of this uncertainty was the absence of a clear policy to modify and update Libyan legislation to keep pace with the economic system of the state, including laws affecting CG practice.

2.2.4 The Evolution of the Privatisation Programme in Libya

The private sector has been a critical part of the Libyan economy since ancient times (Maghur, 2004), but in the late 1960s, Gaddafi sought to overturn this longstanding tradition by instituting a socialist, state-owned economy. This involved tightening the government's control over all commercial activity and abolishing all privately-owned enterprises. This policy lasted for several decades; it was not until the beginning of the twenty-first century that the government finally abandoned the socialist model and

once more endorsed the privatisation of economic activity by announcing its intention to transfer some state-owned economic activities into the private sector. This privatisation was seen as a means to resolve the economic problems created by the socialist system (Metz, 2004; Alafi & Bruijn, 2010). Vandewalle (2012, p.183) observes that: "In June 2006, Gaddafi admitted the country's public sector had failed and should be abolished and called in addition for privatisation of the country's oil sector". These authors argue that the socialist system in Libya failed to achieve its objectives for three main reasons: (i) a lack of transparency at all administrative levels of the state institutions, (ii) financial and administrative corruption within state institutions, and (iii) the failure to find alternative economic resources that might replace oil resources. Another major driver of the shift toward privatisation was the demands of international economic organisations such as the WTO (Alafi & Bruijn, 2010).

The privatisation programme has the following objectives (Privatisation Agency, 2010):

- "To improve the efficiency and competitiveness of productive and service projects;
- To remove the imbalances and distortions that accompanied the control of the public sector of the Libyan economy;
- To support the public treasury by stopping the subsidies paid to loss-making companies, and obtaining financial returns from the privatisation process;
- To encourage and develop the private sector by stimulating domestic savings for investment in economic activity, attracting foreign investors, and facilitating access to technology and modern management methods".

The progress of the privatisation process has been accompanied by a series of laws and regulations designed to facilitate private economic activity in the country. Table 2.1 shows how this legislation has influenced the development of the privatisation programme.

Table 2.1 Progress of the Privatisation Programme

Law	Objective of the Law	Consequence
Law No. (198/2000)	* "To assess state economic units with a view to transfer of ownership; * To evaluate the companies targeted for privatisation".	General Board of Ownership Transfer (GBOT) established
Law No. (31/2003)	"To determine which public economic units will be transferred to the privatisation programme".	360 state-owned companies named for privatisation
Law No. (138/2004)	"To determine areas for foreign investment and set up investment projects in industry, agriculture, health and service sectors".	10 foreign firms invested with a capital of 88 million Libyan dinars
Law No. (134/2006)	"To create a suitable environment for the privatisation programme, allowing all companies to benefit from investment".	Libyan Stock Market (LSM) established
Law No. (89/2009)	"Amending Law No. (198/2000) to allow the establishment of a professional body for the private sector".	Privatisation and Investment Council (PIC) established
Law No. (9/2010)	"Amending Law No. 5 to: * Increase investment of national and foreign capital".	Contribution amounted of investment in Libya 34.88% of GDP

Source: Adapted from Alferjani (2010)

Although, as the above table shows, the Libyan government has implemented a number of policies to facilitate the privatisation of some of the country's economic activities, the overall success of its privatisation programme has been negatively impacted by Libya's economic and political instability. In his study *Libya: Reforming the Impossible?,* Alison (2006) concludes that the government's economic reforms cannot achieve their goals without a stable economic and political environment. Even so, the privatisation programme, along with other measures such as the restructuring of banking rules and the establishment of the LSM, have already had a profound impact on CG practices in the Libyan environment.

2.2.5 The Accounting and Auditing Profession in Libya

Libya's accounting and auditing profession is relatively young compared with its counterparts in developed countries. Since 1951, the development of the profession has been shaped by a number of factors, particularly the fact that many accounting professionals in the country are either non-Libyans or are Libyans who have completed their studies abroad (primarily in the UK and the US). It has also been shaped by the accounting education available in the Libyan environment, and by the

remarkable political, economic, legal and social changes that have taken place in Libya (Mahmud & Russell, 2003). Foreign companies (specifically British and American) operating in Libya have positively influenced the development of the profession by exposing Libyan employees in these companies to international accounting practice. There has been a "trickle-down effect" in that dealings between these companies and local enterprises have led to significant improvements in the generally less-developed accounting systems of the latter (Bait El-Mal et al., 1973).

It was not until the early 1960s that Libyan accountants were required to obtain a professional licence from the Ministry of Finance before they could start practising. In an effort to ensure the credibility of the profession, and of the information it produced, the government insisted that applicants for the licence had to be graduates in accounting and to have at least two years' professional experience (Kilani, 1988). In 1973, it took further steps to raise standards in the accounting and auditing profession by issuing Law No. (116/1973), which provided for the establishment of the Libyan Association for Accountants and Auditors (LAAA). Article (13) of Law No. (116/1973) stipulates that the objectives of this body are:

- "To organise and improve the conditions of the accounting profession and to raise the standards of accountants and auditors professionally, academically, culturally and socially;
- To establish assistance and pension funds for its members;
- To organise conferences and seminars and to participate in such conferences and seminars internally and externally and to keep in touch with new events, scientific periodicals, lectures and so on;
- To penalise those who violate the traditions and ethics of the profession;
- To achieve consensus between accountants and auditors and to protect their rights".

In its efforts to raise standards within the profession, the LAAA insists that any accountant seeking to become a member must have obtained a Bachelor's Degree in accounting from a university and have at least five years' experience of working in an accounting office (Kilani, 1998). However, it has failed to achieve other key objectives such as promoting research, developing training programmes for practitioners, and keeping members informed about new developments within the profession (Ahmad & Gao, 2004). Mashat (2005, p.55) makes the serious criticism

that: “The LAAA has so far done nothing to regulate and organise Libyan accounting practice in terms of issuing or adopting accounting and auditing standards. Many professional accounting services are not widely provided by the public accounting profession in Libya”.

2.3 Libyan Banking Sector

The banking sector in Libya contributes significantly to the Libyan economy, first by financing the public institutions that carry out most of the country’s development projects and second, by providing the finance that private enterprises need to achieve growth (Shernanna, 2012). Recognising the economic importance of the sector, the government has implemented a series of reforms over the last decade aimed at improving the performance of banks and bringing them into line with its development plans. A key step was the appearance of Libyan Banking Law (LBL) No. (1/2005) in 2005, which stipulated that banking operations in Libya were to be advanced by encouraging more private banks to enter the market.

The CBL has also played a part in the reforms of the past decade, issuing the LCGC in 2005 (and its updated successor in 2010), transferring ownership of some public commercial banks over to the private sector, and allowing the establishment of new private banks which are open to foreign investors. This last step in particular has contributed significantly to improving efficiency in the sector (CBL, 2010). Collectively, these steps have been designed to strengthen the framework of monetary policy and banking supervision within the CBL and to support the investment environment.

2.3.1 Central Bank of Libya (CBL)

The CBL was established in 1956 as the National Bank of Libya. Renamed the Central Bank of Libya in 1969, its core function is to serve as the central bank of the Libyan state. LBL No. (1/2005) gives the CBL, which is wholly state-owned, the independence and authority to manage and implement Libya’s banking and monetary policy, and to monitor the performance of its banking system. LBL No. (46/2012, Article 5) defines the fundamental duties and responsibilities of the CBL as follows:

- “Issue the Libyan currency and maintain its stability within Libya and abroad;
- Manage its reserves and the government’s reserves of gold and foreign exchange;

- Regulate monetary policy and supervise currency conversion transactions within Libya and abroad;
- Regulate credit and banking policy and supervise its implementation within the framework of the government's general policy;
- Achieve the goals of economic policy in terms of stabilising the general level of prices and maintaining the soundness of the banking system;
- Manage the liquidity of the national economy;
- Regulate and supervise the foreign exchange market;
- Provide advice to the government on matters related to the general economic policy".

2.3.2 Commercial Banks

All commercial banks operating in Libya undertake banking operations under the supervision of the CBL, according to the provisions of LBL No. (46/2012). Libyan commercial banks are the most important part of the Libyan financial sector in terms of numbers, the role they play in the Libyan economy, geographical spread and the range of services provided to customers (Hawashe, 2015). Article (65/1) of the same law provides a clear definition of a commercial bank as "any company that ordinarily accepts deposits in current demand accounts or time deposits, grants loans and credit facilities, and engages in other such banking activities according to the provisions of paragraph (2) of this article".

As shown in Table 2.2, there are currently sixteen commercial banks operating in the Libyan environment. These banks have three kinds of ownership structure: state-owned, private and mixed ownership. Mixed ownership banks are owned jointly by some combination of the Libyan government (the CBL), the private sector (domestic investors) and foreign investors.

Table 2.2 Ownership Structure of Libyan Commercial Banks

No	Name of Bank	State-Owned	Private	Mixed Ownership			Total Assets (bi LYD)
				State-Owned	Domestic Investors	Foreign Investors	
1	Al-Sahara Bank			55%	26%	19%	10.15
2	Al-Jumhouria Bank	100%					24.65
3	Al-Saraya Bank		100%				0.09
4	Mediterranean Bank		100%				0.12
5	Al-Wahda Bank			54%	27%	19%	8.39
6	National Commercial Bank	100%					11.11
7	Bank of Commerce and Development		100%				2.27
8	United Bank				60%	40%	0.29
9	Al-Aman Bank				60%	40%	0.78
10	North Africa Bank	100%					1.78
11	Al-Wafa Bank			20%	80%		0.18
12	Al-Waha Bank			45%		55%	0.60
13	Arab Commercial Bank		100%				0.09
14	First Gulf Bank			50%		50%	0.42
15	Al-Ejmaa Al-Arabei Bank		100%				0.29
16	Libyan Foreign Bank	100%					4.00

Source: Adapted from CBL Online (2016). http://cbl.gov.ly/eng/. Accessed 12/11/2016

2.3.3 The Libyan Foreign Bank (LFB)

In 1993, the Libyan government issued Law No. (1) allowing foreign banks to operate in Libya, though this operation was limited to the opening of representative offices only. It was not until LBL No. (1/2005, Article 67/3) that banks were permitted to set up with foreign capital, or that foreign banks were permitted to open branches in Libya or own shares in Libyan banks. These concessions came with strict conditions, however: the board of the CBL must be satisfied that the head office of the foreign bank has a particular nationality, that the foreign bank is subject to the supervision of the monetary authority in the state where this head office is located, and that it has allocated capital of at least $50 million for its activity in Libya. The 2005 law was followed in September 2006 by Resolution No. (41), which authorised

the opening of three foreign banks in Libya: these were the Arab International Bank of Tunisia, HSBC and BNP Paribas (The CBL, 2006).

The LFB serves as an external agent for Libya's commercial banks while also performing international tasks and transactions for the CBL. Operating from its head office in Tripoli and with branches in almost 30 countries around the world, its main activities are opening accounts for and accepting deposits from overseas and non-residents, and conducting financial transactions with domestic commercial banks (Hawashe, 2014). Article (20) of the LFB's Statute lists the banking and financial services the bank offers outside Libya:

- "Acceptance of demand and time deposits, opening current accounts, loans held and granting other credit facilities;
- Collection and payment orders, promissory notes and other securities with financial value;
- Issuance of bonds, notes and other commercial paper;
- Discount, re-discount and trading of commercial paper;
- Issuance of letters of guarantee and credits, opening credits and financing foreign trade operations, providing facilities for importers and exporters as well as the issuance of securities, as well as project financing and development investment on commercial grounds;
- Carrying out trustees' investment".

The services and transactions that the LFB is authorised to undertake within Libya are:

- "Opening accounts and accepting deposits in foreign convertible currency from abroad and from non-residents in Libya;
- Opening accounts and accepting deposits from allocated from the Central Bank of Libya, the public institutions to deal with;
- Conducting banking and financial transactions with local commercial banks in line with the Bank's objectives".

2.3.4 Specialised Banks

These banks, also called lending institutions, finance specific sectors or certain economic activities. Structured along cooperative principles, they do not operate for profit, and their activities differ from those of Libyan commercial banks. This is made

explicit in LBL No. (46/2012, Article 65/1), which stipulates that: "A specialised bank whose main purpose is to finance and grant credit for specific activities, and whose basic activities do not include the acceptance of demand deposits, shall not be considered a commercial bank". Specialised banks were established specifically in order to accelerate economic and social development in the Libyan environment by offering medium- and long-term loans to the industrial, agricultural and real estate sectors. There are four specialised banks in Libya, all of which are fully state-owned. These are the National Agricultural Bank, the Development Bank, the Rural Bank and the Real Estate Investment Bank.

2.4 Establishment of the Libyan Stock Market (LSM)

Realising that a stock market was crucial to promote investment, accelerate the privatisation programme, facilitate the granting of credit and expand the ownership base in Libya, the Libyan government established the LSM in principle in 2001 with the enactment of Law No. (21/2001) (Masoud, 2013). The establishment of the LSM was seen as a major step towards improving the economy, as it would allow the government to mobilise domestic savings, encourage foreign savings and channel these resources in the direction of productive projects by the developing of a sound capital market (Masoud, 2013).

The LSM was officially opened in 2006 with the Libyan Government's Resolution No. (134). Supervised by the Ministry of Economy, it has headquarters in the capital (Tripoli) and one other branch in the city of Benghazi. Its central functions are to facilitate the state's privatisation programme through the sale of public Libyan companies and to provide sources of finance for these new private companies.

In accordance with Resolution No. (134), the LSM performs as a depository centre, an exchange and a stock market authority. The company that runs the LSM was itself listed on the Commercial Register (on 7th January 2007) as a joint-stock company with capital of LYD 20 million ($16.2 million) divided into 2 million shares with a nominal value of LYD 10 per share. Nearly 30% of these shares are owned by the Libyan government, 25% are owned by the Libyan commercial banks and the rest are owned by individuals. According to the LSM's Statute (Article 4), its membership should include: "Commercial and specialised banks; insurance companies; financial funds; subscribed companies with capitals that are no less than the limit stated by the

market's management committee; brokers accepted in the market according to the provisions of this regulation".

Article (3) of Resolution No. (134/2006) sets out the main objectives and functions of the LSM as follows:

- "to create a suitable investment climate for securities in the interest of the national economy;
- to encourage savings and raise investment consciousness in ways capable of directing savings towards the economic sectors of potential greater return;
- to supervise the organisation and operation of share dealings and ownership transfer operations;
- to serve the goals of economic and social development, including achieving the employment of individuals' savings by allowing buying and selling shares operations as well as carrying out investment transactions;
- to contribute to the implementation of the programme of public ownership of economic entities, enterprises and companies to contribute to the expansion of the ownership base;
- to put in place, the necessary rules for the protection and ensure the honesty of transactions in the market to achieve trade based on economic efficiency;
- to develop linkages and cooperation between the Libyan Stock Market and Arab regional and international markets, in ways that lead to raising the level of investors' trust in the domestic economy" (Zakari, 2014, p.401).

In 2007, there were seven Libyan companies listed in the LSM with a combined capitalisation of LYD 1.2 billion, representing 1.4 per cent of GDP (International Monetry Fund, 2008). By 2014, this number had gone up to fourteen companies. Table 2.3 lists these companies, their trading value, the number of shares traded, and the number of transactions conducted in that year.

Table 2.3 Libyan Companies Listed in the Libyan Stock Market (LSM)

No	Company	Capital (LYD)	Trading Value (LYD)	Trading Volume (Number of Shares)	Number of Transactions
1	Al-Sahara Bank	378,000,000	296,192.100	32,698	56
2	Al-Jumhouria Bank	1,000,000,000	547,723.960	44,051	92
3	Alsaraya Bank	33,333,330	-	-	-
4	Mediterranean Bank	16,446,130	164,288.000	9,664	9
5	Al-Wahda Bank	432,000,000	95,763.640	10,000	29
6	National Commercial Bank	500,000,000	140,207.460	12,402	14
7	Bank of Commerce and Development	105,000,000	95,551.710	4,785	29
8	Alsahara Insurance Company	15,000,000	102,586.000	9,765	10
9	United Insurance Company	20,000,000	60,823.750	2,415	12
10	Libyan Insurance Company	70,000,000	93,419.450	9,936	26
11	Libyan National Cement Company	600,000,000	-	-	-
12	The Libyan Stock Market Company	50,000,000	58,576.980	6,292	25
13	National Investment Company	100,000,000	-	-	-
14	National Union Company for Engineering Consultants	4,000,000	8,000	400	2

Source: Adapted from LSM Annual Trading Report (2014)

2.5 The Evolution of CG in the Libyan Environment

The evolution of CG in the Libyan environment has been marked by a number of legal and regulatory milestones since Libya obtained its independence in 1951. The first key moment came in 1953 with the issuing of the Libyan Commercial Law (LCL), which contained a range of provisions addressing many of the basic principles of CG, including the structure and responsibilities of the BOD and the fundamental rights of shareholders. The LCL was technically superseded in 2010 by the revised Commercial Law No. (23/2010), but the latter has not yet come into force as the Libyan government has not yet issued executive regulations relating to this law.

The second key moment in the development of CG in Libya came in 1973, when the government issued Law No. (16). This was the first law to focus on the accounting

and auditing profession in Libya; it sought to raise standards by setting out the responsibilities of and a code of conduct for Libyan accountants and auditors, and it laid the groundwork for the establishment of the Libyan Association of Accountants and Auditors (LAAA) (Laga, 2013; El-Firjani et al., 2014).

In 2005, the CBL issued the first Libyan Corporate Governance Code (LCGC). This set out basic guidelines regarding CG practice for commercial banks in Libya, though these were advisory rather than mandatory. The code was divided into five main sections (CBL, 2005). The first discussed the underlying principles of CG and its importance in ensuring the credibility of banking transactions, and highlighted examples of international best practice. The second section set out the standards for assigning board members and senior management and explained what both groups should do in order to perform their duties vis-ä-vis shareholders and other stakeholders effectively and efficiently. Section three concentrated on the BOD's role in selecting and supervising executive management. It also contained a comprehensive description of the most important tasks of the board, and how it should interact with the executive management. The fourth section highlighted the duties and responsibilities of the BOD in terms of its formulation and monitoring of targeted plans and policies, while section five focused on its role in auditing and internal control. This section also addressed the main role played by internal auditing, internal control systems and the audit committee.

In 2007, the LSM issued a second LCGC geared towards protecting the rights of shareholders and other stakeholders. Aimed specifically at listed companies, it included a number of articles relating to the duties and responsibilities of the BOD, the formation of sub-committees such as the audit, nomination and remuneration committees, disclosure and transparency, the internal and external audit functions and the rights of shareholders and stakeholders. Once again, however, the code was advisory, with the only mandatory article being the requirement that companies must disclose which articles they have not complied with and why.

In the same year, the LSM signed an agreement with the University of Reading that the latter would provide training and technical assistance for securities dealers working in Libya. The training has dealt with a number of issues relating to CG practices such as financial and non-financial disclosure, the arbitration and settlement of disputes, governance, and the setting up of legal rules and regulations to protect

investors. The agreement also includes the provision of advisory services, which have contributed significantly to the development of the LSM (Masoud, 2013).

In 2010, the CBL, seeking to raise the level of performance of commercial banks, replaced the 2005 LCGC with a new, compulsory code (CBL, 2010). In the same year, the government enacted Law No. (11/2010), which provided for the creation of the Libyan Stock Market Authority (LSMA), an independent body (though working under the supervision and control of the Ministry of Economy) tasked with regulating and monitoring the LSM. Law No. (11/2010) sets out a series of measures designed to enhance the operation of the LSM and to increase the level of transparency therein so that more domestic and foreign investment might be attracted into the Libyan environment. One of these measures is the requirement that all necessary information be properly disclosed to investors, including all relevant statistics, biographical and financial details about board members, externally certified financial statements, an annual list of shareholders and any information that could affect the share price in the market.

Law No. (11) stipulates that the LSMA should be administered by an independent board containing five members, and that these should be appointed by the Prime Minister. The central objective of the authority being to create an environment that will foster stability and growth in the LSM, the law defines the tasks of the LSMA as follows:

- "Regulating and controlling the issuance of securities;
- Regulating and controlling the disclosure of essential information for investors;
- Gathering information and statistics on the capital market, and publishing reports thereon;
- Receiving and following up reports and complaints relating to market activity or intermediaries, and taking appropriate decisions including the imposition of sanctions;
- Ensuring the implementation of the accounting and auditing standards in the preparation of final accounts and financial statements of actors in the market;
- Imposing the standards of corporate governance on listed companies and all those working in the field of securities;
- Supervising and monitoring the market operations;

- Issuing and granting of permits and licences necessary for the exercising of activities related to the capital market;
- Adopting a proper system to ensure the fulfilment of obligations arising from trading operations;
- Adopting an appropriate system to protect clients in securities, including effective methods to compensate those affected by non-commercial risks" (Law No. 11/2010).

To summarise, since 1951, the Libyan government and the CBL have launched a series of legal and regulatory initiatives designed to foster more effective CG. Despite this, however, CG practice in the Libyan environment is still in its early stages and, as numerous researchers have observed, there are still significant obstacles to be overcome (e.g. Pratten & Mashat, 2009; Larbsh, 2010; Abu-Azza, 2012; Hamuda & Sawan, 2014; Faraj & El-Firjani, 2014).

2.6 The Legal Framework for CG Practices in the Libyan Stock Market (LSM)

As interest in the concept of CG has grown, international institutions and stock markets around the world have increasingly sought guidance regarding its underlying principles and best practice. The OECD responded by issuing its five Principles of Corporate Governance in 1999, before going on to add a sixth in 2004 (OECD, 2004). In preparing its Principles, the OECD drew on the experiences of its various member countries, along with contributions from the IMF, occupational unions, businesses, investors and other relevant parties. The objectives of the Principles are:

- To assist member and non-member states in evaluating and improving the legal, organisational and institutional framework, in order to make application of corporate governance in these countries easier.
- To provide directives to support the management of companies and the effectiveness of the stock market, and to help stabilise the economy as a whole.

In Libya, as in many other countries, the law is the primary instrument for supervising and controlling the business environment; the regulations that govern companies' procedures and practices derive ultimately from the country's legal system (Otman & Karlberg, 2007). In Libya, this legal system is largely based on French civil law (Otman & Karlberg, 2007). The aim of this section is to present an overview of the Libyan legal system in relation to the OECD's Principles of 2004.

The issuance of Resolution No. (134) in 2006 was a significant turning point in the history of Libya's financial system as it provided for the establishment of the LSM and with it, an acknowledgement of the need to implement CG principles in Libyan listed companies. The LSM follows the OECD's 2004 Principles; the following sub-sections discuss how the provisions of Libyan law, including the 1972 Libyan Commercial Law (LCL), align with these Principles.

2.6.1 Providing the Basis for an Effective CG Framework

The CG framework should aim to improve the transparency and effectiveness of the market. The division of responsibilities between the different bodies in charge of supervision, control and enforcement should be clearly specified in law (Solomon, 2013), but CG principles should be presented in the form of a set of optional rules and standards. Although these rules and standards may have no compulsory force, CG practice may also be affected by existing corporate and stock market regulation and by accounting and auditing standards.

2.6.2 Protection of Shareholders' Rights

The OECD Principles stipulate that within the CG framework, shareholders should be protected, and their ability to exercise their rights facilitated by means of ownership registration and share trading. They should be given, regularly and in due time, information related to the company's activities, be able to participate in general assembly meetings (GAM) and to elect and remove from office members of the BOD. Finally, they should be given warranties of dividend distribution (OECD, 2004).

The rights of shareholders in joint-stock companies listed in the LSM are protected by legislation such as Act No. (23/2010), which contains a range of articles addressing the same concerns as are addressed in the OECD Principles. Article (155), for example, states that shareholders have the right to attend the GAM and vote, or to assign a representative to attend and vote on their behalf, provided that the vote is given in writing and kept by the company. No director or employee of the company may act as such a representative, however. The same article indicates that the BOD can convene an emergency meeting of the general assembly if this is demanded by shareholders who collectively own one-tenth (1/10) or more of the company's capital, while Article (156) states that as long as new shareholders have their name registered

in the company records at least five days prior to any GAM, they can attend the meeting. Article (163) states that the general assembly has the authority to approve financial statements; elect directors, a board chairman and the members of the supervisory committee; determine the compensation to be given to these individuals; appoint an external auditor and determine his compensation; and respond to any issues raised by the BOD.

Article (147) gives existing shareholders priority in the subscription to new shares, unless an extraordinary general assembly decides this is not in the company's best interest. The article stipulates that a statement should be published in a daily newspaper, declaring which shareholders will be given priority, when the subscription will open and close, and the value of the new shares. Shareholders should also be advised by registered mail, email or some other means of communication.

Article (235) states that it is for the general assembly to approve the balance sheet and distribute dividends to shareholders. Shareholders have the right to review the balance sheet before the meeting of the general assembly. Further, the right to buy or sell shares freely (i.e. without consulting the company administration) is guaranteed under Article (500) of the LCL of 1972, and under Article (6) of Act No. (65/1970), which asserts that no limits must be put on the transfer of share ownership.

Article (26) of Act No. (11/2010) specifies the function of the LSM as being to supervise and regulate the trading of negotiable instruments and the transfer of their ownership, including setting the rules necessary to protect and guarantee the safety of transactions. It is also responsible for overseeing the distribution of annual profits to the shareholders of listed entities. Article (36) of the same act reminds these entities that they are obliged to provide investors with a periodical account and to abstain from any operation which may cause damage to investors, while Article (38) states that they may not disclose to any other party any information relevant to investors' transactions or negotiable instruments without the written permission of the investor.

2.6.3 Equitable Treatment of Shareholders

The OECD Principles stipulate that the CG framework should guarantee equal treatment for all shareholders, including minority shareholders and foreign subscribers, and that companies should set in place a system and procedures to ensure

that shareholders have the same voting rights whether they are inside or outside the country where the company is located. All shareholders should be allowed the opportunity to obtain adequate compensation if their rights are violated, with a system in place that guarantees their right to take legal and administrative action against the BOD and the executive administration of the company (Solomon, 2013).

Within the LSM, Act No. (23/2010) permits companies to issue different categories of shares (i.e. ordinary or preferential), depending on their articles of incorporation. These categories differ in terms of the rights vested to them, with the holders of preferential shares enjoying three main advantages. Firstly, they have the right to cast multiple votes, according to the laws of the company; secondly, they are given priority in the distribution of dividends; and finally, they are also given priority in the event of either an increase in capital, or liquidation.

Articles (528), (541) and (545) of the LCL of 1972 stipulate that all shareholders shall have the right, whether they are absent or opponent or holders of vote-limited shares, to contest the decisions made by the general assembly if those decisions violate the law or the company's articles of incorporation. Furthermore, every shareholder has the right to claim compensation against any damages he may have incurred as a result of the actions of the BOD or one of its members.

2.6.4 The Role of Stakeholders in CG

The term "stakeholder" refers to anyone who has a relationship with or interest in the company, so aside from shareholders, it also encompasses the company's employees, customers and creditors. The OECD observes that within the corporate governance framework, stakeholders' rights should be recognised in law, since they are central to helping companies create profit, protect jobs and remain in business (Solomon, 2013).

According to Article (185) of LCL No. (23/2010), in joint-stock companies, the chairman and members of the BOD are responsible towards debtors of the company in terms of not carrying out the duties related to maintaining the company's continuity, thus creditors have the right to file a lawsuit when they reveal that the properties of the company not sufficient to pay their debts. Article (577) of the LCL of 1972 also gives creditors special protection, stating that each company should have a legal reserve of not less than one-fifth of the capital of the company, and that in the event of bankruptcy, the company should place itself in the hands of the receiver.

Creditors may reserve their right to file a lawsuit even if the company has sought to legally limit the liability of directors or it has attempted to reach an informal agreement with the creditor.

The 1972 LCL also provides special protection for bond holders, with Articles (217), (218), (219), (220), (221) and (222) stipulating that bond holders may form their own assembly and elect a representative to act on their behalf. This representative has the right to attend the general assembly meeting (though he has no voting rights)

Stakeholders’ rights in Libya are further protected by means of the country’s labour and environmental legislation, and by a range of vocational societies, professional associations and federations.

2.6.5 Disclosure and Transparency

The OECD Principles call for the full and timely disclosure of all relevant information to shareholders, including information relating to the company’s financial position, performance and supervision arrangements. Effective measures for ensuring disclosure and transparency are central to achieving control of the company’s activities (Solomon, 2013).

The disclosure of accounting information to users is one of the most significant functions of the profession, while the external auditor plays a key role in enhancing trust and transparency by presenting a neutral opinion on the reliability of the financial statements. Libya’s corporate legislation addresses the requirement for accounting disclosure in Article (572) of the 1972 LCL, which states that the managers of joint-stock companies must prepare lists of income, a balance sheet and a report on the company's activity each financial year. Further, these documents, along with the external auditor's report, must be made available to shareholders in advance of the GAM to allow time for their examination.

In terms of the banking sector specifically, Article (83) of the LBL (1/2005) states that each bank should assign two public accountants to examine its accounts, to be selected by the general assembly of the bank from among the external auditors registered in the CBL’s records. The Central Bank stipulates that the chosen external auditors must not be a member of the administration of the bank they are auditing or be in receipt of loans or credit from it; nor should they have any connection or family relationship with any member of the BOD.

Transparency and disclosure are also at the heart of Act No. (11/2010), which covers the duties and jurisdiction of the General Board of the LSM. Article (4) of the act stipulates that the board is responsible for ensuring the disclosure of all information necessary to investors and relevant to the issuing of negotiable instruments, while Article (3) describes its objectives as being to guarantee the fairness, effectiveness and transparency of transactions in the LSM. Pursuant to this objective, Article (7) specifies that the board's duties include setting regulations and conditions governing disclosure by companies operating in the field of securities. These companies are obliged to disclose any information that could affect their activities or financial position, including information regarding any changes the board believes may affect the value of the securities.

In the penalties chapter, Article (62) states that anyone who is proved to have dealt in undeclared or undisclosed information may be prosecuted and could face a prison sentence of not more than six months and/or a fine of between LYD 10,000 and LYD 1,000,000. Anyone presenting or publishing incorrect statements or information with the aim of influencing investors' decisions, including board members or employees, may also face prosecution.

In terms of the general provisions of the act, Article (78) states that any entity encountering a contingent circumstance that may affect its activity or financial position should immediately disclose this information to the LSM, which may ask the said entity to publish this information in a daily newspaper. If the entity fails to do this, the LSM must publish the information in the media on the entity's behalf.

2.6.6 Responsibilities of the Board of Directors

The CG framework should ensure that the BOD, while responsible for the strategic direction and guidance of the company, is itself accountable to the company and its shareholders (OECD, 2004).

In the LSM, boards are responsible for supervising the performance of the executive and ensuring that they achieve the objectives set by the general assembly of the shareholders. Articles (172) to (188) of Act No. (23/2010) stipulate that the general assembly shall assign a BOD pursuant to the company's articles of association, for a renewable three-year term, unless the articles of incorporation or articles of association expressly state otherwise. They do not stipulate that the board members

should be chosen from among the shareholders of the company, apart from the chairman, who is chosen by the general assembly from among its own membership.

Article (530) of the LCL of 1972 indicates that compensation of the members of the BOD and their portion of the company's profits are to be determined in the articles of incorporation, with a maximum limit being set. There should be no fewer than three members of the board and not more than eleven members including the chairman. The duties of the board are:

- To make all decisions and conclude all actions necessary to achieve the objectives of the company.
- To set policies and issue internal orders for the organisation of the company's administrative and financial affairs.
- To invite the general assembly to convene.
- To prepare an annual report, signed by the chairman, and submit this to shareholders for review at least seven days before the GAM. This report should include details of all monies paid to the chairman and each member during the fiscal year, such as wages, salaries…etc. It should also include details of any commissions or other payments they may receive in return for technical, administrative or consultative work. The advantages in kind that the chairman and the members of the board of directors enjoy during the fiscal year must be indicated such as cars, houses etc.
- The board may vest its authority in an executive committee formed from some of its members, determining the period of this authorisation. The authorisation should not extend to include issues that may lead to basic changes in the company.

The same law makes the chairman and BOD responsible to the company's debtors. It is down to the individual company's articles of association whether the board's responsibilities also include appointing the CEO and other managers and specifying their duties and remuneration packages.

The previous sections show clearly that many of the principles of CG issued by the OECD in 2004 are already enshrined within Libya's legislation. The LCGC, issued by the LSM in 2007, was the first formal attempt to gather these principles, previously scattered across a wide range of laws and regulations, into one coherent whole and to

present an integrated framework for CG in Libya. However, this code remains indicative rather than mandatory, apart from the stipulation that companies must disclose in the BOD's report which provisions have been applied, which have not, and the reasons for any non-compliance. Ultimately, it is in the interests of Libyan listed companies to apply the CG principles detailed in the LCGC because this will raise their efficiency, aid their long-term development and increase their profitability. At the national level, it will raise confidence among investors and attract more foreign capital into the market.

2.7 Main Barriers Faced by the LSM as it Seeks to Implement CG Reforms

As discussed previously, Libya, like many other developing countries, has long suffered as a result of inadequate economic policy, with low employment rates and poor growth creating an imbalanced economy. However, perhaps the most significant barriers currently facing the LSM as it attempts to encourage the adoption of CG practices within Libyan listed companies are poor enforcement of the legal system, and the prevailing ownership structures. These are discussed in the following sub-sections.

2.7.1 Poor Enforcement of the Legal System

The legal system is a fundamental pillar of the CG framework because it is the primary means through which the responsibilities and duties of concerned parties are defined and the main recourse for those wanting to see these responsibilities enforced. The LSM, like many emerging financial markets in developing countries, is seeking to strengthen and improve the economy by forging partnerships and harmonising standards with the economies of developed countries. A necessary step to achieving this harmonisation is for the Libyan government to enhance the economic environment by reconsidering the regulatory framework and developing robust enforcement mechanisms.

According to Berglöf & Claessens (2004), enforcement is widely considered even more important than the issuance of the law itself; it is crucial to achieving effective CG and accountability, especially in the transitional phase. Establishing and maintaining good CG and accountability practice requires the efficient and fair application of the legal system by an array of supervisory, regulatory and judicial

authorities with direct connections to the stock market. All of this will help raise investors' confidence in the market.

However, for many developing countries, enforcing legislation remains problematic. While the LMS may not face as big a challenge as some other emerging markets Oyejide & Soyibo (2001), for example, point to an urgent need to strengthen law enforcement mechanisms within regulatory and supervisory bodies in Nigeria), weak enforcement in the Libyan environment generally and within the LSM in particular can only have an adverse influence on the efficiency of CG and accountability mechanisms.

2.7.2 Ownership Structure

The economy of the Libyan state is not yet highly developed, being still largely dominated by the government, which controls, directly or indirectly, the majority of the country's assets and enterprises. These include interests in many industrial sectors, financial institutions and real estate (Porter & Yergin, 2006). The government's recent privatisation programme is intended to provide the economic fundamentals to shift towards a more open system, but although private enterprises are now theoretically able to compete alongside or even replace state-owned ventures, continuing ambiguity within the privatisation policy means that in reality, it has done little to assist the Libyan economy in overcoming the accumulated problems created by previous economic policies.

Although the Libyan government has encouraged the transition to a free market economy through the establishment of the LSM, there have been some changes in ownership structures since the establishment of the LSM for the aim of opening the prospects of investments, there is still uncertainty over the ownership policies. And therefore, ownership structures in Libya are officially dominated by the government and institutions. However, it is not considered a major barrier to successful CG practice; other emerging markets with similar ownership structures (e.g. Malaysian listed companies) have been able to implement CG successfully.

2.8 Summary

This chapter started by providing a comprehensive background picture of the Libyan context, including details of the country's geographical location, population, language and religion. It then briefly outlined the main features of Libya's historical and political development before describing the evolution firstly, of the Libyan privatisation programme and secondly, of the accounting and auditing profession.

The chapter described the make-up of the Libyan banking sector, briefly discussing the role played by the CBL, the commercial banks, the Libyan Foreign Bank and the specialised banks, before describing the establishment of the LSM and the key points within the evolution of CG in Libya. It then outlined the legal framework for CG practices within the LSM before highlighting the two main barriers to CG reform, which it identified as weak enforcement mechanisms and the prevailing ownership structures. This chapter having given some insight into the context of the study, the next presents the literature review and discusses the theoretical framework of CG.

CHAPTER THREE

LITERATURE REVIEW AND THEORETICAL FRAMEWORK OF CORPORATE GOVERNANCE (CG)

3.1 Introduction

CG has drawn significant attention from academic researchers, regulators and public policy makers in both developed and developing countries (Solomon & Solomon, 2004). The latter groups have expended significant effort on developing rules and standards to help companies improve their CG performance and avoid governance problems, while researchers have produced a large body of literature on the issues surrounding CG. The key purpose of this chapter is to review some of this literature. It begins by presenting the most common definitions of CG before going on to discuss in detail the theories associated with its evolution. Section 3.4 addresses the development of the CG concept, while section 3.5 discusses the differences between the insider and outsider models of CG. Section 3.6 focuses on the legal and economic importance of CG, after which section 3.7 discusses at length the main internal and external CG mechanisms. Section 3.8 reviews some of the key studies exploring CG practice in the emerging markets of Libya and other MENA countries. Finally, section 3.9 provides a brief summary of the chapter.

3.2 Definitions of Corporate Governance (CG)

Although a subject of growing importance to researchers, academics, regulators, professional bodies and policy makers around the world (Mallin, 2007; Solomon & Solomon, 2004; Sternberg, 2004), there is still no genuine consensus on how the concept of CG should be defined (Solomon, 2013). Solomon (2010) argues that definitions differ depending on country, on whether the person concerned is a policy maker or theorist and, if the latter, which perspective they favour. Monks & Minow (2004, p.9) define a corporation as:

> “A mechanism established to allow different parties to contribute capital, expertise and labour for the maximum benefit of all of them. The investor gets the chance to participate in the profits of the enterprise without taking responsibility for the operations. The management gets the chance to run the company without taking the responsibility of personally providing the funds”.

There may be no commonly accepted definition of CG, but researchers are generally agreed that the fundamental problem of CG is this separation of management and ownership (Keasey et al., 1997; Solomon & Solomon, 2004); a conflict of interest can arise between the owners, whose primary goal is to maximise profits, and the administration, which typically seeks to balance the shareholders' interests against the desire to keep the company running for the long term.

Corporate literature offers numerous definitions of CG, reflecting a range of perceptions and points of view. These definitions may be divided into two groups: narrow and broad definitions. Narrow definitions focus on the relationship between the company and its shareholders; thus, Keasey et al., (1997) state that: "In the narrowest sense, companies may be described as a formal system of accountability of senior management to shareholders" (p.2). According to Solomon (2010), this view envisages a clear relationship between companies and their stakeholders. Shleifer & Vishny (1997) define CG as "ways in which suppliers of finance to corporations assure themselves of getting a return on their investment" (p.737). The Cadbury Report (1992) defines CG as "the system by which companies are directed and controlled", while MacAvoy & Millstein (2003) call it "a set of structured relationships that determine authority and responsibility for the conduct of an organisation and its management" (p.47). It is interesting to note that as recently as 2009, the Walker Review described the role of CG as being "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" (p.19). These definitions see CG as essentially a mechanism for managing the company in order to maximise shareholders' wealth (Allen, 2005).

Broader definitions take a more comprehensive view, going beyond shareholders to encompass the interactions between the full range of stakeholders, including customers, employees, creditors, suppliers and society as a whole (Baker & Owsen, 2002). Thus, Prowse (1998, p.2) defines CG as "rules, standards and organisations in an economy that govern the behaviour of corporate owners, directors, and managers and define their duties and accountability to outside investors, i.e., shareholders and lenders".

Tricker (1984) argues that:

> "The governance role is not concerned with the running of the business of the company per se, but with giving overall direction to the enterprise, with overseeing and controlling the executive actions of management and with satisfying legitimate expectations of accountability and regulation by interests beyond the corporate boundaries".

Similarly, the OECD (2004, p.11) describe CG as involving

> "a set of relationships between a company's management, its board, shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring".

Finally, Solomon & Solomon (2004, p.14) describe CG as

> "a 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".

Most countries favour the broader definitions, even though they may disagree on how best to implement CG in practice (Braendle et al., 2013). These definitions make it clear that accountability and corporate responsibility do not stop with shareholders but extend to all relevant stakeholders and even society as a whole, and that the company should seek to resolve any conflicts of interest between different stakeholder groups. Under these definitions, future generations are regarded as potential stakeholders whose interests should also be taken into account. Thus, corporations should strive to reduce pollution and avoid environmental degradation, even though this may impact negatively on current benefits to stakeholders and shareholders. Essentially, the broad definitions reflect the idea that corporations should behave in a socially responsible way.

In both groups of definitions, CG is highly concerned with accountability, whether this is to a narrow or broad group of interests. This is supported by Solomon (2013), who argues that similarities exist in the various definitions of CG, the most important being the notion of accountability. While narrow definitions see this accountability as owed only to shareholders, broader definitions see shareholders as just one of several

stakeholder groups (others include lenders, employees, investors, customers, suppliers and government auditors) to whom the company is accountable.

3.3 Theories Associated with the Evolution of Corporate Governance (CG)

A number of different theoretical frameworks have been developed to explain the impact of CG (Solomon, 2013). Some of these frameworks are better suited to some environments than others, and they vary from one country to another (Mallin, 2013), but while they represent a range of perspectives, they share a number of common denominators. Agency theory is the dominant theory in this field both in terms of its popularity with researchers and its influence on the development of CG practice (Patrick et al., 2015), but a number of researchers have argued that the complex nature of the phenomenon requires a multi-theoretical approach (Sharma, 2013). Accordingly, researchers have employed a range of theoretical perspectives to analyse and interpret CG practice, including resource dependence theory, stewardship theory, legitimacy theory and stakeholder theory. The assumptions and limitations of each of the above theories are discussed in the following sub-sections.

3.3.1 Agency Theory

Agency theory, which was originally developed by Jensen & Meckling (1976), is the dominant theory for interpreting CG issues (Krambia-Kapardis & Psaros, 2006; Ward & Filatotchev, 2010; Ermongkonchai, 2010; King & Wen, 2011; Renders & Gaeremynck, 2012; Bezemer et al., 2012). Focusing on the separation of ownership and control, agency theory addresses the relationship between principals (e.g. shareholders) and agents (e.g. managers and company executives). Fama & Jensen (1983) built on the work of Jensen & Meckling to develop the potential of agency theory, and researchers ever since have relied on its assumptions, arguments and models to better understand a range of issues including ownership and capital structure, board practice, CG reform and agency conflicts (Manos et al., 2007). In developing countries, researchers such as Reed (2002), Imam & Malik (2007) and Manos et al., (2007) have used agency theory to examine the structures of CG and to look for ways to ensure good CG practice.

Jensen & Meckling (1976, p.308) define the agency relationship as

> "a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent".

The basic premise of agency theory was inspired by the separation of ownership and management (Schneider & Scherer, 2015). It posits that managers and owners do not necessarily have the same interests and that when these diverge, managers tend to put their own interests ahead of the owners' (Mulili & Wong, 2011; Chambers et al., 2013). Shareholders run the risk that managers will use the money supplied to the company to maximise their own utility rather than corporate value. Control mechanisms are therefore necessary to ensure that managers perform their fiduciary duty honestly. Agency theory posits that the company's top priority should be to protect and maximise the interests of its owners, and that any moral responsibility it has towards other stakeholder groups, such as employees, customers or the community at large, is of secondary importance (Thomsen & Conyon, 2012). The implication of this, as Kim & Kim (2015) point out, is that the interests of these other stakeholders are likely to be compromised. This shareholder-oriented approach to CG is the version adopted in many countries that follow common law. In the UK and the US, it was encouraged by Thatcher and Regan, but it has also been embraced by Australia, New Zealand and Canada. These countries generally see the role of CG as being to ensure that companies accomplish the goals set by their owners (Mulili & Wong, 2011), and so develop CG structures that focus primarily on shareholders' interests. The remarkable growth in the US stock market over recent decades has also encouraged companies in major economies such as France, Germany, Japan, Italy and Korea to adopt a shareholder-oriented approach to CG (Lazonick & O'Sullivan, 2000).

Agency theory sees the firm as a series of contracts between principals and the agents who are committed to look after their interests (Fama & Jensen, 1983; Chan et al., 2014), but companies may actually be seen as a collection of agency relationships – not just between managers and shareholders, but also between shareholders and external auditors, and between managers and employees (Prencipe et al., 2014; Cuadrado-Ballesteros et al., 2015). Agency theory is primarily concerned with the problems that arise in the first of these relationships; that is, when the relationship

between principles and agents is weak or dysfunctional (Eisenhardt, 1989; Wright et al., 2001). It assumes that the best way to resolve agency problems is to ensure that the interests of the two groups are aligned (Prencipe et al., 2014). Resolving problems within the principal-agent relationship is important because they damage the company's internal efficiency and increase costs. Jensen & Meckling (1976) divide these agency costs into monitoring costs, bonding costs and residual losses. Monitoring costs are what the owner pays to reduce deviant activity by the agent (e.g. by observing his behaviour or offering him incentives to perform his duties more efficiently), while bonding costs are the expenses he incurs to ensure that he (rather than the agent) benefits from the agent's decisions. If, however, the agent lacks commitment to serving the interests and objectives of the owner to the point that the performance of the company is undermined, this may lead to residual losses. Lack of research means that it is unclear whether the agency costs incurred by Libyan listed companies are the result of conflicts within the principal-agent relationship or conflicts between majority and minority shareholders (Abdou, 2015). In fact, little is understood about how agency relationships operate in the Libyan environment, where CG is still a relatively recent phenomenon. It is not known, for example, whether these relationships are more or less subject to conflict than their counterparts in developed nations.

Both the accounting and economic literature recognise that the agency relationship is made more difficult by information asymmetry (Jensen & Meckling, 1976; Laffont, 1989); if managers have greater access to information than shareholders, this leaves the latter unable to properly evaluate the decisions made by the former. However, all groups and individuals that have a relationship with the company have a right to expect others to be accountable for their behaviour and actions (Laughlin, 1996). Agency theory has been used to demonstrate these accountability relationships, especially that between owners and agents (Jensen & Meckling, 1976; Bushman & Smith, 2001). Having been authorised by the owner to act on his behalf and given resources and responsibilities in the expectation that they will be used in a certain way, the agent is answerable for his actions to the owner (Perks, 1993; Laughlin, 1996). This accountability relationship facilitates the monitoring process, reducing the risk of fraud and raising the confidence of investors (Bushman & Smith, 2001).

Agency theory sees the implementation of CG mechanisms as crucial in allowing owners to monitor and control managers, reduce the risk of opportunistic behaviour and ensure managers' interests are aligned with their own (Fama, 1980; McKnight & Weir, 2009; Agustina et al., 2015). Agency theorists have highlighted a number of CG mechanisms that are designed to protect shareholder interests, reduce agency costs and stabilise the agent-owner relationship. Among these are the BOD, the internal and external audit and the shareholders' rights mechanisms (Davis et al., 1997). Mechanisms that support the alignment of manager and shareholder interests are seen as particularly important, whether this is raising the number of NEDs on the BOD (which reduces agency problems by strengthening board independence and effectiveness) (Fama & Jensen, 1983) or increasing board diversity (which enhances the BOD's ability to monitor management, thereby reducing information asymmetry) (Walt & Ingley, 2003). Board sub-committees are also seen as playing a central role in monitoring managers (thereby reducing agency costs) and reducing the information asymmetry between them and owners (Beasley et al., 2009; Samaha et al., 2015), as are the disclosure and transparency and external audit mechanisms (Beasley et al., 2009; Fernandes & Lourenço, 2018). However, there is some disagreement on the question of CEO duality, with some proponents of agency theory arguing that it makes conflicts of interest more likely (Jensen, 1993; Haniffa & Cooke, 2002) and others claiming that it "contributes to a unity of command at the top of a corporation that helps ensure the existence, or the illusion, of strong leadership" (Donaldson & Davis, 1994), thereby allowing companies to better serve their shareholders. This disagreement has led some recent studies to suggest that agency-based CG approaches may need to be modified to take account of current economic realities (Chancharat et al., 2012; Lin & Chuang, 2011). The impact of external realities is also acknowledged by Mallin (2013), who argues that agency theory assumes the existence of a legal system that is strong and stable enough to guarantee and enforce the rights of shareholders, particularly minority shareholders. While countries like the UK and the US may have such a system, many developing nations do not.

Mallin is not the only researcher to raise concerns about the suitability of agency theory as a means of understanding CG. While useful in explaining the influence of CG mechanisms on compliance (Jensen & Meckling, 1976; Fama & Jensen, 1983), its key assumption – that managers behave opportunistically and work primarily to

maximise their own interests at the expense of shareholders – has been challenged by scholars who instead see managers as generally honest stewards whose interests are broadly aligned with those of the shareholders they serve (Donaldson & Davis, 1994). Agency theory has also been criticised for the narrowness of its focus (e.g. Aguilera et al., 2008 argue that CG goes beyond the relationships between shareholders and board members) as well as for ignoring the moral, ethical and social responsibility firms have towards stakeholders (Mitchell et al., 1997). It has been argued that agency theory fails to take into account the social context surrounding the relationship between principal and agent (Bruce et al., 2005; Gomez-Mejia et al., 2005) and that it ignores the interests of non-shareholder stakeholders who can also affect a company's long-term success (Freeman & Reed, 1983; Hummels, 1998).

The Libyan government has acted in accordance with the assumptions of agency theory in its initiation of a series of measures designed to encourage the advance of CG in the country. The most important of these in terms of the LSM is the establishment of the LCGC (2007), which aims to mitigate agency conflicts between owners and managers by enhancing transparency and BOD responsibility and accountability in listed companies. At present, however, these mechanisms seem to work in theory rather than in practice. The diverse ownership structure and separation of ownership and control assumed in agency theory are not generally found in developing countries like Libya, where ownership instead tends to be concentrated, much of it in the hands of the state. As a result, there is little emphasis on NEDs' stewardship and monitoring functions, or on protecting the rights of minority shareholders in the face of pressure from controlling (state) shareholders.

3.3.2 Resource Dependence Theory

In general, resource dependence theory assumes that CG mechanisms can assist companies in creating, obtaining or conserving resources and thereby help improve financial performance (Chen & Roberts, 2010). The BOD and its sub-committees are seen as particularly crucial in facilitating the company's access to these resources (Hillman & Dalziel, 2003; Issa, 2017) and to information, advice and legitimacy (Pfeffer & Salancik, 2003). According to Pfeffer & Salancik (2003), resource dependence theory places emphasis on the distribution of power within the company. It focuses on the BOD as a human capital resource whose principal role is to use its powers, skills and knowledge to advise the company's managers and further its

interests. In terms of understanding CG practice, resource dependence theory assumes that:

> "First, the organisation depends on others for survival. Secondly, board members add value because of their background, skills and contacts. Thirdly, the main role of the board is leveraging and managing external relationships. Fourthly, board members may belong to a network of other powerful people who exercise control over the direction of public life in a series of board interlocks" (Chambers et al., 2013).

As the above quote highlights, the BOD, and NEDs in particular, are able to bridge the gap between the company and its environment to attract resources, create value and build reputation (Udayasankar, 2008; Neville, 2011). However, the wider experience of board members is also likely to contribute to firm performance through its impact on the quality of internal decision making (Ovidiu-Niculae et al., 2012). Resource dependence theory suggests that companies may voluntarily disclose information about their CG practices in order to acquire access to critical resources (Amran et al., 2014). At the same time, being seen to comply with CG mechanisms also helps reassure external actors that managers are acting appropriately (Haniffa & Cooke, 2002).

While agency theory focuses primarily on the BOD's monitoring role (Arena et al., 2015), resource dependence theory acknowledges the role that skilled, experienced and well-connected directors play in managing the effects of internal and external environmental influences on CG systems within companies. As a result, the two theories are often seen as complementary; according to Hillman & Dalziel (2003), "The integration of monitoring and the provision of resources will not only more accurately reflect the real world but also may overcome theoretical weaknesses in choosing one approach over another" (p.388). Resource dependence theory is also considered complementary to stakeholder theory because it takes into account the complications arising from multiple forces acting on a broad base of stakeholders. It posits that the company's ability to operate in its environment is linked to its ability to access resources from stakeholders, and that the range of stakeholders upon whom it can draw depends in large part on the effectiveness of the BOD (Bouwman, 2011; Christopher, 2010; Bouwman, 2011). The BOD's role is thus to support companies to respond to outside changes and to maintain good relationships with main stakeholders so that it can access the resources it needs (Cornforth, 2004).

Although resource dependence theory is helpful for interpreting the antecedents of CG compliance, it has been criticised for its inability to identify or explain the influence non-BOD factors (e.g. the political environment) have on company success (Chen & Roberts, 2010). Furthermore, as Christopher (2010) explains, it cannot comprehensively explain the effect of different CG structures. It is therefore best employed as a complement to agency theory and stakeholder theory. It may be especially relevant where multiple stakeholders complicate the operational environment and make efficient resource management even more critical (Christopher, 2010).

3.3.3 Stewardship Theory

Stewardship theory assumes that managers are primarily motivated not by monetary considerations but by the personal satisfaction they derive from performing the difficult tasks entrusted to them (Patrick et al., 2015). It posits that managers are collectively oriented; they work hard to improve corporate performance and shareholder returns (Nicholson & Kiel, 2007) and to ensure the long-term success of the company (Mallin, 2007). Accordingly, it argues that they be given the latitude to protect shareholders' interests and maximise their returns as they see fit. This assumption that owners are willing to take risks on how managers will run their business suggests a level of trust that is absent in agency theory (Chambers et al., 2013). Stewardship theory posits that there is virtually no conflict of interest between shareholders and managers (Davis et al., 1997); rather, managers want to be seen as actively working on behalf of investors, as establishing a good reputation and strong relationships with shareholders helps them maintain their position (Daily et al., 2003; Shleifer & Vishny, 1997). Stewardship theory sees the board's job as being to assist the CEO rather than to exert control within the company (Albrecht et al., 2004); indeed, proponents of the theory argue that the roles of board chairman and CEO should be combined as this allows a more efficient decision-making process and reduces agency costs (Abdullah & Valentine, 2009). The core principles of this management philosophy, according to Davis et al., (1997), are trust, long-term orientation, empowerment, open communication and performance improvement.

Prior research indicates that it is up to companies themselves to strike the right balance between monitoring and stewardship critical (Christopher, 2010); small firms, for example, may need less monitoring (Christensen et al., 2015). This means that

some of the recommendations in CG codes may not be suitable for some companies. Some may favour having more executive directors on the BOD on the grounds that they are the most knowledgeable about the company's activities (Muth & Donaldson, 1998) and therefore the most likely to contribute to the efficiency of the decision-making process (Donaldson & Davis, 1994).

Numerous authors have argued that although they represent very different perspectives, agency theory and stewardship theory both have a role to play in explaining CG (Clarke, 2004). Muth & Donaldson (1998) see stewardship theory as offering an alternative view of the structure of CG mechanisms, while Lam & Lee (2008) claim that neither theory adequately explains the effects of duality and performance by itself. Similarly, Hu & Alon (2014) argue that although agency theory is the most widely used approach in the CG literature, stewardship theory is a viable alternative, and no one theory offers an integrated explanation of CG mechanisms. Stewardship theory can also be integrated with stakeholder, resource dependence and legitimacy theories (Christopher, 2010). It has been argued that dealing with the complex effects of external forces on a broad stakeholder base demands qualified and experienced employees from several managerial levels who are supported by efficient internal CG structures that direct the BOD to maximise shareholders' wealth (Albrecht et al., 2004).

As a lens for understanding CG and board governance, stewardship theory has a number of implications (Chambers et al., 2013); it assumes that managers on the whole devote their efforts to the well-being of the company in which they work, collaborating with shareholders' representatives on the BOD (e.g. NEDs or governors) to develop the company's strategies and monitor its performance, and drawing on their skills and knowledge to advise executive directors on the BOD as required. Schneider & Scherer (2015) indicate that the key advantage of stewardship theory is its stress on the integrity of management decision making, and it has been suggested that the theory "needs to be incorporated in any governance model to provide a more holistic view of governance" (Christopher, 2010, p.690). However, while its value in explaining CG mechanisms in general and board governance in particular has been recognised, it has also been criticised for failing to acknowledge that some managers neglect the interests of shareholders, while others are guilty of malfeasance (Choo & Tan, 2007). This has given rise to fears that its application

could open corporations to the risk of CG failure (Chambers et al., 2013). The theory does not acknowledge the dangers of groupthink or dominated thinking within the BOD, nor does it demand a detailed understanding of the board's activities or decision-making process (Ovidiu-Niculae et al., 2012). Finally, it seems inadequate to explain the challenges faced by firms in unstable environments.

3.3.4 Legitimacy Theory

Accounting researchers have paid increasing attention to legitimacy theory over the last decade (Hoque, 2006). Suchman (1995) defines legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate with some socially constructed systems of norms, values, beliefs and definitions" (p.574). Legitimacy theory supposes that companies will obtain the support of main stakeholders so long as their activities are regarded as useful or acceptable to society. It assumes a close social relationship between the company and the society that surrounds it; both operate according to a social contract, under which the company enjoys the protection of the government's laws and regulations and is in turn expected to manage its operations in an ethical manner (Patrick et al., 2015). The theory regards the needs of organisations, managers and stakeholders as components within a cultural and institutional framework (Suchman, 1995); the activities of the company must have a social value consistent with the values of society in general, or the company's legitimacy will be undermined.

In this perspective, CG systems are seen as a tool to ensure that companies operate for the good of stakeholders (Judge et al., 2008). The primary way companies legitimise their activities is by enhancing disclosure and transparency, including their disclosure of their CG practices (Ntim & Soobaroyen, 2013). According to (Deegan et al., 2000), "organizations utilize their annual report as a means of influencing society's perception of their operations, and as a means of legitimizing their on-going existence" (p.101). They may also seek to demonstrate the social value of their activities – and forestall any criticism (Jouha, 2015) – by setting out for the public their social and environmental impacts (both positive and negative) in disclosure reports. A number of researchers have examined these social and environmental reports and identified a relationship between company disclosure and community expectations (Deegan, 2004). They explain this relationship in terms of legitimacy theory, arguing that organisations use strategies such as disclosure to prove to the

surrounding community that they are attempting to comply with its expectations (Hoque, 2006). Corporate operations are constantly changing in response to these community expectations because, as Meyer & Rowan (1977) point out, organisations can only achieve legitimacy by ensuring that their organisational structures and practices are consistent with current social principles, behaviours and values. Companies who see their legitimacy as under threat are likely to take a range of actions, including raising the level of disclosure about CG practices, to change stakeholders' perceptions and reassure them that their activities are sociably desirable (Reverte, 2009).

Legitimacy theory sees CG-related disclosure as central to maintaining legitimacy because of its importance in polishing corporate reputations and addressing public concerns (Filatotchev & Nakajima, 2014). However, it can also add corporate value; demonstrating conformance to social standards and expectations reassures markets and investors, who see it as an indicator of accountability (Certo et al., 2001), and makes it easier for companies to enlist the support of powerful stakeholders and access the resources they need (Branco & Rodrigues, 2008; Liao et al., 2015; Low et al., 2015).

Legitimacy theory appears to be a useful lens for interpreting the antecedents of CG disclosure and the influence of good CG on company performance. It has been employed in numerous studies, with the general conclusion being that most companies are driven to disclose information about their CG practices by the desire to improve their reputation in the environment in which they operate, and thus their legitimacy (e.g. Melis et al., 2015). On the other hand, the theory has some significant limitations. For example, it does not explicitly consider the differences in power of various stakeholder groups, placing main importance on financial stakeholders (Parker, 2005). Guthrie & Parker (1989) also argue that legitimacy theory does not adequately explain the drivers of compliance with CG mechanisms or the influence of CG quality on company performance. These limitations mean that the theory is best used in combination with stakeholder theory.

3.3.5 Stakeholder Theory

Stakeholder theory offers a broader perspective on CG than agency theory (Bendickson et al., 2016). It was developed in response to the criticism that

concentrating exclusively on the interests of shareholders will not lead to better performance or more effective accountability (Baydoun et al., 2013). As awareness has grown that corporations are not merely production systems but complex entities made up of multiple diverse and interrelated systems, all requiring equal attention and strategic thinking (Pande & Ansari, 2014), these corporations have come under increasing pressure to democratise their decision making and prioritise the maximisation of social, rather than just shareholder' welfare. (Gomez & Korine, 2008). Thus, countries following civil law (e.g. France, Italy, Germany and the Netherlands) have developed CG structures whose main role is to balance the interests of a wide range of groups including managers, employees, creditors, customers, suppliers and the wider community (Mulili & Wong, 2011).

The term stakeholder theory was first employed by Ansoff (1965), but it was Freeman (1984) who proposed a general theory of the company which posited that companies are accountable to a wide variety of stakeholders. Freeman (1984, p.53) defined stakeholders as "any group or individual who can affect or is affected by the achievement of the firm's objectives". In other words, stakeholder theory, rather than focusing solely on the interests of shareholders, also encompasses suppliers, employees, creditors, customers and any members of society who might be affected, directly or indirectly, by the firm's actions (Solomon, 2013; Phillips et al., 2003). Solomon (2010) suggests that the central question in stakeholder theory is how to identify these stakeholders, and researchers have made numerous attempts to categorise stakeholder groups. Clarkson (1995) identifies two categories of stakeholder: those playing a role within the company, which he calls the core group (employees, customers, creditors, the government and service providers), and those with no direct relationship with or authority over the company, which he calls the secondary group (special interest groups, competitors and others). Mitchell et al. (1997), meanwhile, draw on the legitimacy perspective to classify stakeholders into eight different groups on the basis of their importance and power. Supporters of stakeholder theory argue that companies have a responsibility to meet the legitimate demands not just of shareholders but also of these other groups. More pragmatically, acknowledging the interests of other stakeholders can also help a company enhance its profitability (Ayuso & Argandoña, 2009).

Jones & Wicks (1999, p.207) identify four fundamental assumptions of stakeholder theory:

> "(i) the firm has relationships with many constituent groups (stakeholders) that affect and are affected by its decisions; (ii) the theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders; (iii) the interests of all (legitimate) stakeholders have intrinsic value and no set of interests is assumed to dominate the others; and finally, (iv) the theory focuses on managerial decision making".

The theory posits that the responsibility of management is to maximise owners' wealth by providing a diverse range of products and services for a broad range of stakeholders, but at the same time, it also emphasises that the company must operate efficiently in its social context. In other words, it sees the company as a social entity (Letza et al., 2004). As this perspective has gained currency among policy makers, a range of legislative and regulatory mechanisms have been introduced to ensure companies take into account the environmental, social and ethical impacts of their activities (Pease & McMillan, 1993).

Stakeholder theory shares some assumptions with agency theory, such as the view that the separation of ownership and management leads to CG problems, and that contractual relationships between parties within the corporation play a vital role in mitigating these problems by reducing opportunistic management behaviour (Hill & Jones, 1992). On the other hand, stakeholder theory rejects agency theory's assumption that CG problems can be mitigated solely by aligning the interests of shareholders and managers. It posits instead that managers need to be accountable to the broader stakeholder base (Shankman, 1999); that CG problems are more likely to arise when the company defines its objectives in narrow terms – that is, when it concentrates solely on maximising shareholder interests – and that by broadening its objectives to serve wider societal interests, it can not only add economic value for shareholders but ultimately benefit society as a whole.

Stakeholder theory may also be considered an extension of agency theory in its view that by accommodating the interests and balancing the power of all relevant stakeholders (Christopher, 2012), managers can mitigate agency costs and thus enhance corporate financial performance (Hill & Jones, 1992). In terms of CG compliance, the BOD is seen as a key mechanism for responding to the views and interests of stakeholder groups (Freeman et al., 2004), while voluntary disclosure is

seen as a way of gaining the support of influential stakeholders (Chan et al., 2014; Tauringana & Chithambo, 2015) and reassuring them that their interests and rights are being protected (Liao et al., 2015). These stakeholders are then more likely to provide companies with the resources they need to thrive (Ruf et al., 2001; Ayuso et al., 2014). In general terms, the best way to avert and resolve CG problems is by creating an environment in which ethical behaviour, employee participation, inter-firm co-operation, trust and long-term relationships are encouraged (Keasey et al., 1997). Full participation by a range of stakeholders increases the likelihood that the information provided to the BOD will be accurate and comprehensive, which will in turn strengthen CG (Turnbull, 1997b). Supporters of the stakeholder perspective argue that this broad approach to CG can even give companies a competitive advantage; according to (Kelly et al., 1997), "Companies which draw on the experience of all of their stakeholders will be more effective and this social cohesion is a fundamental requirement for being internationally competitive" (p.244).

The central tenet of stakeholder theory is that as companies have got larger, so has their effect on society. Ijiri (1983) explains that this creates accountability relationships both inside and outside the company, with employees and officers being accountable to their immediate superiors within the organisational hierarchy, and the company as a whole being accountable to shareholders, consumers, creditors, the government and the general public. Benston (1982), who also argues that firms should be accountable to shareholders, stakeholders and the general public, asserts that internal and external monitoring systems, and the free market system as a whole, are sufficient to protect the interests of employees, customers and creditors. As far as management accountability is concerned, he claims that: "External auditors and published financial statements serve to monitor and control the actions of managers" (p.92). However, critics of stakeholder theory claim that making managers accountable to an array of stakeholder groups without giving them guidance on how to resolve potential conflicts of interest can lead to poor results (Patrick et al., 2015). On the other hand, appointing them specifically to serve certain stakeholder groups may create division within the board and weaken its ability to take collective decisions (Varottil, 2014). In these circumstances, stakeholder-oriented governance might actually undermine accountability.

Although stakeholder theory is a useful lens for explaining CG practice, it has been criticised for not clarifying how the interests of different stakeholder groups can be aligned (Sternberg, 1997), and for failing to be sufficiently specific on the question of corporate purpose or mechanisms for sound governance (Sternberg, 1997; Jansson, 2005; Lepineux, 2005; Plaza-Ubeda et al., 2010; Tse, 2011). Sternberg (1997), for example, claims that "An organization accountable to everyone is actually accountable to no one" (p.5) and argues that efforts to balance stakeholder interests may not be worthwhile. The theory has also been criticised on the grounds that giving equal weight to all stakeholders might actually have a damaging effect on company welfare (Etzioni, 1998).

In conclusion, the research employs stakeholder theory and legitimacy theory to gain a more comprehensive picture and deeper understanding of CG and accountability practices within Libyan listed companies. The first of these was selected because most listed companies in Libya are mostly or entirely state-owned. As such, they are expected to provide outputs to a variety of stakeholders within the broader social context; not only must they protect the rights of shareholders, but they must also take into account the interests of all relevant stakeholders. Legitimacy theory was considered appropriate because the LSM and indeed the concept of CG itself are still becoming established in the Libyan environment. Under the LCGC (2007), Libyan listed companies are required to disclose in their financial statements brief details of the CG mechanisms they have implemented, which have not been implemented, and the reasons for noncompliance. By complying with this requirement, listed companies can reassure all relevant stakeholders that their interests are being protected, thereby enhancing their legitimacy and reputation (Melis et al., 2015). Furthermore, as more listed companies signal their compliance with these CG practices, the practices themselves also gain in legitimacy.

3.4 Development of the Concept of Corporate Governance (CG)

Cadbury (1992) defines CG as the method through which a company is directed and controlled. Since the emergence of agency theory, which posits that there is a fundamental conflict of interest between board members and executive officers on the one hand and shareholders and stakeholders on the other, there has been a growing awareness of the need for legislation to protect owners' interests. Accordingly, many countries have now introduced legislation requiring corporations to apply CG

principles. Jensen & Meckling (1976) argue that CG is central to reducing the problems that arise when ownership is separated from management – a view that has been echoed in numerous other studies. Within the accounting and financial literature, the ongoing debate over how to enhance the performance of joint-stock companies has extended to encompass issues such as the separation of ownership and management and the relationship between the two, ownership structures, financing, information asymmetry and board accountability (Cheffins, 2001; Labelle, 2002; Monks & Minow, 2004).

According to Shleifer & Vishny (1997) and Turnbull (1997), effective CG reassures investors that they will see a return on their investments, and that managers will not waste their capital or use it unwisely; in other words, it enables them to supervise the managers. The company's CG mechanisms should ensure that decision making is transparent and that directors are clearly accountable to shareholders; that accounting standards are applied and the necessary information is supplied to directors, investors and other stakeholders to enable them to make decisions; that company policies are in line with national and international laws and regulations; and that the board, which should be elected by shareholders, is able to vote on key issues and make decisions. The following sections discuss how a number of countries have attempted to implement the concept of CG.

3.4.1 Corporate Governance in the UK

Following a series of reforms in this area, the UK is now regarded as a world leader in CG (Solomon, 2013). The modern evolution of CG in the UK began with the publication of the Cadbury Report in 1992 by the Committee on the Financial Aspects of Corporate Governance. The report, which followed the collapse of several major joint-stock companies (e.g. Maxwell and BCCI), was designed to restore market confidence in corporations' financial reporting by setting out principles for financial and accounting practice. The report addressed issues such as audit effectiveness, the relationship between shareholders, directors and auditors and the structure and responsibilities of the BOD (Rayton & Cheng, 2004). British companies registered on the London Stock Exchange were advised to follow the recommendations in the report, which sought to enhance the independence of the board and executive officers, and to improve transparency and disclosure. The report emphasised the importance of board committees such as the audit, nomination and incentive committees and urged

that these (especially the audit committee) should be made up of independent members from outside the company. It emphasised that:

> "Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. ... The Board's actions are subject to laws, regulations and the shareholders at the general assembly meeting" (p.14).

The report also advised that the BOD should be separate from top management and that both should be accountable to shareholders. Finally, it recommended that shareholder participation (in terms of both rights and responsibilities) should be increased in the interests of disclosure and transparency (Cadbury Report, 1992; Stiles & Taylor, 1993). Since 1993, listed companies have been required by the stock exchange to disclose the extent to which they comply with the Cadbury Report's recommendations and to explain any deviations therefrom.

The next step forward came in 1995, when the Confederation of British Industry (CBI) issued a group study in response to growing shareholder concern about directors' remuneration (Greenbury Report, 1995). As part of its remit to identify effective practices for determining director remuneration and prepare a code of practice for the UK (Short, 1999), the Greenbury Committee produced a code dealing explicitly with: "The establishment, membership and status of remuneration committees; the determinants of remuneration policy for executive directors and other senior executives; the disclosure and approval of the details of remuneration policy; and the length of service contracts and the determination of compensation when these are terminated" (James, 1996).

Further progress was made in 1998, when the Hampel Committee issued a set of regulations and procedures outlining the responsibilities of directors, and the Accounting Principles Board (APB) issued guidelines to help auditors assess the extent of companies' commitment to and application of CG principles. The APB's report identified seventeen "principles of corporate governance", which were grouped into four main categories: directors, the remuneration of directors, shareholders, and auditing and accountability (Short, 1999). The report was designed to protect investors' interests and enhance the standing of UK listed companies (Rayton & Cheng, 2004). A year later, the Turnbull Report sought to provide guidance to listed firms on how to implement internal control requirements (Kendrick, 2000). This

guidance covered five main areas: the internal audit, the importance of internal control and risk management, preserving an effective internal control system, reviewing internal control effectiveness and BOD disclosure regarding internal control (Vinten, 2001).

The continuing importance of the Cadbury Report was highlighted in 2000, when the *Combined Codes: Principles of Good Governance and Codes of Best Practice* drew on its recommendations to set out a vision of best practice (Greenbury Report, 1995; Moerland, 1995). By that point, corporate collapses in the US (e.g. WorldCom and Enron) had highlighted deficiencies in that country's CG system and triggered concerns about the CG system in the UK, particularly in regard to the internal audit function and audit committees, which were seen as key factors in the Enron collapse (Solomon, 2013). Accordingly, the Smith Committee was established in 2002 with the twin aims of reviewing the effectiveness of corporate audit committees in the UK and assisting boards and directors to ensure these committees operate properly (Smith Report, 2003). The Smith Committee responded to the concerns with the recommendation that audit committees should be made up of no fewer than three INEDs, one of whom should be qualified in the field of accounting or finance (Smith Report, 2003).

The following years saw a steady stream of initiatives, starting with the 2003 issue of the Higgs Report, which offered a set of recommendations aimed at enhancing transparency around the nomination and appointment of directors and increasing the level of expertise among board members (Rayton & Cheng, 2004). Like the Smith Report, the Higgs Report emphasised the importance of INEDs, recommending that these should account for at least half of board members. It also recommended the separation of the CEO and chairman roles (Dewing & Russell, 2004).The Higgs Report was followed that August by the reissue of a modified version of the Combined Code (Garratt, 2010).

In 2004, the Turnbull Review Group was launched by the Financial Reporting Council (FRC) to examine the impact of previous guidance and whether this guidance needed to be strengthened. In addition, a new revision was issued to help corporate directors assess whether their firms were complying with the Combined Code's requirements concerning internal control and risk management (Mallin, 2010). In 2005, Cadbury's recommendations were again used to produce guidelines for setting

remuneration for directors and executive officers. The guidelines underlined the importance of disclosing these remuneration arrangements in the annual report. In 2006, the Combined Code was revised again to include guidance on the roles of the CEO and chairman, board composition and the composition of the main sub-committees (Pass, 2006). A 2007 review by the FRC concluded that there was overall support for the UK Combined Code (2006), which was updated again in June 2008.

The Turner Review was set up in 2009 in response to a request from the then Chancellor of the Exchequer for an assessment of the causes of the 2008 financial crisis (Turner, 2009). The Turner Review concentrated particularly on the role played by internal control within CG and risk management (Solomon, 2010), but Tourani-Rad & Ingley (2010) argue that its failure to address the inadequacy of internal risk management mechanisms in minimising risk-taking in the banking sector made it necessary for the UK government to launch its own review of bank governance. This review, led by Sir David Walker, made a series of recommendations regarding risk management at board level; board skills, experience and independence; board practice; the role of institutional shareholders; and "how national and global practice can be spread" (Walker Review, 2009). In the same year, the FRC requested another revision of the UK Combined Code (Mizuno & Tabner, 2009). When this came in 2010, it covered five key principles: "leadership, effectiveness, remuneration, relations with shareholders and accountability". Further revisions followed in 2012 (in sections B.2.4 and B6.216) and 2014, before the current version of the Combined Code, now known as the UK Corporate Governance Code, was launched in April 2016. This version retains the same five key sections, namely: "leadership, effectiveness, accountability, remuneration and relations with shareholders" (FRC, 2016).

3.4.2 Corporate Governance in the US

The Sarbanes-Oxley Act of 2002 was the United States' response to a series of collapses among major American companies including Enron and WorldCom. The act imposes significant CG and disclosure requirements upon companies listed in the national stock exchanges as well as providing the main regulatory system for accountant independence and certification (Brewer et al., 2011). It requires CEOs and CFOs to certify the reliability of the financial information in corporate reports, mandates the structure and functioning of audit committees, forbids CEOs incentive

compensation upon accounting restatements, and prohibits executive loans and the procurement of non-audit services from auditors (Romano, 2009). Recognising the importance of external auditor independence, the act stipulates that there should be no conflict of interest in the relationship between the external auditor and the entity under review (Calder, 2008).

The Securities and Exchange Commission (SEC) has developed a number of rules to ensure that the provisions of the act are implemented, while the importance of CG principles has been further underlined by their adoption by high profile institutions such as the California Public Employee Retirement System (CalPERS) (Blue Ribbon Committee, 1999; Chandler et al., 2009).

There is some argument over whether the benefits of the Sarbanes-Oxley Act outweigh the expense of implementing its provisions, but it has undeniably been instrumental in renewing municipal confidence in capital markets by imposing auditing standards and corporate accounting rules. As Koehn & Vecchio (2004) point out, it has had a positive influence on audit committee activities and CG disclosure. It has forced corporations to spend more money on their internal control systems, particularly auditing, but this increase in expenditure has brought with it the long-term benefits of enhanced disclosure and transparency and more reliable financial statements, all of which are appealing to investors (Swartz, 2006).

3.4.3 Corporate Governance in Egypt

In its *Report on the Observance of Standards and Codes (ROSC)*, the World Bank, (2009) compared Egypt's implementation of CG with international principles, especially those issued by the OECD (2004). The report, which was conducted jointly by the World Bank and the International Monetary Fund, discussed the commitment shown by various states to international standards and rules. It made three key recommendations as far as Egypt was concerned. The first of these was that corporate, accounting and auditing law should be upgraded to protect shareholders' rights and enhance disclosure. It identified making these legislative changes – and ensuring that companies conform to them – as the top priority. Secondly, the report called for greater institutional strength, arguing that the disclosure provision should be imposed without exception. It advised that the Egyptian Stock Exchange (ESE) should improve its control capacity in terms of disclosure and train specialists to understand the CG principles and detect violations. Finally, the authors argued that voluntary and private

initiatives should be encouraged. Although there is growing awareness of the need for CG in Egypt, the rules and regulations are changing more quickly than the business culture. Managers have two key roles here: in establishing a national consensus (in cooperation with the ESE) regarding the role, duties and functions of the BOD and in setting CG principles, be they compulsory or voluntary; and in establishing mechanisms to train managers and increase their professional capacity (Fawzy, 2003; Rosc, 2004).

It is worth noting that Egypt's Managers' Centre, founded under the Ministry of Foreign Affairs' Decision No. 675 (2003), was the first centre to focus on CG in the Arab world. This centre aims at improving CG practice across Egypt, the Middle East and North Africa and deals with managers, executive officers, shareholders and stakeholders in both private and state-owned organisations. Working under the Ministry of Investment in cooperation with international organisations such as the World Bank, the International Finance Institute and the Centre of International Project Enterprise, the centre published the first two CG codes in Egypt. The first Egyptian Corporate Governance Code (ECGC), designed for private companies, was issued under Act No. 159 in 1981, though it was not registered on the ESE until 2005. The second, for state-owned projects (public sector companies), was issued under Act No. 203 in 1991 and registered on the ESE in 2007. Both were voluntary. In 2011, the ESE issued a revised version of the ECGC code for private firms, this time with the stipulation that any listed company not complying with its recommendations should disclose this and explain why (Abdelfattah, 2018). This was followed in 2016 by the issue of a third version of the ECGC. The new code offers Egyptian listed companies a range of guidelines to ensure the effective implementation of CG, again adopting the "comply or explain" approach, which the ESE considers fundamental to supporting compliance with CG principles (Abdelfattah, 2018).

To sum up, most of the experiments discussed above underline that the efficiency of CG practices in any country depends not only on the availability of suitable methods and organisational and legislative procedures, but also on the interaction between the internal and external systems on the one hand, and boards, auditing committees, executives and auditors on the other.

Countries around the world have rushed to implement CG principles because they offer the possibility of an advanced institutional administrative and accounting model

that helps companies achieve a high level of performance and accountability. However, cultural differences, including local economic and political conditions, affect how CG is applied in practice. As a result, different countries have implemented CG in different ways and with different concerns in mind.

CG mechanisms are a mixture of external and internal systems. External systems include government legislation (e.g. corporate, investment and privatisation-related law), stock market regulation, accounting and auditing standards and other systems designed to regulate the commercial environment. Internal systems are those procedures and principles that companies themselves apply to manage their activities and monitor performance in order to increase the value of the company (and the owners' wealth), protect the interests of relevant parties and ensure the business survives.

3.5 Insider and Outsider Models of Corporate Governance (CG)

As observed in section 3.4.3, the concept of CG has been implemented in different ways in different countries. The CG system in any given country is determined by a set of internal factors including the legal system, ownership structure, the state of the country's economy and political and cultural factors (Solomon, 2013). As a result, a wide range of CG frameworks have been developed. These may be broadly divided into those that are stakeholder-oriented and those that are shareholder-oriented. The former are found in countries that follow civil law (e.g. France, Italy, Germany and the Netherlands). In these countries, the main role of CG is to balance the interests of a wide range of groups including managers, employees, creditors, customers, suppliers and the wider community (Solomon & Solomon, 2004). Anglo-Saxon countries following common law, on the other hand (e.g. Australia, US, UK, Canada and New Zealand), have developed CG structures which focus upon the interests of shareholders. In these countries, the prime purpose of CG is to ensure managers achieve the firm's objectives (Mulili & Wong, 2011). These systems are known as insider and outsider models of firm control respectively; while the stakeholder model recognises that control is best placed in the hands of those who are closest to the company's day-to-day activities, the shareholder model recognises the distance between agents (managers) and principals (owners) (Mulili & Wong, 2011).

Solomon (2013, p.194) defines the insider-oriented system as "one in which a country's publicly listed companies are owned and controlled by a small number of major shareholders". The insider model of CG is characteristically two-tier, with shareholders appointing a management board and a supervisory board. The former deals with operational matters, is controlled by the Chief Executive Officer (CEO) and consists solely of executives, while the latter oversees both the management board and the company's strategic decision making. The chairman of the management board attends meetings of the supervisory board as a non-executive (Solomon, 2013). The aim in separating the administrative and monitoring functions in this way is to avoid conflicts of interest arising between owners and managers (Dahya & Mcconnell, 2002). The insider model is also characterised by "a high reliance on bank finance; concentrated ownership; weak legal protection of minority shareholders; a central role for stakeholders in the ownership and management of companies; weak disclosure; and limited freedom to merge or acquire" (Robertson, 2007, p.107).

Outsider systems, on the other hand, are defined by Solomon & Solomon (2004, p.150) as "systems of finance and corporate governance where most large firms are controlled by their managers but owned by outside shareholders, such as financial institutions or individual shareholders". Such systems are characterised by "equity finance; dispersed ownership; strong legal protection of shareholders; strong bankruptcy regulations and courts; less role for creditors, employees and other stakeholders in company management; strong requirements for disclosure; and considerable freedom to merge with or acquire other organisations" (Nestor & Thompson, 2000, p.5). Table 3.1 summarises the differences between the insider and outsider systems of CG.

Table 3.1 Features of Insider and Outsider Systems of CG

Feature	Insider System	Outsider System
Company owners	Insider shareholders	Outsider shareholders
Ownership structure	Concentrated ownership	Dispersed ownership
Ownership separation and control	Little	Separated
Agency problems	Rare	Exist
Control over administration	A small group of insider shareholders	A wide range of shareholders
Hostile takeover activity	Rare	Frequent
Investor protection	Weak in corporate law	Strong in corporate law
Shareholder rights	Likely abuse of authority by majority shareholders	Likely to be a shareholder democracy
Shareholder voting	Majority shareholders tend to have a louder voice	Shareholders more likely to exit than shout
Wealth transfer	Wealth transfers from minority shareholders to majority shareholders	Wealth does not transfer from minority shareholders to majority shareholders

Source: Adapted from Solomon (2013)

Notwithstanding their differences, insider and outsider systems share a few similarities. For instance, both advocate that boards should be elected by shareholders, that they should develop policy and that they should delegate authority to managers (Hilmer, 1998). The OECD (2004) recognises that no one model is applicable to all organisations, even within the same country, and in practice, most countries that have adopted CG draw on elements from both models (Solomon & Solomon, 2004).

However, adoption of the philosophy of CG has not prevented corporate failures and financial scandals such as those affecting the Golden Quadrilateral in India and Enron and WorldCom in the US (Kakabadse & Kakabadse, 2003). This has led to calls for the development of a comprehensive CG framework which increases the remit of independent directors and encourages boards to make more use of external advisors (Cutting & Kouzmin, 2000; Monks, 2002). Advancing corporate globalisation has made the discussion of CG more urgent; it is widely acknowledged that company managers play a key role in both developed and developing countries, but, as Davies & Schlitzer (2008) observe, CG practices are currently inconsistent.

3.6 The Importance of Corporate Governance (CG)

Monks & Minow (2004) argue that CG has become increasingly important in the wake of financial meltdowns in some of the world's most prominent companies, while Jaswal (2015) argues that companies need to focus on the legal, economic and social consequences of their activities if they are to be successful. Beyond this, however, Claessens & Yurtoglu (2012) give two reasons why CG is vital to global economic development. Firstly, companies with good CG are more likely to attract private investors, making it especially important in countries making the transition to a market-based economy. Secondly, the opening up of financial markets, advancing technology, trade liberalisation and other structural reforms are all contributing to an increase in the level of domestic and foreign investment in developing countries. Good CG is especially crucial in these countries if they are to increase investor confidence, enhance their competitiveness and achieve economic growth. According to the International Finance Corporation (IFC), CG's primary role in emerging markets is to improve companies' access to global stock portfolios, but it is also a way to ensure the quality of decision-making processes and enhance companies' prosperity in the long term (IFC, 2005).

The OECD (2004) claims that good CG can play a significant role in enhancing the productivity and economic growth not just of individual firms but of whole economies:

> "Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring. The presence of effective corporate governance systems, within an individual company and across an economy as a whole, helps to provide a degree of confidence that is necessary for the proper functioning of a market economy. As a result, the cost of capital is lower and firms are encouraged to use resources more efficiently, thereby underpinning growth" (p.11).

3.6.1 The Economic Importance of CG

The ultimate objective of CG in practice is to improve company performance and ensure investors receive a return on their investment. There is a direct correlation between the quality of governance and economic performance. First and foremost, high-quality governance works to reduce investment risk and consequently the cost of capital. It is therefore important in attracting investment (Kambil et al., 2006). It

reassures shareholders and prospective investors that they will achieve an adequate return on their investment and that their rights will be safeguarded – this is especially important to minority shareholders. Crucially, effective CG mechanisms ensure that agents cannot place their own interests ahead of principals' (Wheelen & Hunger, 2004). Providing full and transparent information to investors enables them to learn more about the company and its performance, how successfully it is implementing corporate strategy and how it determines risk.

Claessens (2006) identifies a number of reasons why CG has become increasingly important:

1. Privatisation: more companies are going public to maximise their capital.
2. Liberalisation: trade liberalisation and the establishment of stock markets are increasing the flow of international capital.
3. Firms are getting bigger, and financial intermediaries and institutional investors are playing an increasingly important role.
4. Recent corporate reforms and new institutional arrangements rely on effective CG systems.

3.6.2 The Legal Importance of CG

Corporate and financial law, accounting standards and audit regulations collectively form the legal backbone of the CG framework. In an effort to ensure that this regulatory framework operates efficiently, in 2002, the Institute of International Finance (IIF) issued a CG code of its own that was designed to be compatible with existing capital market law (IIF, 2002).

As far as investors are concerned, CG offers a safety valve, increasing transparency, improving control procedures and protecting their rights (e.g. voting rights and the right to participate in strategic decision making). The obligation to disclose details of company performance and financial health and management decisions means that shareholders have the information they need to be able to determine the risks of investing in the company. As far as the company is concerned, CG plays a key role in improving economic performance. It strengthens the relationship between managers, the BOD and shareholders and has a significant impact on the regulatory framework, which in turn determines the company's objectives, which take into account the interests of shareholders. Companies with good CG enjoy greater investor confidence,

as investors see this as a guarantee that their rights and interests will be legally protected (Calder, 2008).

3.7 Mechanisms of Corporate Governance (CG)

Supporters of agency theory emphasise that effective CG mechanisms are important to protect shareholders' rights and interests (Fama & Jensen, 1983). Dalwai et al., (2015) argue that it is necessary to recognise what impact these mechanisms are having, and to monitor them constantly to ensure that the interests of agents do not conflict with those of other stakeholders. Wahba (2015) also argues that CG mechanisms should be regularly evaluated. There is a broad consensus among researchers that CG mechanisms can be divided into two groups: internal mechanisms (established by the company) and external mechanisms (established by the market) (Al-Baidhani, 2015). However, they disagree about which mechanisms belong in each group and how these mechanisms affect the overall CG system (Jensen, 1993). It is perhaps not surprising then that they have not yet found a way of classifying CG mechanisms that suits all countries (Weir et al., 2002).

Brennan & Solomon (2008) found that both accounting and finance researchers tend to concentrate on internal mechanisms, but while the former generally focus on disclosure, transparency and audit committees, the latter tend to concentrate on mechanisms related to the BOD and its performance. In its explanation of the CG framework applied in this research, this part of the chapter discusses both internal CG mechanisms (the BOD, the audit committee, internal auditing, disclosure and transparency) and external mechanisms (shareholders' rights and external auditing).

3.7.1 The Board of Directors Mechanism

As the key link between management and shareholders (Al Daoud et al., 2015; Yoo & Reed, 2015) and the senior internal governance mechanism (Abdullah, 2016), the BOD plays a crucial role in CG practice. Cadbury (2002, p.31) attributes central importance to the board, defining it as "the bridge between those to whom the board is accountable and those who are accountable to the board". It is the main internal governance mechanism in charge of supervising and controlling executive directors' decisions (Al-Manaseer et al., 2012) and resolving any conflicts of interest between managers and other stakeholders (Halal et al., 2014). Its responsibilities may include developing long-term strategy, determining the compensation of corporate executives,

evaluating the performance of managers and improving internal control systems (Marciukaityte et al., 2009; Cimerovaa et al., 2015; Brooks, 2016). Such is the BOD's importance, legislation exists to determine its responsibilities and to set out expectations concerning its performance (Volonté, 2015). This legislation demands that it protects shareholders' rights and interests by monitoring the performance of and offering advice to senior management (Keay & Loughrey, 2015; Bankewitz, 2016). The Cadbury Report (1992) pays particular attention to the BOD as it considers this one of the most important mechanisms for achieving CG best practice. Accordingly, the following sub-sections discuss this mechanism in more detail, including some of the factors that impact upon its effectiveness.

3.7.1.1 Unitary and Dual Boards

Corporate law in most developed and developing countries compels companies to have a BOD to look into the affairs of the company. This board may be unitary (one-tier) or dual (two-tier) in structure. A unitary board is usually made up of a mix of executive and non-executive directors who are elected by shareholders during the GAM (Jungmann, 2007). Its responsibilities cover all the activities of the company. This type of board, which is widespread in Anglo-Saxon countries such as in the US, the UK, Australia, Canada and New Zealand, is associated with the shareholder model of CG (Hayes et al., 2014). In contrast, the dual board is made up of two separate entities: a supervisory board and an executive (or management) board. The supervisory board, which is appointed by shareholders, is responsible for the company's strategic decision making and for appointing and overseeing the executive board. The executive board, meanwhile, is responsible for managing the day-to-day operation of the company. This model is widespread in countries that depend on civil law and are influenced by the stakeholder model of CG, such as France, Japan, Germany, Austria, Denmark and the Netherlands (Jungmann, 2007; Mallin, 2013).

Both the dual board and the unitary board system have their advantages. The dual board system allows stakeholders to be represented on the board, thus protecting their interests (Solomon, 2007), and unlike the unitary board, there is a clear separation between the monitoring and management functions, the chairman and CEO roles, and executive and non-executive directors (Maassen & Van Den Bosch, 1999). On the other hand, supporters of unitary boards argue that the one-tier system fosters closer

relationships between directors and other stakeholders and allows better information flows (Mallin, 2007).

The majority of boards in the MENA countries are unitary and comprise a combination of executives and NEDs (IFC, 2008). This is also stipulated in the LCL of 2010, though as the following sections will show, it is unclear to what degree NEDs are represented on the boards of Libyan listed companies.

3.7.1.2 Board Composition

Most international CG codes and rules, recognising that board composition directly impacts upon company activities and value, recommend that BODs in listed companies should have equal numbers of executive and non-executive directors or even a majority of NEDs, since this facilitates the board's role as a governing authority (McKnight & Weir, 2009). Such recommendations highlight the impact of board composition on independence, monitoring, effectiveness and performance. Ahmed et al., (2006) argue that NEDs enhance the board's objectivity and its ability to make independent judgements because they may raise questions that executive directors miss and contribute new insights to the decision-making process (Minichilli et al., 2009). This is contingent, however, on executive directors and NEDs having a mutual understanding (Roberts et al., 2005). In the case of INEDs, it is important that they are truly independent; Al-Sawalqa (2014) notes that Jordan's Corporate Governance Code defines INEDs as "one whose directorship constitutes his only connection to the Bank, and whose judgement is therefore unlikely to be influenced by external considerations".

As the BOD is the principal entity responsible for planning and controlling the operations of the company, its members need to be highly qualified and fully conversant with their duties towards the company (Klein, 1998). Solomon (2010) makes the point that to enhance the board's administrative efficiency, a balance needs to be struck not only between executives and non-executives but also between those with practical experience and those with relevant educational qualifications. The most talented and qualified people are more likely to be recruited if there are mechanisms in place to ensure that the right candidates are appointed and that directors are fairly compensated (Fratini & Tettamanzi, 2015; Walker, 2005).

It is uncertain whether all this is happening in Libya. The LCGC, issued by the LSM in 2007, and the 2005 Libyan Bank Code stipulate that the majority of board members should be NEDs, but there is no conclusive evidence that Libyan listed companies comply with this requirement. It is also questionable whether these companies pay sufficient attention to qualifications and experience when appointing new board members. Consequently, this was one of the empirical phenomena examined in this research.

3.7.1.3 Board Size

Given the vital importance attributed to the BOD mechanism in the CG literature, it is not surprising that there has been significant concentration on the linkage between board size and firm performance (Isik & Ince, 2016). However, empirical proof of the effect of board size on company performance is still inconclusive (Hassan et al., 2017); although the number of directors is considered a key determinant of effectiveness, there is disagreement over what constitutes the optimum board size (Abdulsamad et al., 2018; Tulung & Ramdani, 2018). Those authors arguing the merits of large boards claim that these boards perform better because they encompass a wide range of up-to-date skills, which allows them to make better decisions and monitor CEO performance more closely (Rechner & Dalton, 1991; Abidin et al., 2009; Al-Matari et al., 2012; Al-Janadi et al., 2013; Haan & Vlahu, 2016). Albu & Girbina (2015) argue that large boards are more capable of monitoring the actions of senior management and that their CG practices are likely to be more advanced, which Jensen & Meckling (1976) point out can reduce agency costs and lead to better financial performance. Al-Mosharrafa (2015) also asserts that large boards are more effective at overseeing companies than small boards.

In contrast, other studies argue that small boards are more effective (Dabor et al., 2015). Alzoubi & Selamat (2012), for example, explain that communication between directors in small boards is easier and that there is less chance of misunderstandings. Yermack (1996) examined a sample of 452 US companies and concluded that small boards were the best choice for these companies as they were the most likely to increase the companies' market value. Similarly, Chan & Li (2008) identified an inverse relationship between the size of the board and company performance, while Jensen (1993) concluded that a small board is better able to oversee a company's activities effectively. In a study of 450 non-financial corporations from the UK,

Switzerland, the US, Canada, Germany, France, Italy, Holland, Spain and Belgium, De Andres et al., (2005) found that large boards generally perform worse than small boards, and that their lack of flexibility and coordination outweighs any potential advantages.

The difficulty of determining the best board size is acknowledged in a number of national CG codes; the UK's codes, for example, do not specify an ideal board size, though they advise corporations to give careful thought to composition. Thus, the UK Combined Code (2006) recommends that: "The board should not be so large as to be unwieldy. The board should be of sufficient size that the balance of skills and experience is appropriate for the requirements of the business and that changes to the board's composition can be managed without undue disruption".

Boards in listed companies should have between eight and ten members. Libya's Commercial Law (2010) does not stipulate a board size but leaves this to the general assembly to decide. In contrast, the LCGC (2007) recommends that the board should have between three and eleven members (Benomran et al., 2015), while the Libyan Banking Code (2010) requires commercial banks to have no fewer than five and no more than seven members on the board, the majority of whom should be NEDs. However, there is no conclusive proof that Libyan listed companies comply with these requirements in practice, and hence, this issue was investigated in this research.

3.7.1.4 Selecting and Appointing Board Members

The UK CG Code (2010) recommends that appointments to the board should be scrutinised by a nomination committee in order to ensure that a suitable balance of experience and skills is maintained within the board (and by extension, the company). The rules for selecting and appointing board members are typically stipulated in national CG codes and regulations (Mallin, 2013), with the result that they vary from one country to another. In countries with a unitary board system, board members are generally elected by the shareholders, while in countries with a dual board system, supervisory board members are appointed by shareholders and management board members are appointed by the supervisory board.

In Libya, the LCGC (2007) stipulates that the general assembly, as the shareholders' representative, is solely responsible for selecting board members. The assembly is supposed to choose candidates according to specific criteria, the most important of

which are technical and practical efficiency, specialist knowledge and experience. However, there is no definitive evidence that Libyan listed companies are practically committed to this requirement. Accordingly, this was investigated in this research.

3.7.1.5 Duties and Responsibilities of the Board of Directors

The Cadbury Report (2002, p.33) describes boards as "the link between shareholders and managers, companies and the outside world. This is why the board is inescapably the centre of the government system". Investigations carried out in the wake of corporate collapse have focused particularly on the board's role and found that in many cases, corporate boards bore the major part of the responsibility because they failed to perform their monitoring function adequately, instead allowing companies to engage in manipulative behaviour without restriction (Popli & Popli, 2015). First and foremost, the BOD plays a vital role in overseeing the management on behalf of shareholders and protecting the latters' interests, though its effectiveness in this supervisory function is likely to be influenced by several factors such as its size, composition, diversity and whether the positions of CEO and chairman are separated or shared (Brennan, 2006).

Mallin (2007) describes the primary role of the BOD as being to set the company's objectives and monitor the achievement of its goals; its responsibilities include appointing the CEO, holding regular meetings and making appropriate decisions in areas within its purview. Views differ on the importance of regular meetings to board effectiveness; Abdulsamad et al., (2018) caution that holding meetings too often can lead to directors becoming too involved in day-to-day management and leave the CEO feeling controlled by the board, and that directors should not call for a meeting unless necessary to discuss a particular problem, while Noor & Fadzil (2013), on the other hand, argue that holding regular meetings can help improve company performance.

Taking a broader view, Clarke (2007) describes the BOD as having three main roles: (i) the control role, which requires it to monitor management performance and ensure accountability to stakeholders; (ii) the strategic role, which requires it to make key strategic decisions and/or monitor strategic decisions taken by senior management; and (iii) the institutional role, which involves establishing institutional relations with shareholders, stakeholders and society as a whole.

Given the differing views described above, it is perhaps not surprising that while the BOD is a widely recognised legal mechanism, the roles ascribed to it vary from code to code (Brennan, 2006). The UK Combined Code (2006) states that the role of the board is to give skilled leadership and design wise and effective oversight mechanisms to assess and manage risk. It stipulates that it is the duty of the board to "make decisions in an objective way and in the company's best interests". Recognising that the purview of the board should be clearly defined, the code recommends that: "There should be a formal schedule of matters over which the board has the right to make decisions". It also recognises the importance of good information flow in helping the board carry out its roles effectively; it advises that: "There should be appropriate reporting procedures defined for the board and its subcommittees", that the board should have regular meetings, with an agenda, and that: "All directors should have access to the company secretary and also be able to take independent professional advice". Finally, it recommends that all directors receive appropriate training when they are first appointed to the board.

As far as Libya is concerned, the LCGC (2005) makes no explicit recommendations concerning the board's role or responsibilities, but the LCGC (2007) describes the board's role as being:

- To make all decisions and conclude all actions necessary to achieve the objectives of the company;
- To set policies and issue internal orders pertaining to the company's administrative and financial affairs;
- To invite the general assembly to convene;
- To prepare an annual report, signed by the chairman, to be submitted to shareholders for review at least seven days before the GAM.
- The BOD can vest its authority in an executive committee formed from some of its members and determine the period of this authorisation. The authorisation should not extend to include issues that may lead to fundamental changes in the company.

The 2010 version of the LCGC adds that among the functions and responsibilities of the BOD is the job of monitoring the implementation of policy. Once again, however, there is no conclusive empirical evidence that boards in Libyan listed companies

perform their roles and responsibilities in accordance with the requirements of the LCGC. This was therefore another area of investigation in this study.

3.7.1.6 Chief Executive Officer (CEO) and Chairman

The CEO is responsible for the day-to-day operation of the company, while the board chairman is responsible for running the BOD. Duality refers to a state where the CEO and chairman positions are occupied by the same person (Pillai & Al-Malkawi, 2017; Abdulsamad et al., 2018). Theoretical paradigms differ on the desirability of CEO duality; agency theory posits that separating the two functions ensures that the board can monitor the activities of the CEO and protect shareholders' interests (Abdullah, 2016), while stewardship theory claims that this division of power is more likely to lead to competition and conflict and to undermine the CEO's ability to make important investment decisions and raise firm performance (Abdulsamad et al., 2018). However, the majority of international CG codes, and most of the literature, favour the separation of the role of CEO and chairman.

Researchers have argued that combining the two roles gives the individual concerned too much power (Mallin, 2013), and that this may make them more inclined to put their own interests ahead of the company's (Al-Matari et al., 2012). Meca & Ballesta (2009) conclude in their research that CEO duality leads to less control being exercised over the behaviour and activities of managers, while Mohamad-Nor et al. (2010) argue that it adversely affects the timeliness of annual reports. Empirical results have been mixed, however; Shrivastav & Kalsie (2016) appeared to offer support for the widespread opposition to CEO/chairman duality when they found a significantly negative association between CEO duality and company performance, but Moscu (2015) found a positive association between the same two variables. Furthermore, there are those who argue that the cost of separation may outweigh its potential benefits (Brickley et al., 1997).

In Libya, both the 2007 and 2010 versions of the LCGC stipulate that the roles of CEO and chairman must be separated, but there is no definitive evidence that Libyan listed companies are practically committed to this requirement. Accordingly, this was investigated in this research.

3.7.1.7 Non-Executive Directors (NEDs)

Bliss (2011) defines NEDs as board members who have no relationship with the company other than their directorship, and who own only a small amount of stock. Much of the CG literature focuses on why companies should appoint NEDs, but their impact on corporate performance is a matter of debate (Georgiou et al., 2012). Agency theory suggests that the presence of NEDs on the board is critical to protect stakeholders' interests, and that their knowledge and experience assist the board in its monitoring function, eventually leading to improved corporate performance (Fama & Jensen, 1983). Since their own reputation also relies on this performance, they have an additional incentive to facilitate the oversight process and increase value for shareholders (Rouf, 2011). The importance of NEDs in protecting shareholders' interests is highlighted by numerous researchers, including Yoo & Reed (2015), who argue that having a large percentage of NEDs on the corporate board is the main requirement for ensuring that shareholders' interests and rights are protected, and Volonté (2015), who claims that NEDs are better able to offer this protection than executive directors.

Others discuss the importance of NED independence in promoting board performance; Al-Faryan (2017) argues that boards with a higher proportion of NEDs are better able to control managers, thereby alleviating agency problems, while Lemonakis et al., (2018) indicate that NEDs can help boards be more independent, efficient and effective. Al-Janadi et al., (2013) conclude that NEDs can help boards improve the quality of their reporting and be more independent in their decision making, while Muniandy & Hillier (2014) and El-Faitouri (2014) argue that appointing a combination of executive and non-executive directors minimises the probability that the decision-making process will be dominated by one person or group within the board.

NEDs are thus widely regarded as central in helping BODs to achieve company objectives by enhancing board control, serving as a counterbalance to executives and contributing to the overall leadership and development of the firm (Shalba, 2016). Their key roles may be summarised as being to contribute to strategic decision making, to protect the interests of shareholders and to ensure the company continues to perform competitively (Pye, 2001).Their perceived importance is reflected in the prominence given to NEDs in CG codes and stock market laws and regulations

around the world (Muravyev et al., 2014); many require boards to have a combination of executive and non-executive directors, or even a majority of the latter.

However, there are a number of obstacles that can prevent NEDs from carrying out their responsibilities effectively. Bozec (2005) argues that NEDs may sit on several different boards, leaving them only limited time to devote to any one board or to learn about the company's activities. They may also be asked to undertake complex tasks with inadequate information, leading to poor results. This leads Pye (2001, p.191) to observe that:

> "Even where NEDs are encouraged to contribute to and interrogate executive actions and proposals, they do not have perfect access to information or even access to perfect information: hence even those who have no prior connection with a board (i.e. 'truly independent') are still very much in the hands of the chairman and the CE in terms of how agendas are put together, meetings are framed, information shared and decisions made".

A couple of studies have examined the role of NEDs in the MENA countries. Hussain & Mallin (2002) examined CG practice in firms listed on the Bahraini Stock Exchange and found that a number of these firms had NED-dominated boards. In contrast, El-Mehdi (2007) points out that the majority of board members in Tunisian listed companies are executives, and that the positions of CEO and chairman are often held by the same person. These two sets of results suggest that this aspect of board composition varies significantly across the MENA region.

As far as Libya is concerned, the LCGC (2007) stipulates that the majority of the BOD must be NEDs, and that no board member should sit on more than five company boards at once. In the absence of any definitive evidence that Libyan listed companies comply with these requirements, this empirical issue was investigated in this research.

3.7.1.8 Independent Non-Executive Directors (INEDs)

Considerable attention has been paid by academics and policy makers to the question of NED independence (Volonté, 2015). INEDs are seen as central to ensuring the independence of the board and thus its ability to carry out its principal role of monitoring managers (Romano et al., 2008); Prabowo & Simpson (2011) go so far as to define board independence as the proportion of INEDs to the total number of company directors. Al-Sahafi et al., (2015, p.6) define an INED as "a member of the board of directors who does not have a full-time management position at the

company, or who does not receive a monthly or yearly salary". Independent of managers and of any relationships that might interfere with their judgement or decision making (Habtoor & Ahmad, 2017), INEDs are seen as a sign of CG quality; Braswell et al., (2012), for example, claim that the presence of INEDs indicates strong CG mechanisms, and that boards with a high proportion of INEDs are more likely to support managers by routinely monitoring their activities. The perceived importance of board independence means that CG codes in developed and developing countries alike pay attention to INEDs (Lappalainen & Niskanen, 2012; Abdullah, 2016). Most leading CG codes recommend that the majority of board members should be independent; the UK CG Code (2010), for example, stipulates that no less than half the board (excluding the chairman) should be INEDs.

There is a wide, but not universal, consensus in the CG literature that the presence of INEDs significantly improves board performance and consequently company value. Isik & Ince (2016) argue that having a high proportion of INEDs on the board positively affects company performance, while Garefalakis et al., (2017) conclude that board independence is positively associated with efficiency. Similarly, Cotter & Silvester (2003) found that most Australian firms benefit from having INEDs on their boards, while Deli & Gillan (2000) found a direct correlation between board independence and company performance.

However, Lawrence & Stapledon (1999) take the opposite view, arguing that INEDs generally fail to add real value to companies and claiming that many lack the ability or the time (for example because of extensive commitments elsewhere) to make a real difference. The authors argue that the ability of INEDs to contribute may in any case be limited if the board is dominated by executive directors and affiliated NEDs. They may not even be truly independent, for example if they have a personal relationship with the CEO, if they have held the appointment for a long time, or if they are an executive director elsewhere. These factors can all reduce the INED's effectiveness in their monitoring role. Finally, Lawrence and Stapledon argue that INED monitoring can actually be counterproductive in some circumstances, for example if it adversely affects decision making.

Turning to the MENA countries, Jordan's CG code (2007) for the banking sector recommends that boards include at least three INEDs (whether these represent natural persons or legal entities), indicating that this is now seen as a key aspect of CG best

practice (Al-Sawalqa, 2014). In Libya, the LCGC (2010) requires the board to be independent of the bank's management in order to avoid any possible conflict between the monitoring and management processes and to strengthen accountability. The same code emphasises that there should be at least two INEDs on the board. Even so, there is no definitive evidence that boards in Libyan listed companies ensure that directors are practically independent, so this was another empirical issue investigated in this research.

3.7.1.9 Board Sub-committees

The concept of board sub-committees emerged early on in the development of CG as a mechanism for protecting the integrity of corporate boards and dealing with potential conflicts of interest with managers. Since then, the mechanism has become an essential element of CG in both developed and less-developed countries, and is widely seen as evidence of high CG standards (Lekvall, 2012). Board sub-committees strengthen CG by allowing independent monitoring of the BOD's activities and improving board accountability (Brown et al., 2011). They also enhance board effectiveness and efficiency (Jiraporn et al., 2009) by carrying out key tasks on its behalf. The board is responsible for supervising: the preparation of the annual financial reports, strategic decision making, internal control systems, risk assessment, auditing practices and CG systems. At least some of these tasks are delegated to sub-committees, though the board retains overall responsibility and accountability for these functions (Baker & Anderson, 2010). Most CG codes recommend that boards appoint a minimum of three sub-committees: the audit committee, the nomination committee and the remuneration committee (Brown et al., 2011). Others, such as a finance committee, an executive committee or a risk management committee, may be set up as required (Baker & Anderson, 2010; Kaczmarek & Nyuur, 2016). In each case, the BOD should delegate specific responsibilities and tasks to the committee and set out its scope and the limits of its authority (Kaczmarek & Nyuur, 2016).

3.7.1.9.1 Audit Committee

Since the publication of the Cadbury Report in 1992, the number of UK companies establishing audit committees has increased significantly (Farhat, 2014) as appreciation has grown of the centrality of these committees to effective CG (Salleh & Haat, 2014; Abdulsaleh, 2014; Ghafran & O'Sullivan, 2013; Pathak et al., 2014).

Arguably one of the most crucial sub-committees in the BOD (Albaqali & Kukreja, 2017), the audit committee's task is to enhance corporate transparency, accountability and reporting quality (Bhasin, 2016) and thereby support shareholder confidence (Kaczmarek & Nyuur, 2016). Brennan & Solomon (2008) highlight its role in enhancing the accounting function, and most CG codes regard the audit committee as an important mechanism for evaluating internal control systems (Kasswna, 2012). Vera-Munoz (2005) observes that interest in the effectiveness of audit committees has increased significantly in past two decades. Researchers have investigated the committee's role in both developed and developing countries (e.g. Tengamnuay & Stapleton, 2009; Ghafran & O'Sullivan, 2013; Abdulsaleh, 2014; Akinteye et al., 2015), offering a range of insights into its various roles and the factors that impact its effectiveness.

Abdulsaleh (2014) defines the audit committee as

> "a committee of directors of an organisation whose specific responsibility is to review the annual financial statements before submission to the board of directors. The committee generally acts as liaison between the auditor and the board of directors and its activities may include the review of nomination of the auditor, overall scope of the audit, results of the audit, internal financial controls, and financial information for publication".

Rezaee (2009, p.120), in his definition, gives a comprehensive description of what is expected of the committee:

> "The audit committee is a committee composed of independent, non-executive directors charged with the oversight functions of ensuring responsible CG, a reliable financial reporting process, an effective internal control structure, a credible audit function, an informed whistle-blower complaint process and an appropriate code of business ethics with the purpose of creating long-term shareholder value while protecting the interests of other stakeholders".

The view that the audit committee's key purpose is to monitor the integrity of the financial reporting process is shared by numerous authors and regulators (e.g. Sarbanes-Oxley, 2002; Madhani, 2015). Isa & Farouk (2018) note that an effective audit committee can enhance the reliability and integrity of corporate financial statements, while Ali (2014) says that the committee can improve monitoring of the financial reporting process. Numerous authors have highlighted the importance of the audit committee in preventing fraud and reducing errors in companies' financial statements; Goodwin & Seow (2002), for example, reveal that Singaporean

corporations with effective audit committees appear more able to detect financial fraud and avoid financial misstatements, while Xie et al., (2003) claim that audit committees perform a significant role in averting irregularities in the financial reporting process. Salleh & Haat (2014) conclude that assigning NEDs to the audit committee boosts the BOD's ability to fulfil its obligation to ensure the reliability and truthfulness of corporate financial statements. By aiding the BOD in this task, the audit committee helps alleviate agency problems between the company and external shareholders (Alghamdi, 2012).

Khelil et al., (2016) describe the audit committee and the internal audit function as the two main mechanisms for enhancing corporate financial transparency and protecting shareholders' interests. The relationship between the two functions is important in ensuring the efficiency of the company's oversight and risk management arrangements (Alzebana & Sawan, 2015); not only does the committee depend on the internal audit department to be its "eyes and ears" and to supply it with financial, managerial and operating information (Oxner & Oxner, 2006), it also depends on the department to recommend external auditors, negotiate audit fees and assess their work (Eller, 2014). For its part, the audit committee has the power to promote the effectiveness and independence of the internal audit by acknowledging the importance of its activities (Turley & Zaman, 2007; Ahmad et al., 2009) and insisting that (i) the internal audit report is sent straight to the audit committee instead of senior management (Tricker, 2015) and (ii) it, rather than directors, appoints the senior internal auditor (Goodwin & Yeo, 2001). The committee can also strengthen the internal audit function by acting as its intermediary with managers (Goodwin & Yeo, 2001) (or the BOD or external auditors (Liao & Hsu, 2013)). A number of researchers emphasise that the audit committee plays a vital role in promoting effective internal control systems through regular monitoring (Bardhan et al., 2015).

In terms of the committee's role in the external audit, the view among many regulators and researchers is that it should play the primary role in monitoring the effectiveness, independence and impartiality of external auditors (Smith, 2003) and in recommending their nomination or dismissal to the BOD (Bédard & Compernolle, 2014). According to the Smith Report (2003), UK audit committees should also review the letter of appointment sent to the external auditor, the scope of the audit and the adequacy of the planning process. At the end of the audit process, the audit

committee should check the outcomes of the audit, the report submitted to the administration, and the management's response. Alrshah & Fadzil (2013) argue that the audit committee should also be responsible for supervising the relationship between managers and the external auditor who is reviewing the financial statements, and for resolving any disputes between the two. This all helps ensure the quality of the external audit process and enhances confidence in the final report (Bédard & Compernolle, 2014). However, while numerous researchers have argued that audit committees play a vital role in enhancing the independence, quality and objectivity of the external audit process, there are still those who doubt the extent of their influence in practice. Bédard & Compernolle (2014), for example, argue that corporate directors still tend to forge relationships with external auditors, and that audit committees do not have sufficient power to protect the independence of these external auditors.

The audit committee's perceived importance is such that it has been the focus of numerous studies investigating the impact various characteristics have on its effectiveness (Shawtari et al., 2015). The following sections discuss four of these characteristics – the independence, size and expertise of the committee, and the frequency with which it meets – in more detail.

3.7.1.9.1.1 Independence of Audit Committee Members

Most definitions highlight independence as one of the audit committee's fundamental attributes (Mbobo & Nweze, 2016). The committee is expected to have at least three members, two-thirds of whom should be non-executive (Alaswad & Stanišić, 2016). To be considered independent, these committee members should have no financial or personal relationships with the firm or its executive directors (Persons, 2009), as these would compromise their ability to perform their supervisory role (Keay & Loughrey, 2015). Independence allows committee members to deal with matters in an impartial and objective way, taking into account the interests of directors and relevant stakeholders (Hasan & Xie, 2013). Previous studies (Abbott et al., 2004; Klein, 2002), which have generally measured audit committee independence as the ratio of external independent directors to the total size of the committee, have found a positive relationship between audit committee independence and the quality of internal control within the company (Krishnan, 2005), and a negative association between this independence and the incidence of re-drafted or falsified financial reports (Persons, 2005); in other words, independent audit committees provide better-quality financial

reporting (Lin et al., 2006). Abbott et al., (2000) also reveal that companies that have an independent audit committee are more likely to appoint external auditors who are specialists in the company's field. The findings of these studies offer strong support for the view that an independent audit committee contributes positively to ethical financial reporting and oversight (Persons, 2009). For these reasons, most researchers in this field recommend that audit committees should be made up entirely of non-executive and independent directors.

3.7.1.9.1.2 Audit Committee Size

Much of the audit committee literature focuses on the matter of committee size. This is measured as the number of members required to carry out the duties of the committee (Pucheta-Martínez & García-Meca, 2014; Mbobo & Nweze, 2016). Utama & Leonardo (2014) advise that the committee should comprise at least three INEDs, one of whom should be appointed chairman, while the UK Combined Code (2008, p.17) recommends that: "The board should establish an audit committee of at least three, or in the case of smaller companies two, independent non-executive directors. At least one member of the audit committee should have recent and relevant financial experience". Avison & Cowton (2012), in their analysis of corporate reactions to the Combined Code, found that most UK companies followed these guidelines.

Albring et al., (2014) suggest that the size of the audit committee may serve as an indicator of its effectiveness, and a number of researchers have argued that the larger the committee is, the more efficient it can be. For example, Lemonakis et al., (2018) claim that a larger committee is better equipped to monitor and implement the internal audit function's policies, while Bedard et al., (2004) argue that it is more likely to possess the strength and expertise it needs to monitor the financial reporting process effectively. Yin et al., (2012) suggest that is likely to have greater access to resources and administrative talent, allowing it to offer more effective oversight, while Soliman & Ragab (2014) show that larger committees are less likely engage in earnings management. On the other hand, Abbott et al., (2004) found no significant association between audit committee size and the quality of financial reporting. On balance, however, most research seems to suggest that audit committee size may be relevant to the quality of financial reporting in a company.

In other areas of committee performance, DeZoort & Salterio (2001) conclude that although larger audit committees are more likely to be well-resourced than smaller

ones, coordination and communication can become more difficult. Finally, in a survey of 500 companies, Vafeas & Waegelein (2007) found a positive association between committee size and audit fee levels, suggesting that larger committees request more audits.

3.7.1.9.1.3 Expertise of Audit Committee Members

Audit committee members may come from a variety of backgrounds, but if they are to perform their monitoring function effectively, they must have the relevant technical expertise (Ghafran & O'Sullivan, 2017). Velte (2017) explains that this includes knowledge and experience in the areas of accounting, auditing, financial reporting and internal controls. Multiple studies have provided empirical support for the value of having financial experts on audit committees. For example, Agrawal & Chadha (2005) and Abbott et al., (2004) both found a negative association between the incidence of financial restatement and the presence of financial expertise among committee members, while Abdulsaleh (2014b) found a positive association between financial expertise on the audit committee and financial report quality, signifying that the presence of such expertise enhances financial monitoring. McDaniel et al., (2002) and Zhang et al., (2007) also show that expert members are better equipped than their non-expert colleagues to oversee the quality of financial reporting, while DeZoort & Salterio (2001) point out that audit committee members with financial and auditing knowledge are better able to understand auditor judgements and to support the auditor in any conflict with management. They are also more likely to detect material misstatements. Bedard et al., (2004) found that aggressive earnings management is negatively associated with the presence of at least one member on the committee who has accounting/financial expertise. Finally, Krishnan (2005) identified a significant negative association between the presence of accounting/financial expertise and the occurrence of internal control problems. Abdulsaleh (2014b) argues that taken together, these outcomes suggest that having experts with accounting, auditing and finance experience on the audit committee is more likely to foster high-quality CG.

3.7.1.9.1.4 Audit Committee Meetings

The US's Blue Ribbon Committee (BRC) (1999) suggests that frequent meetings are central to the audit committee's ability to maintain its relationship with internal and external auditors, as well as to its general effectiveness. Accordingly, most CG codes

recommend at least three or four meetings per year, with additional extraordinary meetings as required (Yang & Krishnan, 2005). Ali (2014) suggests that regular meetings allow the audit committee to play a more active and effective monitoring role, a view endorsed by the Smith Report (2003), which sees meetings as central to the audit committee's work. However, while Persons (2009) sees frequent meetings as an indicator of diligence, Hogan et al., (2014) argue that this may actually be a symptom of committee ineffectiveness or even a warning sign of approaching failure in the financial reporting process.

Several studies have sought to investigate the relationship between the frequency of audit committee meetings and financial reporting quality, but again, the results have been mixed. Thus, while a US-based study by the BRC (1999) concluded that having frequent meetings helps strengthen the quality of financial reporting, neither Soliman & Ragab (2014) nor Baxter & Cotter (2009) found any significant association between meeting frequency and financial reporting quality. Those proposing a link between meeting frequency and CG include O'Sullivan et al., (2008), who cite a positive association between meeting frequency and forward-looking information disclosure in corporate financial statements, and Chen & Zhou (2007), who conclude that this is a significant element in enhancing CG practice. These authors argue that the audit committee's ability to detect any financial offence and sort out problems in the financial reporting process is heavily dependent on how frequently it meets to consider matters affecting the corporation.

In Libya, the LCGC (2007, 2010) requires Libyan listed companies to establish an audit committee of no fewer than three members, all of whom must be NEDs and at least one of whom must be a specialist in finance or accounting. The rules for appointing the members of the audit committee, their length of tenure and the committee's method of working should be determined by the BOD. The LCGC stipulates that the functions and responsibilities of the audit committee in Libyan listed companies must include the following: (i) directly supervising the internal audit conducted by company managers and verifying its accuracy; (ii) examining the internal control system of the company and producing a written report giving opinions and recommendations; (iii) making recommendations to the BOD regarding the appointment of the external auditor and sequestration, and the determining of fees; (iv) checking the annual financial statements before referring them to the BOD; and

(v) checking administrative and accounting policies and making recommendations where necessary to theBOD. Since there is no conclusive proof that Libyan listed companies comply with these requirements in practice, this was investigated in this research.

3.7.1.9.2 The Nomination Committee

Most CG codes stipulate that the BOD should establish a nomination committee to make recommendations regarding the appointment and replacement of board members (Madhani, 2015), but few studies in the CG literature have focused on nomination committees (Agyemang-Mintah, 2015), probably because the financial crisis has led researchers to direct their attention to other areas. Often the smallest board body, the nomination committee's duties and responsibilities are set by the BOD, which may from time to time review the work of the committee. Its main job, according to Eminet & Guedri (2010, p.558), is to "define the profiles of directors needed on the board and to suggest future director candidates", but other important tasks and responsibilities include identifying potential nominees for the posts of chairman and CEO; advising on the suitability of candidates for board membership, including those nominated by investors; and advising on the suitability of candidates for executive positions in the company, including those nominated by investors (Chhaochharia & Grinstein, 2007). The committee has the authority to engage and pay a specialist company to help it select candidates for these positions, if it sees fit. More broadly, the committee is responsible for conducting a periodic review of current CG guidelines and advising the board of any changes required in the company's CG practice. It is also responsible for reviewing the company's code of ethics and for advising the board of any modifications that are needed to comply with changes in the legal framework or stock market regulations. Finally, it is responsible for checking the self-assessments that are submitted by board members, the remuneration committee and company executives to the BOD (Minichilli et al., 2007).

The UK CG Code (2010) recommends that the nomination committee should consist mostly of INEDs, and that it should be headed by the board chairman or by one of the INEDs. The committee's ultimate aim should be to boost the effectiveness of the board by ensuring that it appoints capable and qualified directors from a diverse range of backgrounds (Eminet & Guedri, 2010; Walther & Morner, 2014; Kaczmarek & Nyuur, 2016). The assumption is that the committee will protect the independence of

the board by mitigating the influence of the CEO and chairman on the selection process and improving the separation of control and management (Shivdasani & Yermack, 1999). Its involvement in the selection process also enhances the legitimacy of the appointed candidates, making it easier for them to independently fulfil their responsibilities. For their part, nomination committee members have a strong interest in recruiting capable directors because these appointments reflect on their own reputation (Huse, 2007).

3.7.1.9.3 The Remuneration (Compensation) Committee

There has been much discussion of the role played by the remuneration committee in the CG literature (Alkahtani, 2015). From the Greenbury Report onwards, the argument has been made that the remuneration of senior executives should be linked to performance (Solomon, 2013). Accordingly, the key responsibility of the remuneration committee is to review and endorse the incentives and bonuses offered to the CEO and other senior executives (Chhaochharia & Grinstein, 2007). It is seen as playing a vital role in preventing potential conflicts of interest between managers and shareholders by making recommendations to the BOD which ensure that senior staff are suitably and fairly rewarded for their contribution to the company's long-term success (Madhani, 2015). Its responsibilities also include setting bonuses and retirement benefits for directors (Kanapathippillai, 2016) and reviewing the employment terms and conditions of senior managers (Kaczmarek & Nyuur, 2016). The committee is responsible for preparing and endorsing an annual report of its activities, which is usually published in the company's annual report. It is expected to assess its own performance on an annual basis in order to determine whether it is performing its functions and responsibilities effectively, and to provide minutes of its meetings to all members of the BOD. Like the nomination committee, it has the authority to engage experienced consultants to help it fulfil these responsibilities (Minichilli et al., 2007).

The remuneration committee is essential to prevent executives from determining for themselves the level of remuneration owed to them (Mallin, 2013); hence the requirement that its members should be INEDs with no personal interest in the company (Idowu & Caliyurt, 2014). The UK Combined Code (2008, p.15) advises that the remuneration committee should comprise "at least three or in the case of smaller companies, two, independent non-executive directors".

As far as the MENA countries are concerned, Naciri (2008) observes that in Saudi Arabia, as in many other countries in the region, there is now specific legislation requiring that candidates should only be appointed to sub-committees such as the nomination and remuneration committees if they meet specified criteria. The Egyptian CG code (2005) recommends that all listed companies establish a nomination and a remuneration committee, and that these should be mostly INEDs.

In Libya, the LCGC (2007) recommends that nomination and remuneration committee members should be selected by the BOD, though it is up to the general assembly to issue rules and criteria for choosing these candidates, and to determine how long they should serve and how the committee should operate. The LCGC identifies the duties and responsibilities of the nomination and remuneration committees as being: to annually review the skills required of board members, identifying the strengths and weaknesses of the board and improving it in line with the company's interests; to check the structure of the board and prepare a set of recommendations thereon; to advise the board regarding prospective candidates' suitability for board membership, in accordance with approved policies and standards; to monitor the independence of board members each year and detect any conflicts of interest; and to set clear policies for the compensation and remuneration of directors and senior executives. Again, in the absence of any definitive evidence that Libyan listed companies are practically committed to this requirement, this was investigated in this research.

3.7.2 Disclosure and Transparency Mechanism

Disclosure and transparency are the twin pillars of CG (Doski, 2015). As there is widespread support for the view that effective measures for ensuring disclosure and transparency are central to achieving control of the company's activities (Solomon, 2013), their importance is stressed in numerous CG codes and reports (Al-Sawalqa, 2014).

The issue of disclosure has received an increasing amount of interest from researchers, some of whom have provided their own definitions. Oliver (2004), for instance, defines disclosure as offering information in advance (as opposed to permitting users to obtain information after the fact, which is how he defines transparency). Bushman et al., (2004), meanwhile, define disclosure as "firms making

available specific information to people outside publicly-traded firms" (p.207). Abdullah et al., (2015) also difine disclosure is the "minimum information which promulgated regulation requires from a reporting entity" (p.330). The OECD Principles (2004) call for the full and timely disclosure of all relevant information to shareholders, including information relating to the company's financial position, performance and supervision arrangements. Nam & Nam (2004) highlight two key reasons why this is critical: shareholders need access to this information to protect their own interests and rights; and it is central to preventing managers from making suboptimal decisions and majority shareholders from engaging in activities that adversely affect minority shareholders. Focusing particularly on the disclosure of financial information, Archambault & Archambault (2003) describe this as a complex process influenced by a range of financial, economic, cultural and political factors. In the case of Libya, for example, the failure of commercial banks to comply with even compulsory disclosure requirements between 2000 and 2006 (Kribat et al., 2013) was largely due to the absence of accounting standards, which permitted organisations even in the same sector to implement accounting principles, methods, rules and measures in different ways (Ahmad & Gao, 2004).

Enhanced disclosure leads to enhanced transparency – one of the most important goals of CG reform all over the world (Solomon, 2013). The Basel Committee on Banking Supervision (2006) sets out the relationship between disclosure, transparency and effective CG thus:

> "It is difficult for shareholders, other stakeholders and market participants to effectively monitor and properly hold accountable the board of directors and senior management when there is a lack of transparency. This happens in situations where the shareholders, other stakeholders and market participants do not receive sufficient information on the ownership structure and objectives of the bank with which to judge the effectiveness of the board and senior management in governing the bank" (p.15).

In other words, disclosure and transparency are interrelated, and both are crucial to achieving effective CG (Jhunjhunwala & Sharvani, 2011). Improving the levels of disclosure and transparency is also likely to help reduce agency costs as the company allows information about its activities and financial position to flow to shareholders, reducing the level of information asymmetry between investors (both existing and potential) and directors (Solomon, 2013; Mugaloglu & Erdag, 2013).

The desire to increase the level of corporate transparency has been a major driver of initiatives to reform CG practice (Shiri et al., 2016). The UK Combined Code (2003), for example, recommends that transparency be enhanced by making the chairmen of the BOD, audit, remuneration and nomination committees available to answer questions at the GAM. The link between transparency and CG is also a recurring theme among researchers; Summers & Nowicki (2006) define transparency as a set of actions that together establish reliable CG, while Khiari & Karaa (2013) describe it as one of the best proofs of good CG because it guarantees the disclosure of both financial and non-financial information (Bhasin, 2009). Discussion of transparency generally tends to concentrate on the extent to which the offered disclosure is in line with users' requirements and whether it is compulsory or voluntary (Ho et al., 2012). Bushman et al., (2004) approach the concept by identifying two main dimensions of transparency: financial and governance. The first they define as "a relative measure of the availability of financial information to those outside the firm due to the disclosure, interpretation, and dissemination of financial information by firms, financial analysts, and media reporters" (Bushman et al., 2004, p.219), while the second they define as "a relative measure of the availability of information for outside investors to hold officers and directors accountable" (ibid).

Libya's corporate legislation addresses the requirement for accounting disclosure in Article (572) of the LCL (1972), which states that the managers of joint-stock companies must prepare lists of income, a balance sheet and a report on the company's activities each financial year. Disclosure and transparency are also at the heart of Act No. (11/2010), which covers the duties and jurisdiction of the General Board of the LSM. Article (4) of the act stipulates that the board is responsible for ensuring the disclosure of all information necessary to investors and relevant to the issuing of negotiable instruments, while Article (3) describes its objectives as being to guarantee the fairness, effectiveness and transparency of transactions in the LSM. Pursuant to this objective, Article (7) specifies that the board's duties include setting regulations and conditions governing disclosure by companies operating in the field of securities. These companies are obliged to disclose any information that could affect their activities or financial position, including information regarding any changes the board believes may affect the value of securities. Finally, the LCGC (2007) stipulates that Libyan listed companies must disclose what has and what has

not been applied in respect of the CG rules. Provision therefore exists within the law, but there is no definitive evidence regarding the level of disclosure and transparency prevailing within Libyan listed companies in practice. Accordingly, this issue was investigated in this research.

3.7.3 Internal and External Audit Mechanisms

Both the internal and external audit mechanisms play an important role in enhancing the quality of CG systems (Abdulsaleh, 2014a). They are both fundamental to the formation of an effective CG structure, as is the interaction between the two (Daykin, 2006; Alzebana & Sawan, 2015); Gil et al., (2012) conclude that in banks with good CG, there is strong cooperation between the two functions.

Corporate scandals over the last decade have underlined the importance of the internal audit function (Eulerich et al., 2017), which is defined by Kasim (2015, p.91) as

> "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of the risk management, control, and governance processes".

Al-Matari et al., (2014) see the internal audit mechanism as contributing significantly to the company's ability to achieve its objectives, while Hutchinson & Zain (2009) argue that it is the main mechanism strengthening the company's management and supporting the audit committee. The internal audit function is in turn supported by this committee (Ahmad et al., 2009), part of whose job is to test the design and implementation of the company's internal control system and the credibility and fairness of its financial reports. The relationship between the internal audit function and the audit committee is important to both sides; one of the key responsibilities of the audit committee is to support the independence of the internal auditors so that they can carry out their duties properly, while the committee relies on the information provided to it by internal auditors to perform its oversight role (Al-Baidhani, 2015).

Empirical studies of the internal audit function in MENA countries include those by Oussii & Takatak (2015), who reveal that in Tunisian listed companies, internal auditors focus only on financial auditing and internal control systems and are subject to restrictions that weaken their independence and limit the scope of their intervention, and Ebaid (2011), who shows that while most Egyptian listed companies

have an internal audit department, they tend to lack independence, qualified staff and management support. Like Oussii & Takatak, Ebaid notes that the role of the internal audit is generally limited to the financial audit, even though its formal duties theoretically extend to cover administrative and technical auditing. Finally, he concludes that the interaction between internal and external auditors remains weak. These findings suggest that the internal audit function within Egyptian listed companies still faces several challenges that impact negatively on its effectiveness in terms of CG.

The external audit function is designed to strengthen investor confidence by making the company's financial disclosure more reliable and increasing transparency (Sikka, 2009; Suwaidan & Qasim, 2010; Khalid et al., 2016). Hired by shareholders on a yearly basis, external auditors are responsible for producing an independent and impartial evaluation of the firm's processes and systems, including the annual financial statement detailing operational outcomes and its financial position (Alabede, 2012). This assessment is then submitted to the shareholders (Al-Thuneibal et al., 2011). The external auditor's role in maintaining good CG is broadly acknowledged (Alabede, 2012); most CG codes stipulate that one or more external auditors should be chosen to monitor the company's processes and whether or not they are in compliance with international accounting standards (Abdulsamad et al., 2018). As a consequence, external auditors are more highly regarded in the framework of CG than internal auditors.

The LCGC (2007) stipulates that: (i) Libyan listed companies must have an effective internal control system; (ii) internal auditors should provide a quarterly report to the BOD and the audit committee describing the extent of the company's compliance with the laws and rules that regulate its activities; and (iii) the BOD should determine the objectives, functions and terms of reference of the internal audit in Libyan listed companies. With regard to the external audit, the LCGC 2007 states that Libyan listed companies should choose an external auditor registered in the LSM to review their financial statements. It stipulates that the external auditor's main duty should be to express an impartial opinion on the accuracy of the financial statement as a reflection of the company's financial position and results. The LBL (2005), meanwhile, requires each bank to "assign the audit of its accounts annually to two different external auditors". However, there is no definitive evidence that Libyan listed companies are

practically committed to these requirements. Accordingly, this was investigated in this research.

3.7.4 Shareholder Rights Mechanism

Shareholders' rights are usually stipulated in company laws and regulations, and protecting these rights is considered the essence of good CG practice. The importance of protecting shareholder rights is highlighted in many CG codes and principles, including those issued by the OECD (2004) (Shanikat & Abbadi, 2011). Implementing procedures to protect the rights of shareholders directly increases confidence in the company (Klapper & Love, 2004). These procedures include maintaining clear records of ownership and share trading, giving shareholders regular and timely information about the company's activities, and allowing them to participate in GAMs and to elect and remove from office members of the BOD. Finally, they should be given warranties of dividend distribution (Zattoni & Judge, 2012).

The OECD's second principle (2004) states that CG should guarantee equal treatment for all shareholders, including minority shareholders and foreign subscribers, and that companies should set in place a system and procedures to ensure that shareholders have the same voting rights whether they are inside or outside the country where the company is located. All shareholders should be allowed the opportunity to obtain adequate compensation if their rights are violated, with a system in place that guarantees their right to take legal and administrative action against the BOD and the executive administration of the company (Solomon, 2013). Murphy & Topyan (2005) point to the particular importance of protecting the rights of minority shareholders, who may be less active within the company than majority shareholders. Chhaochharia & Laeven (2009) argue that a company's ability to offer this protection is enhanced by adopting good CG, while La Porta et al., (1999) look at this relationship from the opposite direction, suggesting that the protection of minority shareholders' rights is a prerequisite to achieve good CG, given that "corporate governance is, to a large extent, a set of mechanisms through which outside investors protect themselves against expropriation by insiders" (p.4).

A number of researchers have highlighted the issues associated with protecting shareholder rights in developing countries in particular. Al-Haddad et al., (2011)

describe this as the key problem facing corporations in these countries, while Ahunwan (2002) and Al-Gharaibeh et al., (2013) observe that conflicts between managers and shareholders are common, often exacerbated by poorly-functioning capital markets, information asymmetry and a lack of infrastructure. Additional problems arise because majority shareholders often seek to take control; as La Porta et al., (1999) point out, this creates agency problems not only between corporate managers and their shareholders, but also between majority and minority shareholders.

In Libya, shareholders' rights in joint-stock companies listed in the LSM are protected by legislation such as the LCGC (2007) and Act No. (23/2010), which contain a range of articles addressing the same concerns as are addressed in the OECD Principles. Article (155), for example, refers to shareholders' rights to attend GAMs, vote and access information about the company's activities. Article (235) refers to the distribution of dividends to shareholders and share disposal rights. Again, however, there is no definitive evidence regarding whether these rights are protected in practice within Libyan listed companies. Accordingly, this issue was investigated in this research.

3.8 Corporate Governance Practices in Emerging Markets

The markets of developing countries which have grown in recent times are referred to here as emerging markets. Most are struggling with enormous informational deficits and they differ significantly from their US and UK counterparts in terms of accounting transparency, corruption, liquidity, taxes, volatility, governance, and transaction costs (Bruner et al., 2002). As Allen (2005) points out, most CG literature emphasises that firms must prioritise shareholders' interests, but this is much more difficult in emerging, as yet unperfected markets. Although most have institutions and legal systems in place to protect shareholders' interests, these are not yet sufficient to materially influence how companies are run.

Weak CG has been identified as the most important underlying cause of economic crises in emerging markets. Singh & Zammit (2006), for example, cite "(i) poor CG, (ii) poor state of competition and (iii) the close relationship among government, business and banks, which leads to crony capitalism" as the major flaws within Asian

business practice. Oman et al., (2003, p.7) offer one explanation for the comparative lack of interest that has been shown in CG in developing countries:

> "In developing countries, the widespread preponderance of smaller firms that do not have listed shares and of large family-owned, state-owned and/or foreign-owned companies whose shares are also not widely traded locally is thus an important reason why the potential importance of corporate governance was long ignored".

However, Claessens & Yurtoglu (2012) argue that it is in the interests of emerging markets to promote good CG because it helps corporations access finance, reduce capital costs and improve both performance (in terms of returns on equity and general efficiency) and their treatment of stakeholders.

3.8.1 CG Practices in the Middle East and North Africa (MENA) Countries

The MENA region consists of Egypt, Iraq, Algeria, Kuwait, Bahrain, Jordan, Libya, Oman, Lebanon, Sudan, Saudi Arabia, Yemen, the United Arab Emirates (UAE), Morocco, Tunisia, Qatar and Syria (Piesse et al., 2012). These countries, which together account for approximately 4% of the global population, are broadly similar in terms of religion, culture and traditions, but are at different stages of economic growth, mainly due to the distribution of natural resources. The average annual income differs from country to country, but collectively, they produced a GDP of almost $2 trillion in 2009, or around 2% of the global total (Piesse et al., 2012). In terms of their approach to CG, a number of studies have indicated that countries in the region are increasingly adopting new or updating existing CG codes and regulations, and that more firms are seeking to improve their CG practice.

One of the main studies considering CG in Algeria was conducted by Brahim & Nourredine (2017), who employed a questionnaire survey to investigate the state of CG in four joint-stock companies in the Chlef region. They found that the CG concept was not as widely understood or practised as it should be, which they attributed to the dominance of the family ownership model (which also creates succession problems), poor relationships between the key actors, and a legal and organisational environment that does not encourage CG.

In their examination of CG practices in Egypt and Saudi Arabia, Piesse et al., (2012) also employed a questionnaire survey to gather basic company information, this time followed by semi-structured interviews with senior managers. Their results revealed

that in both countries, the main corporate observers were foreign investors, the state and family shareholders. Ownership was less concentrated in Saudi Arabia than in Egypt, especially in family companies. The authors recommend that CG practices in other MENA countries should be examined closely in order to evaluate whether the results for Saudi Arabia and Egypt are applicable elsewhere.

Mubarak (2012) also investigated CG in Egypt, comparing it with the situation in UAE. Drawing on annual reports and other documentary evidence, he compared listed companies from the two countries in terms of their level of compliance with the CG code, finding that Egyptian listed companies exhibited a lower level of compliance than their UAE counterparts. His results revealed that ownership had no major influence on compliance in either country.

Again concentrating on Egypt, Fawzy (2003) evaluated the extent to which the country's CG standards, laws and rules are in line with the OECD's five principles. He found that Egyptian firms were still far from implementing the CG principles correctly. The five key principles were also at the heart of Shanikat & Abbadi's (2011) Jordan-based study. This sought to assess actual CG practice in the Jordan Stock Exchange in terms of the JSE's own framework and the five key principles. Drawing on interviews with key staff members in listed companies and its annual reports, the authors concluded that: (i) transparency and disclosure were seen as significant, though the quality of this disclosure was seen as more important than the quantity; (ii) boards were fulfilling their responsibilities because these are clearly defined in regulations and law.

One of the main studies to consider CG in Tunisia was by Taktak & Triki (2012), who investigated the CG characteristics of Tunisian listed banks in an attempt to reveal how internal CG mechanisms influenced their effectiveness during the period 2002-2009. The authors found that effectiveness was influenced by board size and structure and by the ownership structure. They also found that Tunisian public banks were less efficient than private banks. El-Mehdi (2007) also identified a significant relationship between CG and performance in listed companies in Tunisia. This author argues that firms should be looking for ways to strengthen CG to enhance performance, though he acknowledges the inhibiting effect of Tunisia's tradition of concentrated ownership and the limited legal/regulatory guidance available.

In Lebanon, when Saidi (2004) assessed management practice against the OECD principles, he found that Lebanese managers did not trust the legal system to protect their contractual rights, and that laws and procedures were being interpreted and applied inconsistently. Moreover, the results revealed that senior managers wasted 10% of their time dealing with regulatory issues. The author concludes that CG is an integral part of public governance and that it must address malpractice and corruption. He points to the need for a self-governing body to monitor the implementation of CG within the Lebanese Stock Exchange.

In Oman, the economy experienced a massive jolt when the Muscat Stock Exchange began trading in 1998, forcing it to revise its laws. The Muscat Securities Market was restructured to become three independent bodies: the Capital Market Authority (CMA), the Muscat Securities Market and the Muscat Depository and Securities Registration. Oman became the first Arab country to separate its legislative and regulatory framework (Al-Flaiti, 2010). According to Solomon (2013), the CMA produced the country's very first CG code in 2003. Al-Busaidi (2005, cited in Solomon, 2010) argues that Omani listed companies demonstrate a reasonable degree of compliance with this code.

One of the core studies to have considered CG in Saudi Arabia was conducted by Falgi (2009), who investigated CG and accountability practices, the CG framework and the effect of economic, social and cultural factors on CG in the country. The study employed a combination of semi-structured interviews and a questionnaire survey. It found that CG is still in an embryonic state in Saudi Arabia, with a lack of accountability, a weak legal framework and little protection for shareholders. Those wanting to see the widespread adoption of CG practices face the additional challenge that BODs in the country are often controlled by major shareholders.

Another Saudi-based study was that by Al-matari et al., (2012), who sought to examine the impact of board composition and size and audit committee size, independence and activities on listed company performance. Like Falgi, they found CG practice in Saudi Arabia to be at an early stage of development, and they too identified lack of accountability and weaknesses in the legal framework as key hurdles to the proper application of CG. Audit committees play an active role in CG, but these authors found audit committees in Saudi firms to be generally ineffective and lacking in qualified and independent members.

In another investigation of the relationship between CG mechanisms and performance in Saudi listed companies, Al-Faryan (2017) found a significant negative association between performance and the independent board member and CEO turnover variables. He attributed this to low investor confidence in the market. However, as the negative value of independent board directors was very close to zero and the level of significance was only 10%, the finding should perhaps be treated with some caution.

Finally, the Union of Arab Banks (2007) conducted a survey among key senior personnel in 67 banks across Oman, UAE, Jordan, Egypt, Yemen and Qatar to assess the level of CG compliance in these banks as compared to international best practice. The results indicated that in most of the banks, shareholders enjoyed the right of access to secure methods of ownership registration, the ability to transfer shares, timely access to relevant information, the right to participate and vote in general shareholder meetings, the authority to elect and dismiss board members and the right to share profits. However, the survey found that more policies were needed to safeguard the rights of minority shareholders. Most of the banks offered a high level of disclosure of material information and financial transparency, in line with international standards, and most had written policies regarding their code of ethics and CG systems. The study concludes by suggesting that greater emphasis needs to be placed on designing and implementing training programmes for employees on CG requirements and internal controls.

3.8.2 Corporate Governance (CG) in Libya

As a newly emerging market, Libya has so far been paid relatively little attention by CG researchers. This subsection highlights the findings of the few studies that have addressed CG practices in the Libyan environment.

Arguably the most important of these was that conducted by Larbsh (2010), who sought to gain an initial understanding of CG practice in developing economies, with a particular focus on Libya. Data were gathered by means of 453 questionnaires distributed to six groups of stakeholders and ten semi-structured interviews with policy makers. The results of the study suggested that Libya lags far behind its neighbours and that its CG framework is less developed. The survey participants were of the view that the stakeholder model of CG is more acceptable in the context of Libya, and that BODs must act more responsibly and on behalf of stakeholders. The results also suggested that a firm's CG framework is shaped by both internal (the

influence of board members) and external (the legal system and the level of economic development) factors.

The other major study was conducted by Zagoub (2011), who focused on CG practice in Libyan commercial banks. This study investigated the perceptions of different stakeholder groups regarding CG practices in these banks with the aim of understanding how these practices have been shaped by institutional pressures and whether they are broadly similar or differ from bank to bank. To this end, semi-structured interviews were conducted with a range of stakeholders in 2009, following which a questionnaire survey was used to examine CG practices in three different banks (one state-owned, one private-owned and one part-foreign-owned). The questionnaire survey, which was distributed to various stakeholder groups in 2010, sought to investigate whether the ownership structure or any other factors influenced CG practices in these three banks.

The study found that Libyan commercial banks were then still in the early stages of adopting CG. The CBL had only issued its LCGC in 2005 and the guidelines were still voluntary, with the result that the principles were being ignored by many banks, and there were numerous examples of poor practice. The results showed that various institutional pressures were shaping CG practice and reforms, including the requirements of the Libyan Bank Law and the CBL, but that these pressures were targeted only on board composition. The influence of these institutional pressures on CG practice therefore depended to some extent on the ownership structure of the bank. Overall, the study concluded that the CBL urgently needed to put greater effort into encouraging Libyan commercial banks to adopt good CG practices. This call appears to have been heard by the CBL, which updated and replaced the LCGC in 2010 before making it mandatory in 2011.

The preceding sections highlight that as CG has become a main requirement for businesses in all countries – both developed and developing – awareness of its importance has grown across the MENA region. In general, the literature argues that there is an urgent need to investigate CG mechanisms and practice in these countries. Numerous studies have concluded that CG practices and structures are affected by factors unique to each country, and that this might explain the differences in national frameworks. This offers a theoretical justification for the assumption that CG in Libya is a unique and distinct process and has its own governance framework.

Crucially, the few studies that have highlighted CG in the Libyan environment were conducted prior to the Libyan revolution of 17 February 2011. The revolution marked a new chapter in Libya's economic and political history, and since then there have been dramatic changes, including the establishment of the LSMA. To the best of the researcher's knowledge, the current research is the first of its kind to focus on CG and accountability practices in Libyan companies listed in the LSM. In exploring these practices, it addresses a gap in the accounting literature and adds to our limited understanding of Libyan stakeholders' perceptions of CG.

3.9 Summary

This chapter started by presenting the most common definitions of CG before going on to discuss the main theories associated with its evolution. It paid particular attention to stakeholder theory and legitimacy theory as these are the guiding theoretical perspectives in this study. A brief discussion was then offered of the development of the CG concept, followed by an explanation of the insider-oriented and outsider-oriented systems and the economic and legal importance of CG. The main CG mechanisms were then discussed at length in a series of sub-sections focusing on the BOD and its various sub-committees, disclosure and transparency, the internal and external audit functions and shareholders' rights. The chapter ended by considering the literature that has been produced so far on CG practices in the emerging markets of Libya and other MENA countries.

Turning to the theoretical basis of the research, the next chapter offers a detailed discussion of accountability practices.

CHAPTER FOUR

THEORETICAL FRAMEWORK OF ACCOUNTABILITY

4.1 Introduction

The concept of accountability has been known to humans since ancient times (Gray & Jenkins, 1993). It is the subject of sometimes contentious debate in all corners of the world where people enter into business and social relationships (Gray et al., 2014). In the business world, these relationships, and the issue of accountability, have been complicated by the separation of ownership and management. Some researchers into accountability have responded by adopting agency theory to clarify the relationship between owner and manager and to resolve the resulting conflicts of interest (Brennan & Solomon, 2008; Gray & Jenkins, 1993). Others, however, have employed alternative theoretical frameworks to extend the scope of corporate accountability to encompass a broader range of stakeholder groups (Parker, 2007).

Sinclair (1995, p.219) asserts that: "Nobody argues with the need for accountability", and numerous theories have highlighted its importance – indeed, the growing emphasis being placed on CG has been largely driven by widespread concerns about the accountability of agents towards owners and other stakeholders. Despite this, however, there is no real consensus on how the concept should be practised or even defined. Accountability practices may be influenced by the surrounding environment (Alshehri, 2012), but despite being the focus of a wide range of studies, there has been relatively little research on how the concept of accountability is understood and practised from different perspectives (Brennan & Solomon, 2008).

This chapter addresses the theoretical framework of accountability. Section 4.2 begins by presenting the most common definitions of accountability, while section 4.3 highlights the objectives of accountability in the private and public sectors. Section 4.4 presents a generalised model of the formal relationship of accountability. This is followed by section 4.5, which focuses on codes of accountability, after which section 4.6 discusses at length the structure of accountability in Libya. Finally, section 4.7 provides a brief summary of the chapter.

4.2 Definitions of Accountability

Researchers have offered numerous definitions of accountability over the years (Shaoul et al., 2012). Sinclair (1995, p.221) argues that: "How we define accountability is dependent on the ideologies, motifs and language of our times". The term has had different meanings for different parties in different contexts, but most definitions express one of three main perspectives. The first of these takes a broad view of the concept of accountability. Knell (2006, p.32), for example, defines accountability as "the requirement of those in authority, and exercising responsibility, to justify and explain their actions to those on whose behalf they act". An alternative definition is offered by Gray & Jenkins (1993, p.55), who see it as "an obligation to present an account of and answer for the execution of responsibilities to those who entrusted those responsibilities". These authors go on to explain that:

> "At the heart of this relationship is stewardship. Stewardship involves two manifest parties: first, the steward or accountor i.e. the party to whom the responsibilities are entrusted and who is obliged to present and answer to an account of its execution, and, second, the principal, or accountee i.e. the party entrusting the responsibility and to whom account is presented. Stewardship is thus established when a steward accepts resources and responsibilities entrusted by a principal" (ibid).

In general terms, the accountee delegates specific tasks to the accountor, who is then responsible for carrying out these tasks and reporting back on their performance. This accountability relationship is replicated at different levels throughout the organisation, between owners and directors, owners and managers, and between managers and other employees. The accountee/accountor roles may also overlap, with groups or individuals playing both roles simultaneously. In the accountability relationship between managers and employees, for example, managers are both accountors (they are accountable to employees for providing them with an appropriate working environment) and accountees (employees are accountable to their managers for their work performance) (Gray et al., 1996).

The above definitions agree that the general concept of accountability demands that the accountor is under an obligation to provide an account of their actions to interested groups (Perks, 1993). In the business environment, this account must clarify and justify the actions that have been carried out, taking into account the interests of shareholders and other relevant stakeholders (Messner, 2009). The presentation of

information to accountees is thus a key element within many of the definitions of accountability. Cramer & Sorter (1974), for example, explain that the accountor is responsible for reporting their actions to other concerned parties according to the terms set by the law, contract and custom, while Kaler (2002, p.328) defines accountability explicitly as

> "the providing of answers, as reporting or, more obviously, 'giving an account'. In terms of the corporate or business context … this is a way of understanding accountability that connects it to financial auditing and reporting as well as to accountability in general".

According to Perks (1993) the concept of accountability should be concerned with the following questions: Who is accountable? To whom? How does the process work? To what end?

The second group of definitions adopts a narrower perspective of accountability. In the business environment, these definitions tend to focus on the principal-agent relationship; the agent is expected to account for their stewardship of the resources entrusted to them by the principal, with the information they submit being used to assess whether their actions are in line with the principal's interests. This focus on the relationship between shareholder (principal) and management (agent) (Jensen & Meckling, 1976; Vinten, 2001) has accompanied the rise of agency theory. The Cadbury Report (1992, p.47) describes the principal-agent accountability relationship thus:

> "The formal relationship between the shareholders and the board of directors is that the shareholders elect the directors, the directors report on their stewardship to the shareholders and the shareholders appoint the auditors to provide an external check on directors' financial statements. Thus, the shareholders as owners of the company elect the directors to run the business on their behalf and hold them accountable for its progress. The issue for corporate governance is how to strengthen the accountability of boards of directors to shareholders".

However, as corporate activities have become ever more complex and far-reaching, a third group of definitions has emerged. In this perspective, accountability is envisioned in the broadest possible terms – as a responsibility that extends beyond the company's immediate stakeholders to society as a whole, and as encompassing not just economic but also social and environmental performance (Pallot, 1991). As Sinclair (1995, p.223) asserts: "Accountability goes beyond the idea of holding to

account: the management of accountability is associated with an understanding of language and ideology, values and ethics, emotions and motivation".

To sum up, definitions of accountability have so far focused on the delegation of responsibility to managers or directors (agents) by owners (principals). They reveal that: (i) agents are seen as having a responsibility to perform certain acts and to give an account of these acts; (ii) there is a close relationship between accountability and responsibility (the concept of accountability has been established for the purpose of ensuring responsibility); (iii) there is a clear focus on the circulation of information as a link between all involved parties; and (iv) the content of this information depends on the nature of the accountability relationship.

4.3 Accountability Objectives in the Private and Public Sectors

Mulgan (2000) argues that the private sector pays greater attention to accountability than the public sector because its primary goal is to maximise shareholders' wealth. In private sector firms, the duty of accountability is mainly discharged in the financial reports, which allow users to evaluate "whether profit reporting is reliable and accurate, and whether it is useful for the purpose of investors' decision making so that resources are allocated to the most deserving companies" (Dev, 1982, p.129). The key objectives of accountability in private sector firms are as follows:

- To assure the company's shareholders, managers, employees, consumers and creditors, along with society and other relevant stakeholders, that internal and external control systems are in place to protect their interests (Benston, 1982).
- To monitor and control the company's managers; it offers a mechanism for measuring and evaluating their performance based on their achieved outcomes (Keasey & Wright, 1993).
- To mitigate and respond to risk (Cadbury, 1992).
- To influence the behaviour of those within the organisation; being held accountable for their actions can shape individuals' views of what is important, what to do and what not to do (Burchell et al., 1980; Gallhofer & Haslam, 1993).
- To strengthen the relationships between managers (accountors) and their stakeholders (accountees) and to influence the future development of these relationships (Roberts & Scapens, 1985).

The picture is different in public sector organisations, firstly, because levels of accountability are generally inadequate and secondly, because the focus of this accountability tends to vary depending on the nature and function of the organisation. For example, an organisation may choose to prioritise the pursuit of commercial accountability, administrative accountability or public/political accountability. Those pursuing commercial accountability do so for much the same reasons and in much the same way as private sector firms. Administrative accountability is broadly similar to commercial accountability in terms of its key characteristics, though the objectives of administrative accountability differ between commercial institutions (e.g. state-owned companies that are designed to operate on a for-profit basis) and institutions designed to run as non-profits. Finally, public or political accountability is typically linked to government-voter relationships; the objective of organisations pursuing this kind of accountability is to ensure that elected officials are properly discharging their responsibilities on behalf of voters. Since officials who are exposed as failing in this regard may then be voted out of office, it is fair to say that public accountability also serves as a monitoring mechanism. In contrast to commercial and administrative accountability, which are well-defined, public accountability is broader in nature and process; it may even extend to appointed (as opposed to elected) government officials if the electorate decides to hold the government to account for these officials' actions (Stewart, 1984).

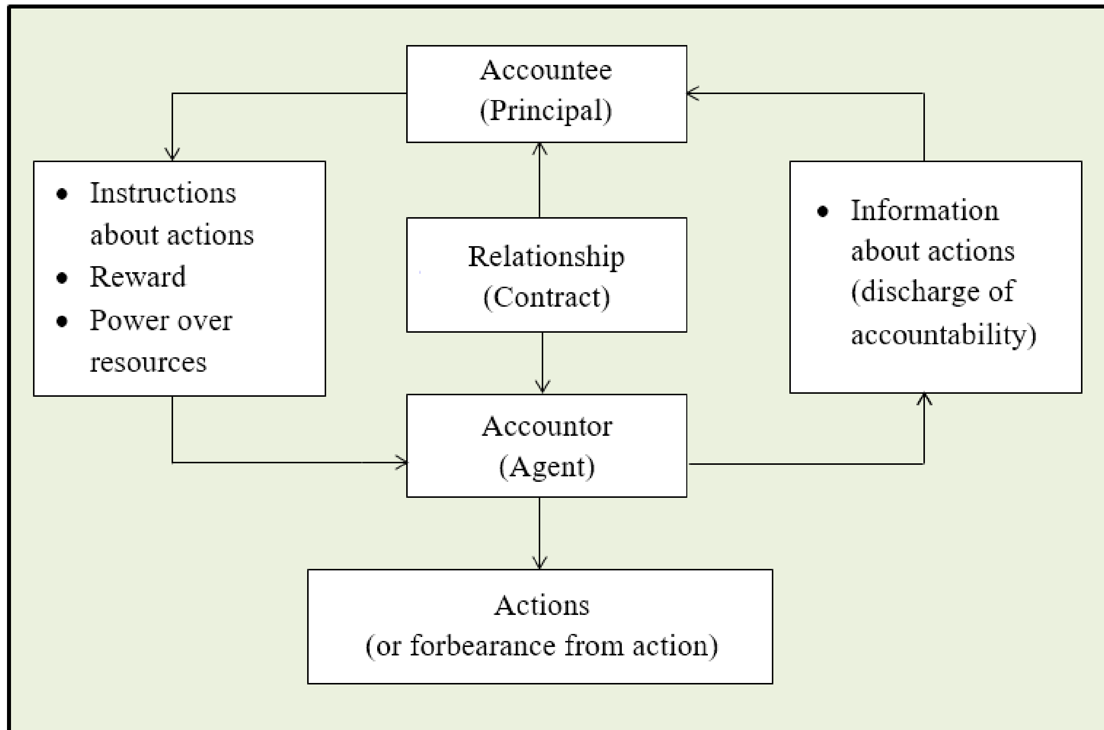
Numerous authors have offered a range of reasons why organisations should aim for accountability (e.g. (Benston, 1982; Laughlin, 1996). Benston (1982), for example, points to the reputational gain, explaining that if companies want the support of the community in which they operate, they must accept that they are accountable to this community for the results of their actions and acknowledge its right to know how well they are adhering to laws and regulations. He then goes on to cite the economic benefits of accountability, explaining that accountability mechanisms such as the external audit enhance fairness and transparency by making important information available to the relevant parties and to the public at large. (Laughlin, 1996), meanwhile, offers another economic reason for pursuing accountability with his observation that it minimises the risk of the principal's resources being diverted by the agent.

Berry et al., (2000) explain that organisations may also embrace the principle of accountability as a way of signalling their conformity to local social or cultural norms, though as these norms vary between (or even within) cultures, so too may the nature of this accountability. The same authors also identify legal and political reasons why organisations pursue accountability, citing specifically power relationships and self-interest. Finally, organisations may pursue accountability for professional reasons: so that they can be seen to be adhering to the standards and ethics established within their sector or field. These standards may have been developed internally or imported from other institutions or states.

4.4 A Generalised Model of the Formal Relationship of Accountability

The various definitions of accountability discussed in section 4.2 suggest that the accountability relationship exists between two main parties – the accountee (principal/owner) or their representative and the accountor (agent) – and that these two are linked by a contract which imposes specific responsibilities on the accountor (agent). From this basis, researchers have formulated a generalised model of the formal relationship of accountability (e.g. Gray et al., 2014). Laughlin (1996) supports the general applicability of the model, arguing that the relationship it depicts may be the most common in the formal business environment, while Gray et al., (2014) argue that the model, although simplified, can be developed to explore more complex situations and to identify all relevant relationships and rights to information within the accountability paradigm.

Figure 4.1 Generalised Model of the Accountability Relationships



Source: Adapted from Gray et al., (2014)

As can be seen in Figure 4.1, the model assumes a simplified two-way relationship between accountees (principals), who might be the company's shareholders, and accountors (agents), who might be its directors. The principals provide resources, usually on the basis of an implicit or explicit contract, and the agents are responsible for managing these resources and providing the required information about their actions. The contract allows the principals to manage their relationship with the agents and to control their actions by means of rewards and sanctions. Since the provisions of the contract will be based on the relevant local legislation, this means the contract will also reflect the prevailing social context. The contract primarily provides a legal foundation for the rights of all involved parties, setting out both their responsibilities and their rights in regard to information flows (i.e. accountability) (Gray et al., 2014). It is therefore of central importance within the accountability model.

As can be seen from Figure 4.1, the accountee (principal) demands certain actions from the accountor (agent), followed by information detailing how these actions have been carried out. There is thus a supply and demand relationship between the two

sides, with the accountee (principal) supplying resources and then demanding information from the accountor (agent) in return. There may, however, be occasions where the information flow is reversed, with the accountor (agent) demanding specific information from the accountee (principal).

4.5 Accountability Codes

The formal accountability relationship between accountee (principal) and accountor (agent) requires a third component to ensure it remains constructive and meaningful. This third component is an accountability code. Gray & Jenkins (1993, p.138) define accountability codes as "the basis on which the relationship is struck and by which it is maintained and adjudicated" and "a system of signals, meanings, and customs which bind the principal and steward in the establishment, execution and adjudication of their relationship" (ibid, p.55). The accountability code governs the three most important components of the accountability relationship:

- The nature of the accountability relationship between the accountee (principal) and the accountor (agent);
- How specific responsibilities are apportioned and implemented;
- How the implementation account is presented and assessed.

Various accountability codes have been developed, with the choice of code influencing both the process of accountability and its scope. What the principal expects from the agent (and by extension, the terms of the accountability relationship) also varies from code to code. Laughlin (1990, p.96) explains that these expectations are typically "complex and can be either unwritten and implicit, or written and explicit". The written, explicit expectations are clearly defined in the contract. According to Gray & Jenkins (1993), accountability codes can be categorised as either internal (established to deal with particular relationships) or external. The latter are pre-existing codes that have been established for general categories of relationship, which are then imported by an organisation for the purpose of governing a specific relationship. Internal accountability codes tend to be explicit, while external accountability codes tend to be more implicit.

4.6 The Structure of Accountability in Libya

Accountability structures exist at each hierarchical level within Libyan organisations; generally speaking, low-level managers are accountable to those at the mid-level,

who are in turn accountable to senior management. Ultimately, senior managers are accountable to a range of parties, including the general assembly, various control and supervisory bodies and the Libyan Audit Bureau. The following sub-sections discuss the accountability structures that currently exist within the Libyan banking, insurance and industrial sectors, and those that apply to external auditors in the country.

4.6.1 The Banking Sector

There are currently sixteen commercial banks operating in the Libyan environment. These banks have three kinds of ownership structure: state-owned, private and mixed ownership. Mixed ownership banks are owned jointly by some combination of the Libyan government (the CBL), the private sector (domestic investors) and foreign investors. The CBL, which is wholly state-owned, is authorised to control and supervise the banking sector as a whole. It is also the majority shareholder in several of Libya's commercial banks, though these banks are independently operated by their executive managements and have their own boards (Terterove, 2002).

Article (53) of Law No. (1/1993) stipulates that Libya's commercial banks must be organised as joint-stock firms and administered by a BOD. Directors in commercial banks owned by the CBL are appointed by the Council of Ministers, while directors in the private banks are appointed by their shareholders, represented by the general assembly. Boards in these banks are responsible for managing the bank and are authorised to take any actions and make any policies they deem necessary to discharge their responsibilities and meet their objectives. The banks report to the Secretary of Finance (SF) and the CBL, ensuring their financial and legal accountability.

Specialised banks were established specifically in order to accelerate economic and social development in the Libyan environment by offering medium- and long-term loans to the industrial, agricultural and real estate sectors. There are four specialised banks in Libya, all of which are fully state-owned. These are the National Agricultural Bank, the Development Bank, the Rural Bank and the Real Estate Investment Bank. These banks, also called lending institutions, finance specific sectors or certain economic activities. Structured along cooperative principles, they do not operate for profit, and their activities differ from those of Libyan commercial banks. The specialised banks are under the supervision of the CBL's control body (ensuring their legal accountability) and, as they are all fully state-owned, they are required to present

their financial accounts to the relevant regulatory bodies (i.e. the Libyan Audit Bureau and the Tax Office), ensuring their financial accountability. An additional layer of legal and financial accountability is required of the National Agricultural Bank, which is also required to report directly to the Secretary of Agriculture.

4.6.2 The Insurance Sector

At present, there are a number of insurance companies (state-owned and private-owned) operating in Libya. The oldest of these is the Libyan Insurance Company, which was established in 1964. As an entirely state-owned company, it is accountable to the Secretary of the Economy and the Libyan Audit Bureau, as well as the insurance sector's own Insurance Company Control Authority.

Libya's economy was largely state-owned until the 1990s, when the government embarked on a programme of economic reform. It paid particular attention to the banking and insurance sectors, issuing Law No. (102/1994) to allow the creation of private companies in these sectors (Otman & Karlberg, 2007). This was followed in the early years of the twenty-first century by its decision to partly abandon the socialist model and once more endorse the privatisation of economic activity by announcing its intention to transfer some state-owned economic activities into the private sector. This strategy has had a significant impact on the insurance sector, which has witnessed the emergence of a number of Libyan private insurance companies, such as the Sahara Insurance Company, the United Insurance Company, Libo Insurance Libya, the Trust Insurance Company and the Takaful Cooperative Insurance Company. As private enterprises, these companies are accountable to their shareholders as well as to the Insurance Company Control Authority.

4.6.3 The Industrial Sector

Libyan industrial companies are accountable to a range of governmental authorities including the Secretary of the Treasury, the Secretary of Industry, the Libyan Audit Bureau and the Tax Office. Private companies are also accountable to their private sector shareholders.

Libyan companies are financially accountable to the Secretary of the Treasury for the financial support allocated to them. They are also legally accountable to the same office for adhering to Libya's financial, commercial and tax laws. One of the key instruments adopted by the Secretary of the Treasury to impose legal accountability is

the Tax Office, which requires all Libyan companies to provide an initial tax determination on an annual basis. Under the Libyan Income Tax Law (1973), companies are obliged to offer the Tax Office their balance sheet, profit and loss account and detailed statements of expenses and dividends. The office requires companies to present financial statements that have been endorsed by an external auditor and to prove that these financial statements have been prepared in compliance with Libyan financial and commercial laws, Libyan tax law and standard accounting procedures.

According to Saleh (2001), Libyan companies are also obliged to provide a range of managerial, accounting and production information to the Secretary of Industry on request. The Secretary has the authority to demand whatever information he wants; this may include financial information, which assists the Secretary in providing a clear picture of companies' financial position, and non-financial information. Companies' managerial accountability to the Secretary encompasses a range of requirements: it involves providing proof of how they have spent their budget (financial accountability), whether they have implemented agreed plans (process accountability) and whether they have achieved their objectives (programme accountability). Information is generally submitted to the Secretary in the form of annual reports, sales reports, production reports or the reports compiled for other relevant parties such as the Libyan Audit Bureau.

4.6.4 The Accountability of Libyan External Auditors

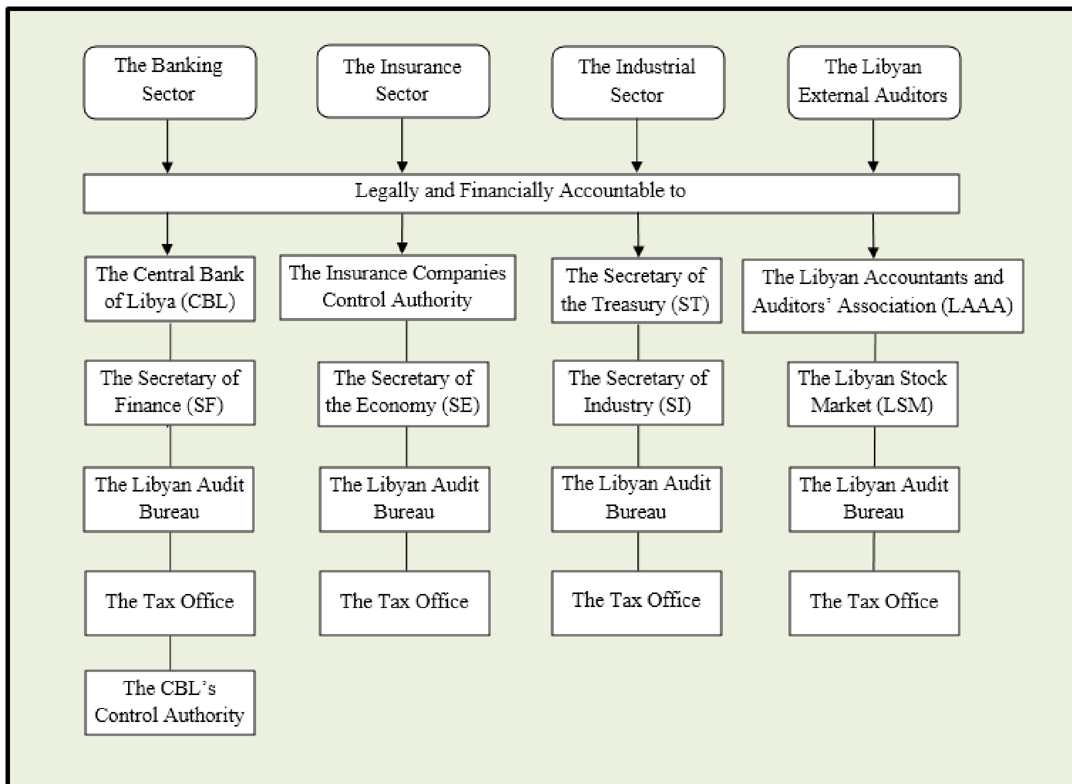
Gay & Simnett (2000) point to the strong relationship between accountability and the external auditor, which Flint (1988) echoes in his observation that the external audit profession is widely regarded as a monitoring and social mechanism for ensuring accountability. Similarly, Gray et al., (1987, p.201) assert that: "The auditing function is considered a necessary condition towards the development of accountability". The profession is thus generally seen as the cornerstone of accountability and central to supporting the relationships upon which the accountability process depends. Chandler et al., (1993) argue that the auditing profession may have emerged as a response to agency problems.

In the Libyan context, external auditors are engaged in accountability relationships with several bodies, chiefly the Libyan Audit Bureau, the Libyan Accountants and

Auditors' Association (LAAA) and the Tax Office, the LSM, as well as with the public. The fundamental components of Libyan auditors' accountability framework are the Libyan Commercial Law (LCL) (1970), the accounting and auditing profession's own code of conduct, the Income Tax Law (1973) and other relevant regulations. Within the LCL (1970), for example, Article (580) stipulates that: "The company's annual reports should be made available to its shareholders at least fifteen days before the general assembly meets, within which these reports are to be attested", while Article (104) of the Libyan Income Tax Law (1973) states that: "Companies are required to provide the tax authority with their balance sheet, trading account, profit and loss account, depreciation statement, and detailed statements". The legal accountability of auditors is explained in provisions such as Article (143) of the LCL (1970), which sets out the auditor's responsibility for any harm that results from inadequacies in their performance: "Anyone who commits an error which causes harm to others shall be liable to pay compensation for damages". Article (559) of the same law gives the injured party the right to sue the external auditor if the latter fails in their duties or is found to have falsified information in the audit report.

The accountability structure that currently exist within the Libyan environment can be seen in Figure 4.2 below.

Figure 4.2 Accountability Structure in the Libyan Environment



4.7 Summary

This chapter discussed the theoretical framework of accountability – a concept that arises in one form or another in almost all relationships. It began by presenting the most common definitions of accountability and highlighting that while these definitions may differ in scope, they share a key commonality: that is, they generally see accountability in terms of the accountor's (agent's) obligation to justify and explain how they have fulfilled the responsibilities entrusted to them by the accountee (principal).

The chapter went on to discuss the objectives underlying the pursuit of accountability in private and public sector organisations before presenting a generalised model of the formal relationship of accountability. This was followed by an explanation of accountability codes and a discussion of the structure of accountability in the Libyan environment. This section, which briefly outlined the accountability structures within the banking, insurance and industrial sectors, as well as introducing the main legal components underlying the accountability framework governing external auditors, was designed to afford the reader an initial insight into current accountability practice in Libya.

This chapter concludes the presentation of the study's theoretical framework. The next chapter offers a detailed discussion of the research methodology and method.

CHAPTER FIVE

RESEARCH METHODOLOGY AND METHODS

5.1 Introduction

Having reviewed the relevant literature in Chapter 3 and addressed the theoretical framework of accountability in Chapter 4, the thesis turns to the methodology that was employed in the study. The chapter is structured as follows: Section 5.2 discusses the research philosophy that guides social science research – specifically, the most common assumptions regarding the nature of social science and the nature of society – and sets out the philosophical standpoint of this study. Section 5.3 outlines the key features of the main research paradigms employed in social research and discusses the choice of the pragmatism paradigm for this study, while Section 5.4 describes at length the data collection methods that were employed. Section 5.5 discusses the combining of quantitative and qualitative findings. Section 5.6 explains how ethical considerations were addressed in the research design, after which Section 5.7 provides a brief summary of the chapter.

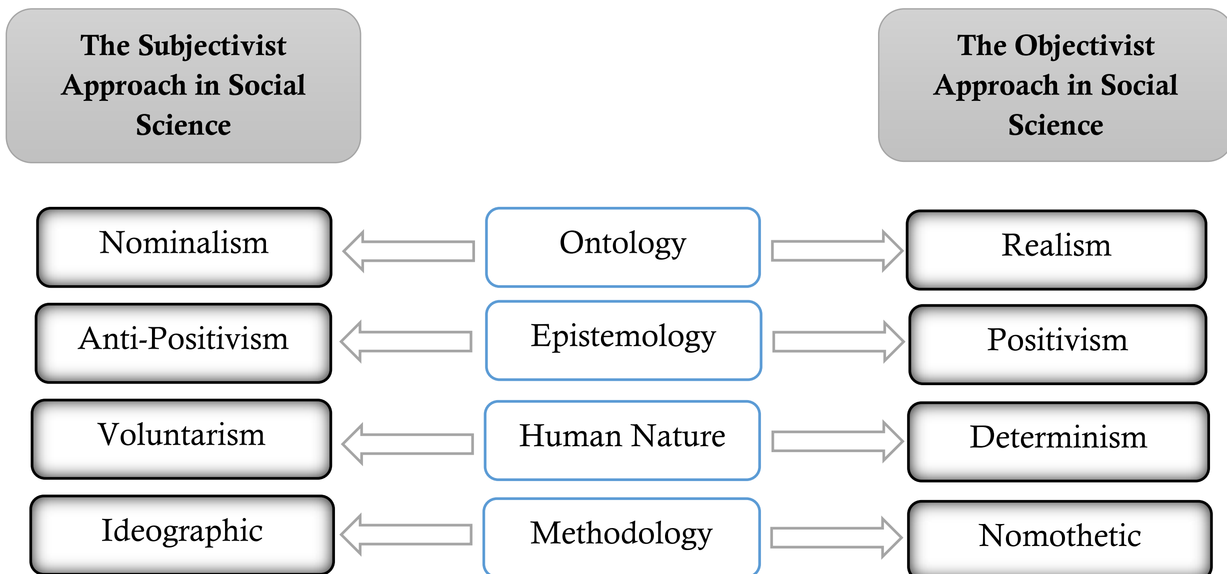
5.2 Research Philosophy and Methodology

Collis & Hussey (2009) point out that despite its central importance for both academics and business activities, there is still no agreement in the literature on how the concept of research should be defined. Saunders et al., (2009, p.5) define research as "Something that people undertake in order to find out things in a systematic way, thereby increasing their knowledge about the phenomenon under study". Central to this process, however it is defined, is the question of research philosophy; that is, the fundamental assumptions the researcher makes about the nature of knowledge (epistemology), the nature of reality (ontology), the nature of the relationship between human beings and their environment, and methodology. These assumptions reflect how the researcher understands the phenomenon they are investigating, but more than this, they will directly impact their choice of research paradigm and methodology (Burrell & Morgan, 1979).

5.2.1 Assumptions about the Nature of Social Science

Burrell & Morgan (1979) identify four sets of assumptions about the nature of social science, which they label ontology, human nature, epistemology and methodology. Within each set they identify two philosophical dimensions: objectivism and subjectivism. Realism, positivism, determinism and the nomothetic approach are the objective dimensions of ontology, epistemology, human nature and methodology respectively, while nominalism, anti-positivism, voluntarism and the ideographic approach are their respective subjective counterparts (see Figure 5.1). Careful consideration of these assumptions is necessary if the researcher is to select the most appropriate research methodology (Ryan et al., 2007).

Figure 5.1 Assumptions Concerning the Nature of Social Science



Source: adapted from Burrell & Morgan (1979, p.3)

5.2.2 The Subjectivism and Objectivism Dimensions

Bryman (2004, p.16) defines objectivism as

> "an ontological position that asserts that social phenomena and their meanings have an existence that is independent of social actors. It implies that social phenomena and the categories that we use in everyday discourse have an existence that is independent or separate from actors".

In contrast, subjectivism posits that social phenomena and their meanings are not independent of but the creation of social actors, and that as the outcomes of social

interaction, they are in a constant state of revision (Bryman, 2004). Pointing to the existence of free will, subjectivists argue that people have complete freedom to make their own decisions and to direct the course of their own lives (May, 2005).

Maedche (2012, p.11) defines ontology as "a philosophical discipline, a branch of philosophy that deals with the nature and the organization of being". Ontology thus addresses the nature of reality, while epistemology is concerned with the pursuit of knowledge and what we are supposed to accept as researchers (Hussey & Hussey, 1997). Put simply, ontology is concerned with "what is", whereas epistemology concentrates on understanding "what it means to know" and "what types of knowledge are legitimate and sufficient" (Gray, 2004).

As explained in Section 5.2.1, the objective dimension of ontology is realism, while the subjective dimension is nominalism. The nominalist standpoint assumes that the social world is not realistic, and that its structures are nothing more than concepts, names and labels that are the products of individuals' subjective thoughts and awareness (Burrell & Morgan, 1979). The realist standpoint, on the other hand, sees the social world as composed of tangible and relatively fixed structures that exist regardless of how they are perceived or described (Burrell & Morgan, 1979). This is the standpoint adopted in this research. It assumes that the CG and accountability practices which are the focus of this investigation are a fundamental aspect of the Libyan business environment, and that this environment is a real world of laws, regulations, regulators, companies and individuals, all of which have an independent existence.

Cooper et al., (1999, p.3) observe that:

> "Many people have the impression that epistemology is the most central area of philosophy, or even that philosophy should really be identified with epistemology. Certainly, there is a popular image of philosophers as people obsessively and almost solely concerned with determining whether we really know the things we ordinarily think we do".

Crotty (1998) defines epistemology as referring "to the theory of knowledge embedded in the theoretical perspective and thereby in the methodology". It aims mainly at: (i) understanding the concepts of belief, certainty, memory, doubt, justification, proof and knowledge; and (ii) enquiring into the criteria for the application of such terms, particularly the criteria for identifying "the scope and limits" of human knowledge (Cooper et al., 1999). It is also concerned with

collecting, explaining and developing this knowledge (Creswell, 1998; Crotty, 1998). As in case of ontology, epistemological assumptions vary between the subjective and objective dimensions.

The anti-positivist standpoint is associated with the subjective dimension. Burrell & Morgan (1979) explain that this standpoint sees the social world as relative; it assumes that phenomena can only be observed and understood through the perspectives of those engaging with them. Consequently, researchers sharing this view typically rely on observations and interviews to gather data from their participants. In contrast, the positivist standpoint, which is associated with the objective dimension, "advocates the application of the methods of the natural sciences to the study of social reality and beyond" Bryman (2004, p.11). Positivist researchers see knowledge as something that exists independently of individual consciousness and believe it can only be developed by empirically observing social reality, for example through experiments. They seek to understand the social world by developing explanations based on predicted regularities and causal relations among its elements (Burrell & Morgan, 1979).

The third set of assumptions addresses the nature of the relationship between humans and their surrounding environment. Again, there are two standpoints on this relationship; voluntarism (associated with the subjective dimension), which posits that humans are independent and have free will, and determinism (associated with the objective dimension), which considers humans and their experiences as products of the environment in which they live (Burrell & Morgan, 1979). The voluntarism perspective sees individuals as the controllers of their own actions and the environment alike (Burrell & Morgan, 1979). This extends to the researcher, who is able to determine for themselves what they will recognise as facts and what interpretations they will draw from them. The researcher may thus have an impact on the research process and the phenomenon being investigated (Collis & Hussey, 2009). In contrast, determinist researchers assume that they are detached from what they are researching, though at the same time, they see the environment as having a significant influence on them and their activities (Burrell & Morgan, 1979). Their main interest is in investigating the relationships between the objects they are studying – objects which they regard as existing independently of their investigation (Collis & Hussey, 2009).

This study aims to investigate Libyan stakeholders' perceptions concerning the current practice of CG and accountability within Libyan listed companies. As part of the Libyan business environment, these stakeholders are undoubtedly under its influence, but not to the extent that they are completely controlled, as determinists would argue. At the same time, they are not completely autonomous. Consequently, the study adopts a position between the two extremes, on the grounds that this will allow consideration of the influence of both situational and voluntary factors (Burrell & Morgan, 1979).

Methodology has been defined as "the strategy, plan of action, process or design lying behind the choice and use of particular methods and linking the choice and use of these methods to the desired outcomes" (Crotty, 1998, p.3). This design, which guides the researcher's selection of methods and procedures for the collection and analysis of data, is significantly impacted by the other assumptions (Burrell & Morgan, 1979). Collis & Hussey (2009) argue that the choice of research methodology is to a large extent determined by the choice of paradigm.

The ideographic perspective is associated with a subjective methodological approach. In this case, the researcher focuses on a small sample, employing methods such as case studies or interviews to obtain multiple perceptions of the phenomenon in an effort to understand "what is happening" (Mark Saunders et al., 2009). In contrast, researchers adopting the nomothetic perspective use techniques, protocols and procedures from the natural sciences (Burrell & Morgan, 1979), usually on a large sample, to measure phenomena in quantitative terms in order to test research hypotheses (Chua, 1986). This research follows the ideographic approach, using interviews to explore what stakeholders within the Libyan business environment perceive to be the current status of CG and accountability in Libyan listed companies.

5.2.3 Assumptions about the Nature of Society

Lockwood (1956) and Dahrendorf (1959) offered two early and very different theorisations of society; while the first focused on the nature of social order and equilibrium, the second was more concerned with change, coercion and conflict within social structures. This dichotomy was dubbed the order-conflict debate. Table 5.1 demonstrates the key differences between the two theories of society as described by Burrell & Morgan (1979).

Table 5.1 Order-Conflict Theories

The "Order" or "Integrationist" View of Society Emphasises:	The "Conflict" and "Coercion" View of Society Emphasises:
Stability	Change
Integration	Conflict
Functional Co-ordination	Disintegration
Consensus	Coercion

Source: Adapted from Burrell & Morgan (1979, p.13)

However, some criticised the order-conflict dichotomy as too simplistic; Cohen (1968), for example, argued that any theory of society should encompass elements of both order and conflict, as the two are not mutually exclusive. Furthermore, as subjectivist movements (e.g. ethnomethodology, phenomenology and action theory) became more significant. This led Burrell & Morgan (1979) to suggest "regulation and radical change" as alternative dimensions (see Table 5.2).

Table 5.2 Regulation and Radical Change Dimensions

The Sociology of REGULATION is Interested in:	The Sociology of RADICAL CHANGE is Interested in:
(a) The Status Quo	(b) Radical Change
(c) Social Order	(d) Structural Conflict
(e) Consensus	(f) Modes of Domination
(g) Social Integration and Cohesion	(h) Contradiction
(i) Solidarity	(j) Emancipation
(k) Need Satisfaction	(l) Deprivation
(m) Actuality	(n) Potentiality

Source: Adapted from Burrell & Morgan (1979, p.18)

Researchers interested in the sociology of regulation are chiefly concerned with providing interpretations of society that stress its fundamental unity and cohesion. Burrell & Morgan (1979, p.17) explain that:

> "[Sociology of regulation] is a sociology which is essentially concerned with the need for regulation in human affairs; the basic questions which it

> asks tend to focus upon the need to understand why society is maintained as an entity. It attempts to explain why society tends to hold together rather than fall apart".

The sociology of radical change, on the other hand, is essentially interested in finding explanations for radical change, modes of domination, deep-seated structural conflict and structural contradiction. Burrell & Morgan (1979, p.17) define it as

> "a sociology which is essentially concerned with man's emancipation from the structures which limit and stunt his potential for development. The basic questions which it asks focus upon the deprivation of man, both material and psychic".

5.3 Research Paradigm

The term "paradigm" has been employed in the field of social science research since the 1960s to refer to the set of philosophical beliefs that guide the researcher in their endeavours (Corbetta & Patrick, 2003). Saunders et al., (2009, p.118) define a research paradigm as "a way of examining social phenomena from which particular understandings of these phenomena can be gained and explanations attempted". In more simplistic terms, Bryman & Bell (2007, p.25) define it as "a cluster of beliefs that dictates to the researcher what should be studied, how it should be studied and how research should be interpreted".

Numerous authors have emphasised the importance of choosing the right research paradigm. Pansiri (2009) argues that the researcher's choice "deeply reflects not only the nature and exigencies of the work to be provided but also the researcher's view of the social world" (p.84), while Corbetta & Patrick (2003) claim that scientific research conducted without a specific paradigm lacks either the guidance or the criteria to discriminate effectively between issues, techniques and methods. Similarly, Bryman (2004) asserts that the choice of paradigm determines the key research tools that will be employed, how it should be conducted and how its findings should be interpreted. Once chosen,

> "the research paradigm acts as a 'set of lenses' for the researcher – it allows the researcher to view fieldwork within a particular set of established assumptions, thus merging the abstract usefulness of the paradigm with the practical application of conducting rigorous research" (Burke, 2007, p.477).

It is therefore incumbent upon the researcher to have a clear understanding of the available paradigms if they are to determine which is the most appropriate for their

purposes. This is especially important, argue Easterby-Smith et al., (2002), if the researcher needs to create a research design that is outside the scope of their previous experience.

Saunders et al., (2009) identify four key paradigms in social research: positivism, interpretivism, realism and pragmatism. Table 5.3 compares these paradigms in terms of their ontological, epistemological and axiological assumptions and typical approaches to data collection. Each of these paradigms looks at the world in a certain way, and this dictates how the researcher will approach their research questions, hypotheses and data analysis (Tashakkori & Teddlie, 1998; Pansiri, 2009).

Table 5.3 Comparison of Four Research Philosophies

	Positivism	**Interpretivism**	**Realism**	**Pragmatism**
Ontology: The researcher's view of the nature of reality or being	External, objective and independent of social actors	Socially constructed, subjective, may change, multiple	Is objective. Exists independently of human thoughts and beliefs or knowledge of their existence (realist), but is interpreted through social conditioning (critical realist)	External, multiple, view chosen to best enable answering of research question
Epistemology: The researcher's view regarding what constitutes acceptable knowledge	Only observable phenomena can provide credible data, facts. Focus on causality and law like generalisations, reducing phenomena to simplest elements	Subjective meanings and social phenomena. Focus upon the details of situation, a reality behind these details, subjective meanings motivating actions	Observable phenomena provide credible data, facts. Insufficient data means inaccuracies in sensations (direct realism). Alternatively, phenomena create sensations which are open to misinterpretation (critical realism). Focus on explaining within a context or contexts	Either or both observable phenomena and subjective meanings can provide acceptable knowledge dependent upon the research question. Focus on practical applied research, integrating different perspectives to help interpret the data
Axiology: The researcher's view of the role of values in research	Research is undertaken in a value-free way, the researcher is independent of the data and maintains an objective stance	Research is value bound, the researcher is part of what is being researched, cannot be separated and so will be subjective	Research is value laden; the researcher is biased by world views, cultural experiences and upbringing. These will impact on the research	Values play a large role in interpreting results, the researcher adopting both objective and subjective points of view
Data collection techniques most often used	Highly structured, large samples, measurement, quantitative, but can use qualitative	Small samples, in-depth investigations, qualitative	Methods chosen must fit the subject matter, quantitative or qualitative	Mixed or multiple method designs, quantitative and qualitative

Source: Adapted from Saunders et al., (2009, p.119)

5.3.1 The Positivist Paradigm

Positivism has been defined as "an epistemological position that advocates the application of the methods of the natural sciences to the study of social reality and beyond" (Bryman & Bell, 2003, p.14). This paradigm presumes that the social world exists objectively and externally, and that knowledge is valid only if it is based on observations of this external reality, which operates according to universal or general laws. Positivists seek to develop theoretical models that are generalisable, that can explain cause and effect relationships, and that lend themselves to predicting outcomes (Mark Saunders et al., 2009). As Henn et al., (2006, p.13) assert:

> "The logic of positivist research design is that: we seek to identify processes of cause and effect to explain phenomena, and to test theory; knowledge should be based on what can be tested by observation of tangible evidence; researchers should use the scientific methods which emphasise control, standardisation, and objectivity".

Quantitative methods are favoured and data collection and analysis are meant to be value-free; the researcher should allow subjective interpretation to play no part in the research process. The ultimate aim of positivist research is to reach generalisations which accurately represent the current understanding of the phenomenon. These should be capable of being concisely communicated to the public, which is expected to share the same basic assumptions.

The positivist paradigm has traditionally been popular among accounting researchers – Ryan et al., (2007) argue that it has had a profound influence on the evolution of accounting, finance and economic research, while Laughlin (1995) says this approach is typical in mainstream accounting research. However, its appeal is not universal, with many scholars finding its "hard-nosed instrumentality" puzzling (Ryan et al., 2007). Others have embraced positivism only as a starting point, employing quantitative indicators to describe the status quo and provide a jumping-off point for more in-depth, qualitative analysis (Everett et al., 2015).

5.3.2 The Interpretivist Paradigm

Interpretivism originated from the intellectual traditions of phenomenology and symbolic interactionism. The first of these is defined by Bryman (2004) as "a philosophy that is concerned with the question of how individuals make sense of the world around them and how in particular the philosopher should bracket out

preconceptions in his or her grasp of that world". The second is explained by Saunders et al., (2009) as involving "a continual process of interpreting the social world around us in that we interpret the actions of others with whom we interact and this interpretation leads to adjustment of our own meaning and actions".

Interpretivism posits that "the world is different for everybody" (Saunders et al., 2009, p.116); in other words, the social reality in which we live is highly subjective (Collis & Hussey, 2009). Saunders et al., (2009) emphasise that the challenge facing the interpretivist researcher is to enter the social world of their subject(s) and to understand this world from their point of view. Burrell & Morgan (1979, p.28) elaborate thus:

> "The interpretive paradigm is informed by a concern to understand the world as it is, to understand the fundamental nature of the social world at the level of subjective experience. It seeks explanation within the realm of individual consciousness and subjectivity, within the frame of reference of the participant as opposed to the observer of action".

The interpretivist paradigm is helpful for interpreting both social and cultural issues (Benton & Craib, 2001) as it seeks to understand the attitudes of the research participants through their own subjective frames of reference. Accordingly, it typically employs data collection methods that will allow the researcher to describe, translate and interpret events from the perspectives of these participants.

5.3.3 The Realist Paradigm

Realism stands between the positivist and interpretivist philosophies. Saunders et al. (2009, p.114) explain that the essence of the realist position is that: "What the senses show us as reality is the truth: that objects have an existence independent of human mind". In business research, the realist approach manifests itself as either direct realism or critical realism (Saunders et al., 2009). These differ in that while direct realism posits that our five physical senses perceive the real state of the world, critical realism argues that what the senses convey is actually an illusion of the real world (Saunders et al., 2009); in other words, that what we perceive is our idea of a thing, rather than the thing itself (Keefe, 2015). Acknowledging the role of subjective interpretation, critical realism accepts the use of both quantitative and qualitative data-gathering and analysis methods (Healy & Perry, 2000). Krauss (2005) argues that the realist paradigm eliminates the difference between interpretivism and positivism.

5.3.4 The Pragmatism Paradigm

The individual limitations of each of the above approaches meant that none was sufficient by itself to address all the research questions in the present research. However, by combining them, it was possible to reduce the influence of these limitations while exploiting their strengths. A number of researchers (e.g. Pansiri, 2006; Creswell, 2009; Saunders et al., 2009; Saunders et al., 2012) have argued that researchers in the social sciences should not limit themselves to a single philosophical position, but should be able to adopt a flexible research design that allows them to employ whatever tools are necessary to meet their research objectives (Carson et al., 2001; Neuman & Benz, 1998). These calls have led to the emergence of the pragmatism paradigm, the central tenet of which is that: "The most important determinant of the epistemology, ontology and axiology [that one] adopts is the research question(s) – any one [positivist/interpretivist] may be more appropriate than the other for answering particular questions" (Saunders et al., 2009, p.109). Or as Creswell (2009, p.11) puts it: "Truth is what works at the time. It is not based in a duality between reality independent of the mind or within the mind".

Over the past three decades, the pragmatic paradigm has attracted a growing number of supporters (e.g. Tashakkori & Charles, 2009; Creswell & Clark, 2007). Patton (2002, p.117) points out that the most important consideration within the pragmatic paradigm, which should inform all methodological decisions in all social research, is that: "Inquirers should be able to choose what will work best for a given inquiry problem in a particular context without being limited or inhibited by philosophical assumptions". Though aware of the logical independence of these assumptions, the pragmatist will nevertheless combine different approaches if this allows him to better address the research question, to make better decisions regarding data collection, analysis and interpretation and to limit bias. Traditionally, research in the field of accounting has been positivist and quantitative in nature, with researchers examining the effect of one or more variables on other variables and employing mathematical equations and models to prove or disprove research hypotheses. However, the last 40 years have seen an increasing number of accounting researchers also willing to approach the world from an interpretivist philosophical perspective (Ryan et al., 2007). In many cases, they have been investigating research questions that require not just the objective observation of the social world but also (as everyone perceives this

world differently) subjective explanation. Accordingly, many have adopted a mixed methods approach to their investigations. Creswell (2009, p.11) emphasises the value of this approach because it allows researchers to focus "on the research problems and then [use] pluralistic approaches to derive knowledge about the problem". The mixed methods approach is thus in close accordance with the principles underlying the pragmatic paradigm (Creswell, 2009; Saunders et al., 2009; Teddlie & Tashakkori, 2009; Creswell, 2014).

Following Burrell & Morgan (1994), this research rejects the ontological assumption that the world has no real pre-defined structure. Rather, it assumes that CG in the LSM can only be understood imperfectly or probabilistically (as proposed by Pansiri (2009)) through the perspectives of the regulators and other stakeholders who perceive it as a real, functional aspect of the corporate environment. It argues that Libyan listed companies find it difficult to achieve effective CG and accountability because of the range of social actors involved. Epistemologically, the research aims to develop an understanding of a real and distinct phenomenon; thus, where possible, research data were collected objectively and without bias. However, as the research questions also required investigation of the subjective attitudes and views of stakeholders, this necessitated the use of qualitative data-collection methods. The mixed methods design employed in the study comprised a quantitative survey, conducted among Libyan listed companies and other stakeholder groups, and qualitative, semi-structured interviews with twenty stakeholders. Quantitative and qualitative data may be gathered and analysed consecutively, with the second technique being used to supplement and interpret the findings derived from the first (Pansiri, 2005), but in this case, time and cost constraints made it necessary to conduct the quantitative and qualitative studies at the same time. Nevertheless, the quantitative and qualitative data analyses were mutually supportive, and the discussion sections draw on both to answer the research questions.

5.4 Research Methods

This section discusses the two main methods (questionnaire survey and semi-structured interviews) that were used to collect empirical data and meet the research objectives. Research processes may be categorised into two main kinds: qualitative and qualitative. Quantitative methods, which are considered objective in nature, are used to collect and analyse numerical data, while qualitative methods, which are

considered subjective in nature, seek to understand human and social activities by evaluating and reflecting on participants' perceptions (Collis & Hussey, 2009). As discussed in section 5.3.4, both quantitative and qualitative methods can be employed in the same research (Denzin & Lincoln, 2005).

In the current research, the survey allowed the collection of quantitative data to answer the five research questions relating to the level of compliance with CG mechanisms and accountability. However, the research questions also required the collection of data that were beyond the scope of the questionnaire; in order to gain a more comprehensive insight into the issues surrounding CG and accountability, it was necessary to conduct qualitative, in-depth, semi-structured interviews with representatives from internal and external stakeholder groups. These interviews were used to investigate stakeholders' views of current practice and how it might be improved (Research Question 6). The two methods were carried out concurrently, with the survey being employed to gather general data and the interviews being used to access local knowledge and develop theoretical explanations (Kelle, 2006).

Proponents of the mixed methods research design argue that it has a number of advantages: it allows the researcher to offset the respective weaknesses of quantitative and qualitative methods; it allows the researcher to gain a more comprehensive understanding of the phenomenon because evidence is gathered from multiple perspectives (also opening the door to a more diverse range of voices and values); gathering evidence from fresh perspectives may lead to new insights; it allows the researcher to answer research questions that cannot be answered by quantitative or qualitative approaches alone; and it increases the robustness and validity of the obtained findings (Creswell, 2009; Creswell & Clark, 2011). Denzin (1978) explains that this is because employing a combination of methods allows the researcher to support their main claims with evidence from more than one source. In other words, the mixed methods approach facilitates triangulation (Collis & Hussey, 2013; Saunders et al., 2012). This was especially important in the current study, given the lack of secondary data in the research area. Flick (2009) defines triangulation as "the combination of different methods, study groups, local and temporal settings, and different theoretical perspectives in dealing with a phenomenon". Hussey & Hussey (1997) identify four main kinds of triangulation: methodological triangulation (the combination of qualitative and quantitative methods); data triangulation (data are

collected at various points in time and from different sources); investigator triangulation (data are collected independently by different researchers and their results compared); and theory triangulation (theory is adopted from more than one discipline).

Gill & Johnson (2010) suggest that methodological triangulation promotes validity by minimising reactivity and researcher bias. The current research relies on methodological triangulation to neutralise the influence of individual methods and increase confidence in the obtained outcomes.

Table 5.4 Summary of Methods Used and their linked to Research Questions and Objectives

Research Objectives	Research Questions	Methods
To investigate stakeholders' understanding regarding the meaning of CG in Libyan listed companies.	How is the concept of CG understood in the Libyan context?	***Main*****:** Questionnaire ***Support:*** Semi-structured Interview
To investigate the extent to which CG mechanisms are implemented in Libyan listed companies.	To what extent are Libyan listed companies committed to implementing CG mechanisms?	***Main*****:** Questionnaire ***Support:*** Semi-structured Interview
To identify whether the legal and regulatory framework is adequate to support CG and accountability practices.	Does Libya have an adequate legal and regulatory framework to support CG and accountability practices?	***Main*****:** Questionnaire ***Support:*** Semi-structured Interview
To identify the key factors influencing CG and accountability practice in Libyan listed companies.	What factors influence CG and accountability practice in Libyan listed companies?	***Main*****:** Questionnaire ***Support:*** Semi-structured Interview
To explore current accountability practice in Libyan listed companies.	How is accountability understood and practised in Libyan listed companies?	***Main*****:** Questionnaire ***Support:*** Semi-structured Interview
To gather recommendations from different groups of stakeholders for the improvement of CG and accountability practice in Libyan listed companies.	What suggestions and recommendations would different groups of stakeholders make to develop CG and accountability practice in Libyan listed companies?	***Main*****:** Semi-structured Interview

5.4.1 Quantitative Method

Social scientists have long employed the quantitative approach to measure aspects of the social world (Sarantakos, 1994). Quantitative methods tend to be associated with the deductive approach, with the research design, sample size and proposed measurement all being established before data gathering and analysis take place (Neuman, 2006). When employing quantitative methods, the fundamental concern is

to establish and explain any causal relationships between the variables under investigation (Creswell, 2007). The following sections provide more details about the questionnaire survey that served as the quantitative instrument in this study, including the design of the survey, the scaling of respondents' responses, the content and piloting of the survey, the selection of the sample, distribution, response rate, reliability and validity, and the statistical techniques that were employed to analyse the gathered data.

5.4.1.1 Questionnaire Survey

In generic terms, a questionnaire survey is a set of specific questions that is sent to participants to be answered independently (DeVaus, 2009). Saunders et al., (2012) explain that surveys are typically employed to gather views, attitudes and perceptions where the purpose of the research is explanation or description. They are particularly effective in that they allow the researcher to observe variability within phenomena, but they also have a number of other advantages. In logistical terms, they are the most cost-effective way of reaching large numbers of respondents, but perhaps more importantly, they allow these respondents to give their views anonymously. This means they are more likely to feel free to express their views candidly and without reservation (Falgi, 2009). This is perhaps the main reason why the questionnaire survey is the most widely adopted tool in CG research (Jackling & Johl, 2009), as well as in some areas of management and finance research (Saunders et al., 2009). It was certainly a key reason why this tool was selected for this study; as much of the data that were required are highly sensitive and not publicly available (e.g. information about boards of directors), the questionnaire survey was one of the most important tools for data gathering.

Saunders et al., (2012) identify two main types of survey: the self-managed questionnaire survey, which is typically filled out by the respondent (questionnaires may be delivered and collected by post, via the internet or in person), and the interviewer-managed questionnaire survey. This involves a structured interview, either in person or via telephone, during which the interviewer notes down the respondent's answers.

Self-managed questionnaires were the selected option in this research firstly, because they are the cheapest way of collecting large amounts of data; secondly, because their

use is widely accepted in Libya (they are often used for opinion polls in the country); and thirdly, because it was felt that the guarantee of anonymity would encourage respondents to be more open in their answers (especially given the sensitivity of the data being sought) and more likely to return the questionnaire, leading to a higher response rate (Kazi & Khalid, 2012).

Critics of the self-managed survey (e.g. Frankfort-Nachmias & Nachmias, 2008; Neuman, 2000; Sekamn, 1992; Saunders et al., 2009) point to a number of drawbacks, arguing that respondents' anonymity cannot always be protected, that it is hard to ensure that a particular respondent will reply, and that response rates are often low (especially if the survey is being distributed by email). Most importantly, the researcher has no opportunity to elicit additional information (e.g. for purposes of clarification) from the respondent, or to ensure that all the questions are answered. This may influence the reliability and validity of the obtained results (Garwe, 2016). In an effort to mitigate some of these limitations, the majority of questionnaires were distributed and collected by hand – participants were only emailed a questionnaire if the hand-delivered version had produced no response – and the participants were given adequate time to complete the survey before it was collected. The resulting data was also supplemented by the data from the semi-structured interviews. The following sections discuss the various stages in the implementation of the survey, from the design and piloting process, to the selection of a sample, distribution, data analysis techniques and the steps taken to assess the instrument's reliability and validity.

5.4.1.1.1 Design of the Questionnaire Survey

According to Collis & Hussey (2009), the design of a questionnaire survey must take into account both the objectives of the research and the available time frame. Careful preparation is necessary to ensure that survey questions will be clearly understood and interpreted the same way by all respondents and that the sequencing of these questions will encourage them to continue to the end of the instrument. Consideration must also be given at this stage to the choice of delivery method, as this is crucial to motivating respondents to complete and return questionnaires in a timely manner, enhancing the rate of response (Kumar, 2005). All of these factors are important in maximising the reliability and validity of the survey (Saunders et al., 2009).

The questionnaire survey in this study was developed to gather data from four stakeholder groups: boards of directors, executive managers, regulators and external

auditors and other stakeholders. Since the aim was to elicit their views with regard to CG and accountability practices in Libyan listed companies, the design of the questionnaire was mainly based on CG and accountability literature and relevant previous studies such as those by Zagoub (2011), Alshehri (2012) and Wanyama (2006). All groups received the same questionnaire, with questionnaires being delivered and collected personally by the researcher.

The two most common types of question are pre-coded or (closed) questions that require the respondent to choose or click on one or more specific answers (e.g. multiple choice, true-false), and open-ended questions which allow them to give their own answer (Hair, 2015). Pre-coded questions are considered the easiest type of question for respondents to answer, but they give no insight into the reasons underlying the response (Bryman & Bell, 2003). Open-ended questions, on the other hand, allow respondents to express their views in some detail but are more taxing to answer, and the resulting data are more difficult to analyse (Frankfort-Nachmias & Nachmias, 2008). Which type of question is most appropriate will depend on the objective of the questionnaire survey, the level of information the researcher is hoping to obtain, the extent to which the subject has been thought through by participants, and finally, the size of the sample (Collis & Hussey, 2009).

This survey employed pre-coded questions as this type typically records a good response rate in the Libyan environment. Answers were measured on five-point Likert scales, which are widely used in social science research to measure perceptions, beliefs, opinions and attitudes, as indicated in participants' responses to a set of statements (DeVellis, 2003). In order to overcome any translation difficulties and to make sure that all the questions had the same meaning for all participants, the survey questions were translated into Arabic and then back into English.

5.4.1.1.2 Scaling Respondents' Responses

Likert scales are widely used to measure attitudes and perceptions (Saunders et al., 2009; Oppenheim, 2001). These scales may be nominal (items are categorised into mutually exclusive and collectively exhaustive groups), ordinal (categorised items are rank ordered) or ratio (variables are represented in a mathematical number system) (Collis & Hussey, 2009; Bryman & Bell, 2003). Five-point nominal and ordinal scales were used in this research, giving respondents the opportunity to choose their answers

from a set of alternatives. This is easier and quicker for respondents, but it also makes it easier for the researcher to code and analyse the responses (Oppenheim, 2001).

Figure 5.2 gives examples of how five-point Likert scales were used in the survey questions:

Figure 5.2 Five-point Likert Scales Used in the Questionnaire

- To obtain participants' level of agreement with particular statements

Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	2	3	4	5

5.4.1.1.3 Structure and Content of the Questionnaire

In order to facilitate comparison between the views and perceptions of the various stakeholder groups regarding CG and accountability practices in the Libyan environment, the content of the questionnaire was the same for all groups. As mentioned in Section 5.4.1.1.1, the questions were mainly drawn from previous studies in the area of CG and accountability, such as those conducted by Wanyama (2006) Zagoub (2011) and Alshehri (2012). Other questions were adapted from the relevant literature or drew on the LCGC itself.

The questionnaire survey sought to investigate how different stakeholder groups perceive the key issues surrounding CG and accountability practices in Libyan listed companies. It contained six sections (see Appendices I and II), the first of which asked for the participants' demographic information. The second section sought to elicit how they felt the English term "corporate governance" should be translated into Arabic. It also aimed to elicit their general perceptions concerning the definition, importance and awareness of CG. The third section focused on respondents' views regarding Libyan listed companies' adoption of the key CG mechanisms, while the fourth investigated their views on the legal and regulatory framework of CG and accountability. The fifth section explored the theme of CG and accountability in more detail, asking respondents to indicate whether they felt that the list of possible factors they were given influence CG practice and accountability in Libyan listed companies. The final section sought their responses to a series of statements concerning the definition and implementation of accountability in Libyan listed companies.

Table 5.5 summarises the linkage between the research questions and the content of the questionnaire survey.

Table 5.5 Linkage between Research Questions and Content of Questionnaire Survey

Research Questions	Themes	No. of Statements	Question Type
How is the concept of CG understood in the Libyan context?	Arabic interpretation of the term CG	4	5-point Likert scale
	Definition of CG	5	
	Importance and awareness of CG	4	
To what extent are Libyan listed companies committed to implementing CG mechanisms?	Duties of the Board of Directors	5	5-point Likert scale
	Responsibilities of the Board of Directors	6	
	Composition of the Board of Directors	4	
	Board committees	20	
	Disclosure and transparency	8	
	Internal and external audit	5	
	The rights of shareholders	7	
Does Libya have an adequate legal and regulatory framework to support CG and accountability practices?	The legal and regulatory system of CG and accountability	7	5-point Likert scale
What factors influence CG and accountability practice in Libyan listed companies?	Factors influencing the practice of CG and accountability	16	5-point Likert scale
How is accountability understood and practised in Libyan listed companies?	Perception and practice of accountability	7	5-point Likert scale

5.4.1.1.4 Piloting the Questionnaire Survey and Evaluation of Validity

The final step in developing a questionnaire survey is to pilot it with specific groups of participants (Church & Waclawski, 2001). This is crucial for identifying any potential problems such as poorly worded, unclear or inappropriate questions which

might confuse or deter respondents and result in missing data or a low response rate (Pornupatham, 2006). Frankfort-Nachmias & Nachmias (2008) emphasise that the pilot testing of the questionnaire survey should cover all aspects of the design from the layout and instructions to the covering letter and the time required to complete it, while (Church & Waclawski, 2001) argue that the pilot participants should be asked to assess the survey in terms of its relevance, clarity and specificity.

The pilot process is important in verifying the validity of the instrument; that is, its "ability to provide findings that are consistent with theoretical or conceptual values" (DeVellis, 2003). However, by affording the opportunity to perform a trial analysis, it also allows the researcher to check the reliability of the instrument. Such a trial analysis may not only be useful in perfecting the analytical approach adopted in the main study, but its results may subsequently be reviewed and compared with those from the main study (Burgess, 2001).

For these reasons, there were two stages to the pilot process in this study. The first stage was the presentation of the first draft (in English) to the researcher's supervisors in order to obtain their feedback. Copies were also distributed to PhD students in Henley Business School, who were asked to give their comments about the questionnaire survey in general. The feedback obtained from these targeted individuals led to numerous amendments, especially in regard to the language, and the reformulation of some of the questions.

The second stage of the pilot process was conducted in Libya with the e-mail distribution of 22 questionnaires to six academics, six external auditors and ten board members working in Libyan listed companies. Twelve of the questionnaires were returned, giving an overall response rate of 55% – sufficient for a pilot study Fink (2003) indicates that at least ten participants are necessary for a pilot study to be useful). While some of the targeted respondents generally approved of the content of the survey, others suggested that changes were needed in the Arabic translation and content of certain questions. These comments and recommendations were taken into consideration in the preparation and translation of the final version of the questionnaire survey.

5.4.1.1.5 Selection of Research Sample

The selection of participants is one of the most important stages in the research process as it determines the quality of the data that will be obtained. This leads Denscombe (2007) to recommend that researchers should take great care to find the best population for their investigation. Sekaran & Bougie (2016, p.236) define the population as "the entire group of people, events or things of interest that the researcher wishes to investigate". In this research, the potential population comprised four key groups: boards of directors (executive chairmen, non-executive chairmen, executive board members and non-executive board members from Libyan listed companies), executive managers (executive directors, non-executive directors and employees in Libyan listed companies), regulators (from the LSMA and the CBL, and external auditors registered in the LSM) and other stakeholders (academics, financial analysts, stockbrokers and financial consultants). These groups, which collectively represent internal and external stakeholders in the LSM, were selected primarily because they have been identified in previous studies as being the most directly engaged with CG and accountability (Falgi, 2009; Okike, 2007; Solomon et al., 2003); indeed, they are widely regarded as the cornerstone upon which listed companies' monitoring mechanisms are built (Waweru et al., 2011).

- Board members: As part of the senior internal governance mechanism and the key link between management and shareholders (Al-Daoud et al., 2015; Yoo & Reed, 2015), board members play a crucial role in CG practice through their involvement in the firm's most important strategic, financing and investment decision making (Abdullah, 2016). It was therefore crucial to discover their views on CG issues. Numerous researchers have focused on board members' perceptions (e.g. Gannon, 2013).
- Executive managers: Particular attention was paid to those directors with resource allocation and policy-making power, such as financial managers and internal auditors. Numerous studies have shown that these individuals can have a significant influence on the BOD, for example, by assisting the audit committee to monitor the financial reporting process (Abernathy et al., 2014). Internal auditors in particular, who are likely to meet regularly with the audit committee, will be familiar with its practice. Hutchinson & Zain (2009) conclude that the internal

audit is the main mechanism strengthening the company's board and is key to strengthening CG practice (see Bardhan et al., 2015).

- Company employees: This category included experienced individuals whose job description in some way involved CG. However, as a key stakeholder group, employees also have a vested interest in working towards good CG as this is more likely to mean that they have a say in company affairs.
- External auditors: The external audit mechanism plays an important role in enhancing the quality of CG systems (Abdulsaleh, 2014). The external auditor judges the integrity of the company's financial operations and annual reports, strengthening investor confidence by making the company's financial disclosure more reliable and increasing transparency (Suwaidan & Qasim, 2010; Khalid et al., 2016). Since the external auditor's role in maintaining good CG is broadly acknowledged (Alabede, 2012), they play a prominent part in the CG framework. For this reason, they might be in a position to offer an objective evaluation of CG and accountability practices.
- Regulators: These participants were selected because they bear the ultimate responsibility for compelling listed companies to practise effective CG and for monitoring its implementation.
- Other stakeholders: Academics were included in the population because, while having limited monitoring or supervisory responsibilities compared to the other groups, they have exerted some influence on the development of the CG framework. These academics, most of whom attained their degrees in western countries where CG is the focus of significant attention, may be able to offer a more impartial and independent perspective on the complex issues surrounding CG.

Where the proposed population is small, it should be possible to test all of it (Garaibah et al., 1981). Where this is not possible, however, it is necessary to choose a representative sample of the population. Sekaran & Bougie (2016, p.239) define sampling as

> "the process of selecting a right number of elements from the population, so that a study of the sample and an understanding of its properties or characteristics would make it possible for us to generalise such properties or characteristics to the population elements".

Neuman (2000) recommends that researchers facing this task should employ judgemental sampling, as this is one way to ensure that they gain a deep understanding of the phenomenon. Sekamn (1992) agrees, arguing that researchers should use judgemental sampling even when the population is small, as this gives them the best chance of collecting sufficient and accurate information.

Since the number of Libyan listed companies, regulators and external auditors is limited (there were fourteen listed companies and fewer than 90 regulators in Libya at the time of the fieldwork), it was possible to use the whole population of these groups for this study. Other stakeholder groups were larger, so participants were selected from these groups by means of judgemental sampling, with selection being based on their experience and understanding of the issues surrounding CG and accountability in the Libyan environment.

5.4.1.1.6 Questionnaire Distribution and Response Rate

The questionnaire surveys were distributed to Libyan companies listed in the LSM and to external auditors, regulators and other stakeholders in Tripoli and Misurata. In total, 400 questionnaires were circulated and collected by hand between June and August, 2015. Although delivering and collecting the questionnaires by hand was costly and time-consuming, it was worth it in the end as 231 of the questionnaires were returned – a response rate of 58%. This is high compared to Kamel's (2006) observation that questionnaires in the Middle East region usually yield a response rate of only 30%-50%.

Table 5.6 demonstrates the number and percentage of individuals who responded from each group, by position. It shows that the RE group yielded the highest response rate (70%), while the BD group was the second most responsive with 61%. The EM and OS groups were less responsive, with rates of 50% and 57% respectively.

Table 5.6 Number of Questionnaires Distributed and Returned and Response Rate

Groups	Respondent's Position	Distributed Questionnaires		Returned Questionnaires		The Response Rate
		Number	Percent	Number	Percent	
BD Group	Executive Chairman	9	11%	4	8%	44%
	Non-Executive Chairman	6	8%	3	6%	50%
	Executive Board Member	20	25%	9	19%	45%
	Non-Executive Board Member	44	56%	32	67%	73%
Total		79	100%	48	100%	61%
EM Group	Executive Director	60	41%	36	49%	60%
	Non-Executive Director	25	17%	10	13%	40%
	Employee	62	42%	28	38%	45%
Total		147	100%	74	100%	50%
RE Group	External Auditor	52	68%	37	70%	71%
	Regulator	24	32%	16	30%	67%
Total		76	100%	53	100%	70%
OS Group	Academic	20	20%	9	16%	45%
	Financial Analyst	25	26%	13	23%	52%
	Stock Broker	35	36%	23	41%	66%
	Financial Consultant	18	18%	11	20%	61%
Total		98	100%	56	100%	57%
Total Groups		**400**		**231**		**58%**

5.4.1.1.7 Reliability and Validity

It is essential that measurement tools are reliable and valid if they are to produce high-quality data (Oppenheim, 2001). In quantitative research, reliability is interpreted as referring to "the consistency and stability of a measurement" and "whether the results of a study are replicable" (Hartas, 2015, p.71). A number of methods have been used in quantitative research to measure reliability, including the split-half, test-retest and Cronbach's alpha methods (Collis & Hussey, 2009). Cronbach's alpha is generally considered the optimal index to measure internal consistency and is widely used to evaluate questionnaires that rely on scales such as Likert scales (Pallant, 2007; Bryman & Bell, 2007). The Cronbach's alpha coefficient ranges from 1 (optimal internal reliability) to 0 (no internal reliability). A Cronbach's alpha coefficient of 0.7 or more is typically regarded as indicating internal reliability, though 0.6 is considered acceptable, especially in exploratory research (Hair et al., 2010). When the Cronbach's alpha test was employed to examine the internal reliability of the

questionnaire survey in this research, the resulting coefficient was 0.77, indicating that all the responses were reliable.

Validity is arguably the most important attribute of any research; the concept encompasses the trustworthiness and accuracy of the instruments that are used, and hence the data that are generated and the results that are obtained, (Bernard, 2006). Bryman & Bell (2003, p.77) define validity as "the issue of whether an indicator (or set of indicators) that is devised to gauge a concept really measures that concept". This means that the researcher must be sure that their research tool (whether this is questionnaires or interviews) accurately reflects the right meanings and addresses the research questions. Validity may be judged in two ways: internal validity is primarily concerned with the extent to which the research is able to demonstrate cause and effect relationships between variables, while external validity concentrates on whether the research sample is a fair representation of the entire population and the research outcomes can be generalised to the population (Fisher, 2007; Bryman & Bell, 2007).

Since validity, unlike reliability, cannot be quantified using statistical techniques (DeVaus, 2009), it is even more crucial to pilot test research instruments (Saunders et al., 2009). The questionnaire survey in this research was based on instruments that had already been used in similar studies, but its validity for this particular study was evaluated by pilot testing it with a number of qualified referees (see Section 5.4.1.1.4). This allowed the internal consistency of the questions, and the relationship between these questions and the research objectives, to be confirmed.

5.4.1.1.8 Statistical Techniques of Questionnaire Analysis

The data obtained from respondents were analysed using the Statistical Package for Social Sciences (SPSS) version 21, which is one of the statistical programs most commonly used by social science researchers (Miller et al., 2010). After the questionnaire responses had been coded according to group, the data were entered into SPSS with the assistance of a statistical specialist from the Statistical Advisory Centre at the University of Reading.

Statistical data are generally analysed using parametric and non-parametric tests. Which tests are selected will depend on the researcher's underlying assumptions about the data that have been collected; thus, in the case of parametric tests: (i) "the data should be normally distributed; (ii) the variance should be the same throughout

the data; (iii) the data collected should be measured at least at the interval level; and (iv) data from different participants should be independent" (Field, 2009, p573). Where these assumptions do not apply, non-parametric tests are more appropriate.

When a normality test was conducted to examine whether the data generated by the survey were normally distributed or not, the findings indicated that the data were non-normally distributed. Accordingly, non-parametric tests were employed to look for any variances between independent samples. Newbold et al., (2003) argue that non-parametric tests are the most appropriate for questionnaire data as these data are essentially ordinal and nominal. The statistical techniques used in this research were as follows:

- **Descriptive Statistics:** this technique was used to describe and summarise the collected data into simplified forms, such as charts, graphs and tables. The key statistical techniques employed were frequencies, percentages, central tendency measurements (means) and dispersion (Collis & Hussey, 2009). The mean, which is considered the simplest way of measuring central tendency (Field, 2005), was the most important of these techniques, with group means being employed to understand how group perceptions differed across questions. The mean can be aggregated according to the following formula:

  $$\bar{X} = \frac{1}{N}\sum_{i=1}^{n} X_i$$

  Where $\bar{X}$ = mean

  N = the total number of respondents

  X_i = 1, 2, 3, 4, 5………… n

  Standard deviation (SD) is a common measure of variability and can be aggregated as follows:

  $$S = \sqrt{\frac{\sum(X_i - \bar{X})^2}{N-1}}$$

  Where S = standard deviation (SD);

$\bar{X}$ = mean;

N = the total number of respondents;

X_i = 1, 2, 3, 4, 5…………n (Field, 2005).

- **Mann-Whitney (MW) Test:** The MW test is one of the most popular non-parametric tests. This statistical technique is useful for comparing two group means and examining whether there are any significant differences between two independent pairs of groups on an ongoing measurement (Field, 2005; Zikmund, 2003). In this research, the MW test was employed to examine the differences between answers from pairs of stakeholder groups. The MW value can be aggregated according to the following formula:

$$U = N_1N_2 + \frac{N_1(N_1+1)}{2} - R_1$$

Where U = MW test;

N_1 = the total number of respondents in group 1;

N_2 = the total number of respondents in group 2;

R_1 = the sum of ranks of group 1 (Field, 2005).

- **Kruskal-Wallis (KW) Test:** The KW test is a non-parametric test, equivalent to the parametric ANOVA test, for calculating the differences between population means (Field, 2005). A significant p-value (≤ 0.05) means that at least one of the study groups varies from at least one of the others. In the present research, the KW test was used to investigate whether there were fundamental differences between the four stakeholder groups in terms of their answers to individual statements. Since the KW test does not report which group is different or how many of the groups differ from one another (Siegel & Castellan, 1988), any observed variations were further explored using group means. The study followed most other social science research in setting the confidence level at 95% and the significance level at 5% (Curwin & Slater, 2007). The KW value can be aggregated according to the following formula:

$$H = \frac{12}{N_1(N_1+1)}\sum_{i=1}^{k}\frac{R_i^2}{n_i} - 3(N+1)$$

Where H = KW test;

R_i = sum of ranks for i group;

N = combined sizes of samples for whole groups (Field, 2005).

5.4.2 Qualitative Method

The combination of quantitative and qualitative methods has become increasingly popular because it is seen as a way of increasing the likelihood of obtaining accurate and comprehensive results; Kamel (2006), for example, explains that following up questionnaire surveys with interviews gives the researcher the opportunity to address any deficiencies in the first set of data.

The use of multiple methods is also at the heart of Klenke's (2008, p.7) comprehensive definition of qualitative research:

> "Qualitative research is multi-method in focus, involving an interpretive, naturalistic approach to its subject matter. This means that qualitative researchers study things in their natural settings, attempting to make sense of or interpret phenomena in terms of the meanings people bring to them. Qualitative research involves the studied use and collection of a variety of empirical materials – case study, personal experience, introspective, life story, interview, observational, historical, interactional, and visual texts that describe routine and problematic moments and meanings in individuals' lives".

Like Klenke, Johnson & Onwuegbuzie (2004) emphasise the ability of qualitative research to capture people's experience of phenomena; to capture and describe phenomena in context; and to explain why phenomena occur. These data may be collected using a range of qualitative methods, such as observation, interviews and case studies. The most widely used of these is the interview, as it offers numerous advantages to the researcher.

5.4.2.1 Semi-Structured Interviews

Semi-structured interviews allow the interviewer to explore those issues that cannot be covered in predetermined questions and to obtain rich information on a specific research topic. They are the most frequently used method for eliciting detailed,

comparable answers and introducing a subjective dimension into the research (Saunders et al., 2012). Qualitative interviews are considered particularly appropriate in cases where the information being sought is highly confidential or complicated (Hussey & Hussey, 1997), but in all cases, they are invaluable in helping the researcher gain a rich insight into interviewees' background, experiences, views, aspirations, values, feelings and attitudes (May, 2005).

Qualitative interviews may be structured or semi-structured. May (2005, p.121) defines the difference between the two thus:

> "In moving from the structured interview to the unstructured interview, researchers shift from a situation in which they attempt to control the interview through predetermined questions and thus 'teach' the respondent to reply in accordance with the interview schedule (standardization), to one in which the respondent is encouraged to answer a question in their own terms".

Bryman (2004, p.321) describes how the semi-structured interview works in more detail:

> "The researcher has a list of questions or fairly specific topics to be covered, often referred to as an interview guide, but the interviewee has a great deal of leeway in how to reply. Questions may not follow on exactly in the way outlined in the schedule. Questions that are not included in the guide may be asked as the interviewer picks up on things said by interviewees. But, by and large, all of the questions will be asked and a similar wording will be used from interviewee to interviewee".

This flexibility makes semi-structured interviews especially useful in exploratory research, where they can be used to investigate not only "how" and "what", but also "why" research questions (Saunders et al., 2009). As Bryman indicates, the researcher has a number of questions and themes that remain constant from one interview to another, but they are able to vary the format if necessary to respond to interviewees' answers or to explore any new areas that arise. From the interviewee's perspective, on the other hand, the semi-structured format gives them the space to express their views freely and to speak from their own knowledge and experience (Saunders et al., 2009). For these reasons, semi-structured interviews are deemed important for acquiring an adequate explanation and understanding of relevant events, patterns and behaviours, and for establishing a more precise picture of interviewees' perceptions (Bryman & Bell, 2003).

Semi-structured interviews are not without drawbacks, however; Collis & Hussey (2013) explain that the interview process can be time-consuming and expensive, and that protecting interviewees' confidentiality can be difficult, particularly if the sample is small. On the other hand, identifying – and gaining access to – a large sample of suitable candidates can be equally difficult. Collis & Hussey (2009) also argue that the researcher must put considerable thought into the design of the interview questions to ensure that all of the interviews are conducted in the same way. Despite these concerns, semi-structured interviews were considered the best method for collecting detailed information from internal and external stakeholders and for further exploring the outcomes of the questionnaire survey. The interviews offered an opportunity for direct contact with targeted individuals in the business environment, allowing the researcher to capture an in-depth picture of their practice and knowledge. They were particularly appropriate for this study as many stakeholders in developing countries such as Libya are reluctant to disclose details of their experience in terms of CG and accountability in written surveys.

5.4.2.1.1 Semi-Structured Interview Design

The aim in the semi-structured interviews was to investigate the views of relevant stakeholder groups concerning the current status of CG and accountability practices within Libyan listed companies. To this end, an interview guide was compiled consisting of a list of themes followed by a range of questions (see Appendices V and VI). The questions were designed to elicit interviewees' views, opinions, experiences, attitudes and feelings on a range of issues, and to provide rich information in a way that was not possible with the questionnaires. They were mostly formulated by drawing on CG and accountability literature (both general and developing country-specific) and the limited literature from the Libyan business environment. The general literature was particularly important as there is currently little available on CG and accountability in Libyan listed companies, even in terms of official reports.

The interview questions were designed to cover the key aspects of CG and accountability, namely: the understanding of the concept of CG in Libya, the perceived level of compliance with CG mechanisms in Libyan listed companies; the legal and regulatory framework of CG and accountability; factors influencing the practice of CG and accountability; perceptions surrounding and current practice of accountability; and how CG practice and accountability might be developed in

Libyan listed companies. As with the survey, the same interview questions were directed to broad stakeholders groups (see Appendices V and VI). The interview guide followed broadly the same pattern as the questionnaire survey (with the addition of the final set of questions on improving CG and accountability practices), which facilitated comparison of the results from the two instruments. Table 5.7 shows how the interview questions correlated with the research questions.

As with the survey, the interview schedule was piloted prior to the main study in order to establish its validity. Three participants (a recent PhD candidate from Nottingham Trent University and academic staff from Henley Business School and Misurata University in Libya) agreed to review the interview questions and undergo interviews. Their comments were taken into consideration in the preparation and conduct of the main study interviews.

Table 5.7 Linkage between Research Questions and Interview Questions

Research Questions	Themes & Questions
How is the concept of CG understood in the Libyan context?	Section One: 1-3
To what extent are Libyan listed companies committed to implementing CG mechanisms?	Section Two: 4-14
Does Libya have an adequate legal and regulatory framework to support CG and accountability practices?	Section Three: 1-4
What factors influence CG and accountability practice in Libyan listed companies?	Section Four: 1-1
How is accountability understood and practised in Libyan listed companies?	Section Five: 1-4
What suggestions and recommendations would different groups of stakeholders make to develop CG and accountability practice in Libyan listed companies?	Section Six: 1-2

5.4.2.1.2 Selection of Respondents and Interview Process

Kumar (2005) argues that sampling is a less important consideration in qualitative research, where the main aim is usually to explore or describe the diversity in a situation, phenomenon or issue. In the current research, finding interviewees who were available and willing to be interviewed was enormously challenging. Accordingly, it was decided that the sampling frame should be as large as possible within certain constraints. Following Kamel & Elbanna (2010), interviewees were selected

according to a set of criteria: they had to have at least a first degree (and preferably a postgraduate degree), along with relevant knowledge and experience of working in the field of CG; and they had to be available for an hour-long interview and follow up discussions. Finally, since it was important for the interviewees to be as honest and objective as possible (Sekaran & Bougie, 2016), they had to understand and be sympathetic towards the purpose of the research.

The interviewees were selected using the snowball method (García-Andreu et al., 2015), with interviewees being asked to suggest the names of other suitable candidates. All nominated candidates were approached by the researcher in an effort to minimise the impact of any bias resulting from this sampling method. Board chairmen were also requested to nominate potential interviewees, including non-executives with established reputations in their sectors. Finally, some directors were approached directly. In the end, twenty individuals, representing a wide range of internal and external stakeholder roles, agreed to be interviewed. These interviews were conducted during the months of July and August 2015 in Libya's two main cities, namely Tripoli (at the Libyan Stock Market) and Misurata.

Potential interviewees were approached by telephone and those who agreed to participate were interviewed face to face at their place of work. The interviews started with thanks and a brief overview of the objectives of the research, after which interviewees were given a copy of the letter from the researcher's sponsor and a copy of the consent form explaining their rights. They were then assured that the outcomes of the interviews would be treated with the utmost confidentiality and used only for research purposes; this assurance was very important in encouraging interviewees to participate actively and speak freely. All of the interviewees agreed to be recorded. After the interviews, the recordings were transcribed in Arabic, with relevant statements then being translated into English. According to Bryman & Bell (2003), a one-hour interview should take approximately six hours to transcribe, but in practice, each hour of dialogue took almost nine hours to transcribe. Most of the interviews lasted between half an hour and an hour and half. As promised, the names of the interviewees were coded in order to ensure their anonymity. As Table 5.8 shows, for the purpose of coding and analysis, the interviewees were broadly classified into two groups based on the nature of their roles. These were the Internal Stakeholder Group (ISG) and the External Stakeholder Group (ESG).

Table 5.8 Interviewees' Coding and Characteristics

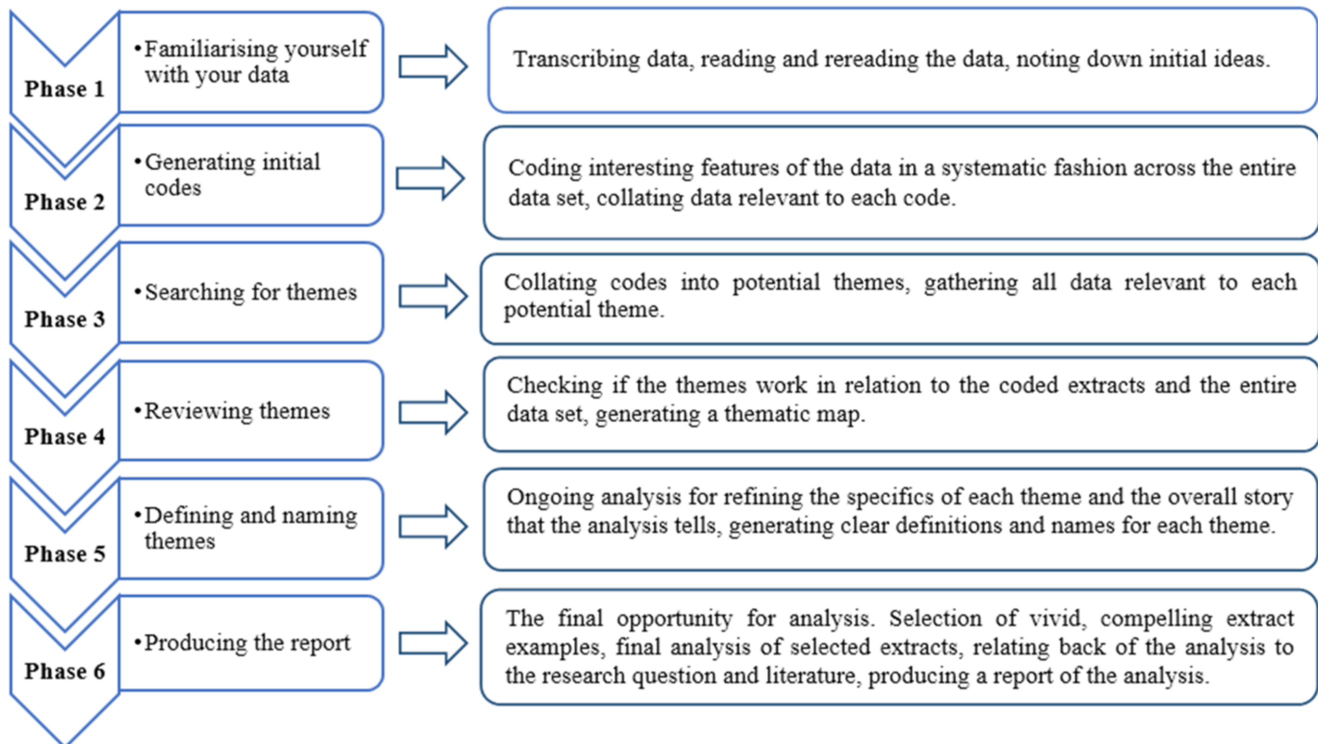
No	Code	Position	Sector	Qualification	Place of Study	Experience	Duration
Group 1: Internal Stakeholders Group (ISG)							
1	BD1	Non-Executive Chairman	Banking Sector	PhD in Accounting	Jordan	35 Years	36 minutes
2	BD2	Executive Chairman	Industrial Sector	PhD in Accounting	Sudan	30 Years	44 minutes
3	BD3	Executive Chairman	Financial Service Sector	PhD in Finance	Bulgaria	8 Years	57 minutes
4	BD4	Chair of Audit Committee	Banking Sector	PhD in Accounting	US	35 Years	35 minutes
5	BD5	Executive Board Member	Banking Sector	MSc in Accounting	Libya	37 Years	1 hour 7 minutes
6	BD6	Non-Executive Board Member	Insurance Sector	BA in Management	Libya	40 Years	39 minutes
7	BD7	Executive Board Member	Investment Sector	PhD in Accounting	UK	35 Years	30 minutes
8	BD8	Executive Board Member	Banking Sector	PhD in Management	Libya	17 Years	47 minutes
9	EM1	Chief Executive Officer (CEO)	Banking Sector	MSc in Accounting	Libya	30 Years	1 hour 30 minutes
10	EM2	Chief of Trading Management	Financial Service Sector	MSc in Finance	Libya	8 Years	1 hour10 minutes
11	EM3	Chief of Investment Management	Investment Sector	PhD in Accounting	UK	12 Years	29 Minutes
12	EM4	Head of Internal Audit Management	Service Sector	PhD in Accounting	Malaysia	28 Years	1 hour 28 minutes
Group 2: External Stakeholders Group (ESG)							
13	RE1	Regulator	LSMA	PhD in Accounting	UK	15 Years	32 minutes
14	RE2	Regulator	Ministry of Economic Affairs	PhD in Management	UK	12 Years	47 minutes
15	RE3	External Auditor	Private Sector	PhD in Accounting	UK	30 Years	1 hour 10minutes
16	RE4	External Auditor	Private Sector	PhD in Accounting	US	33 Years	1 hour 13 minutes
17	OS1	Financial Consultant	Financial Service Sector	MSc in Management	UK	37 Years	54 minutes
18	OS2	Individual Investor	Private Sector	PhD in Management	UK	8 Years	1 hour 11 minutes
19	OS3	Academic	Education Sector	PhD in Accounting	Poland	15 Years	1 hour 9 minutes
20	OS4	Broker	Private Sector	MSc in Marketing	Libya	10 Years	33 minutes

5.4.2.1.3 Thematic Analysis of Interview Data

In contrast to quantitative data analysis, there is no standardised approach to qualitative data analysis (Collis & Hussey, 2009; Saunders et al., 2012). In this case, thematic analysis was applied as it was felt to be the most suitable for answering the research questions. Braun & Clarke (2006, p.79) provide a general definition of thematic analysis as "a method for identifying, analysing and reporting patterns (themes) within data. It minimally organizes and describes your data set in (rich)

detail. However, frequently it goes further than this, and interprets various aspects of the research topic". Vaismoradi et al., (2013) break the process of thematically analysing interview data down into six phases, explaining what happens at each stage (see Figure 5.3).

Figure 5.3 The Process of Thematically Analysing Interview Data



Source: Adapted from Vaismoradi et al., (2013, p.402)

A number of accounting studies have employed thematic analysis to analyse qualitative data gathered from semi-structured interviews, including those by Vaismoradi et al., (2013), Ferdous (2012), Magrus (2012) and Braun & Clarke (2006). Ghauri & Gronhaug (2010) indicate that qualitative data analysis software is helpful where there is a large amount of data that require coding, linking and explaining. Several such programs are available, but as only 20 interviews were conducted in this study and the amount of qualitative data generated was manageable, coding was done manually.

Concepts underlined in the analysis were analysed according to the research framework. Besides, new concepts or themes that were highlighted in the interviews

were handled in a flexible way and considered in relation to the research framework. The outcomes of the thematic analysis are presented in Chapter 7.

5.5 Combining the Quantitative and Qualitative Findings

As discussed in Section 5.4, this research employs methodological triangulation in order to enhance the credibility of the findings. According to Blaxter et al., (2010), quantitative research methods concentrate on fact-finding, while qualitative research methods focus on gaining a more in-depth understanding of the phenomenon under investigation. In other words, the results derived from qualitative methods can complement and add further detail to the results obtained using quantitative methods. An additional benefit of methodological triangulation is that where the two methods produce consistent results, this increases the reliability and validity of the research (although having said this, it is difficult in practice to harmonise the outcomes of two or more research methods, especially in a single study). The combined findings are presented in Chapter 8.

5.6 Ethical Considerations

Collis & Hussey (2009) highlight the importance of research ethics, especially with regard to consent, data confidentiality and privacy. These considerations were an integral part of the research design in this study. At the outset, approval for the research was sought from the Ethics Committee at Henley Business School, the University of Reading, which also approved the consent form that was given to interviewees. This explained the nature of the research, the research objectives and the rules governing the research. Similarly, the questionnaire survey was accompanied by a covering letter explaining the nature and objectives of the research and assuring participants that their anonymity would be protected, and that responses would be treated with the utmost confidentiality and used only for the purposes of research.

5.7 Summary

This chapter started by discussing the philosophical assumptions that guide social science research and the paradigms that are most commonly employed by researchers in this area. It justified the choice of the pragmatism paradigm for this study on the grounds that this encourages a mixed methods approach and the use of both quantitative and qualitative techniques. This is highly appropriate for this research as not only does it enable methodological triangulation (thereby increasing the reliability and validity of the results), but it is also likely to yield a more accurate and detailed picture of current CG and accountability practice in Libyan listed companies. This echoes the view of Filatotchev & Nakajima (2010), who argue that to fully understand CG practices, it is necessary to combine instruments such as questionnaire surveys and semi-structured interviews.

As these were the two instruments chosen for this study, they were discussed at length. The questionnaire survey was deployed first. The chapter justified the choice of this instrument before explaining how it was designed, how respondents' responses were scaled, how it was piloted, how the research sample was selected, how the survey was distributed, the response rate, how the reliability and validity of the survey were evaluated, and the statistical techniques that were employed to analyse the gathered data. The second instrument was the semi-structured interviews; again, the chapter explained how the question schedule was designed, how interviewees were selected, how the interviews were conducted and how the resulting data were analysed using the technique of thematic analysis.

This chapter having set out the methodology of the study, the next chapter begins the data analysis section of the thesis by presenting the results from the questionnaire survey.

CHAPTER SIX

QUESTIONNAIRE SURVEY ANALYSIS

6.1 Introduction

This chapter analyses and discusses the results collected from the first data collection instrument – the questionnaire survey conducted between June and August, 2015. In all, 400 questionnaires were circulated and 231 questionnaires were returned during this period, giving a response rate of 58%. This is high compared to Kamel's (2006) observation that questionnaires in the Middle East region usually yield a response rate of only 30%-50%. This chapter is organised as follows: section 6.2 outlines the structure of the survey and the composition of the responding groups, while section 6.3 presents the descriptive statistical analysis of respondents' demographic information. Section 6.4 presents the results from the questions examining respondents' understanding of CG in the Libyan environment; specifically, how they thought "CG" should be translated into Arabic, how they thought CG should be defined, how important they thought it is in the Libyan environment, and what they thought of the general level of CG awareness in the country. Section 6.5 examines the respondents' views regarding Libyan listed companies' compliance with the key CG mechanisms. Section 6.6 addresses the legal and regulatory framework of CG and accountability in Libya, section 6.7 focuses on the factors that influence CG practice and accountability, and section 6.8 investigates the respondents' views regarding the concept and practice of accountability. Section 6.9 summarises the main findings of the chapter.

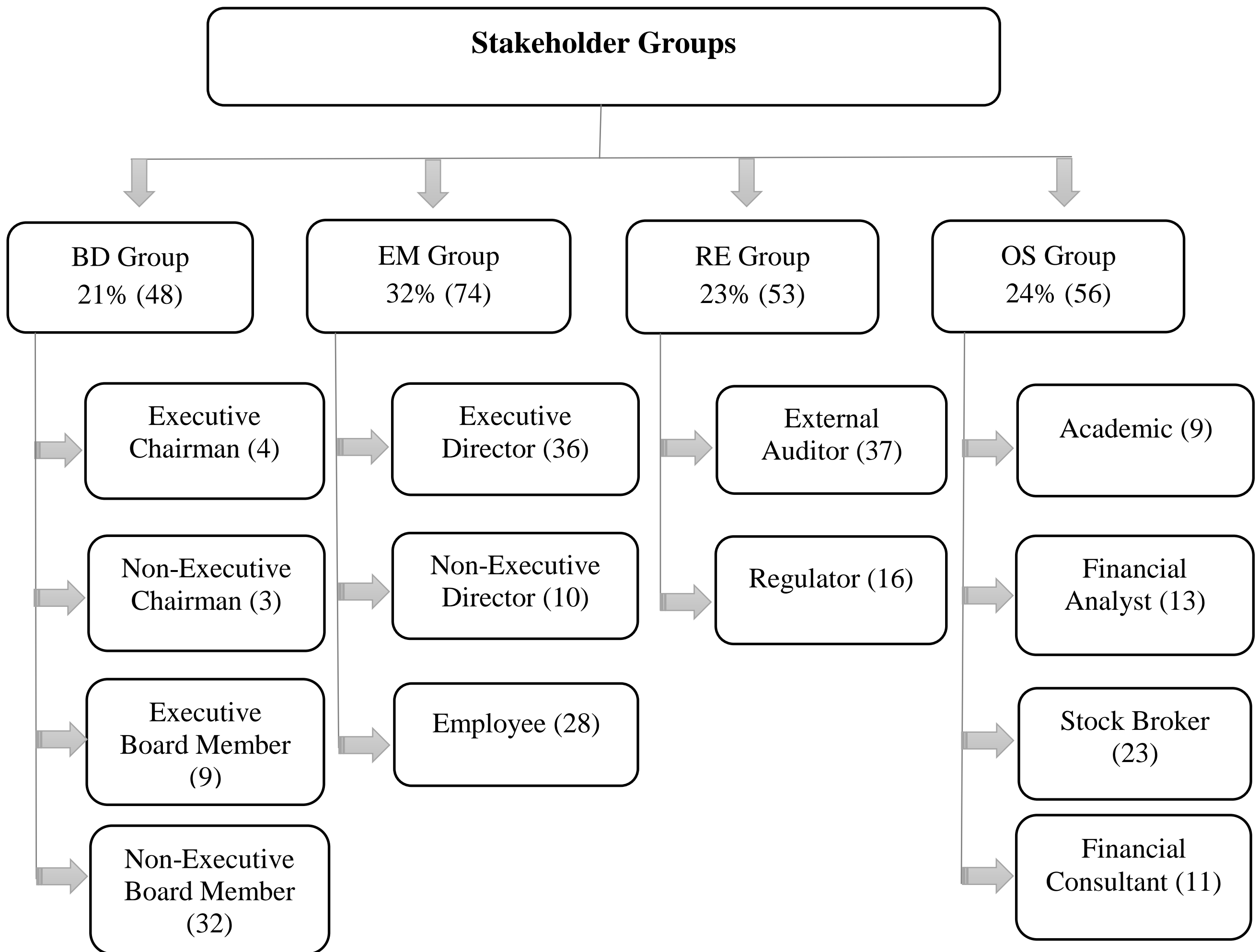
6.2 Questionnaire Survey Topics and Respondent Groups

The questionnaire survey sought to investigate how different stakeholder groups perceive the key issues surrounding CG and accountability practices in Libyan listed companies. It contained six sections (see Appendices I and II), the first of which asked for the participants' demographic information. The second section sought to elicit how they felt the English term "corporate governance" should be translated into Arabic. It also aimed to elicit their general perceptions concerning the definition, relevance and awareness of CG. The third section focused on respondents' views regarding Libyan listed companies' adoption of the key CG mechanisms, while the

fourth investigated their views on the legal and regulatory framework of CG and accountability. The fifth section explored the theme of CG and accountability in more detail, asking respondents to indicate whether they felt that the list of possible factors they were given influence CG practice and accountability in Libyan listed companies. The final section sought their responses to a series of statements concerning the definition and implementation of accountability in Libyan listed companies.

For the purpose of analysis, respondents were classified into four groups according to their role. Figure 6.1 identifies the four categories, how many responses were returned by each group (and how these were distributed across the various roles within each group) and what percentage they formed of the overall sample. The first group was the Board of Directors group (group BD), which consisted of executive chairmen, non-executive chairmen, executive board members and non-executive board members from Libyan listed companies. The second group, the Executive Management group (group EM), contained executive directors, non-executive directors and employees in Libyan listed companies. The third group was the Regulators (group RE), which included regulators from both the LSMA and the CBL along with external auditors registered in the LSM. (Members of this group have the right to supervise and monitor Libyan listed companies.) The last group was Other Stakeholders (group OS). This group consisted of academics, financial analysts, stock brokers and financial consultants.

Figure 6.1 Questionnaire Respondent Groups



The data obtained from respondents were analysed using the Statistical Package for Social Sciences (SPSS). As the majority of the questions in the questionnaire survey employed a five-point Likert scale, responses were analysed in terms of measures of central tendency (mean, standard deviation and median). The ordinal data were analysed using non-parametric tests; the Mann-Whitney test (MW) was employed to examine the differences between answers from pairs of stakeholder groups, while the Kruskal-Wallis test (KW) was used to investigate whether there were fundamental differences between the four stakeholder groups on individual statements. The study follows most other social science research in setting the confidence level at 95% and the significance level at 5% (Curwin & Slater, 2007).

6.3 Descriptive Statistical Analysis of Respondents' Demographic Information

Figure 6.2 shows that the majority of respondents in the BD group (45.8%) held a Bachelor's degree, 16.7% had a PhD, 27.1% a Master's degree and 10.4% had a diploma degree. In the EM group, 67.6% of respondents had a Bachelor's degree, while 18.9% had a Master's degree, 4.1% had a PhD and 9.5% held a diploma degree. In the RE group, half of respondents (50.9%) held a Bachelor's degree, while 35.8% held a Master's degree and 13.2% held a PhD. Finally, 48.2% of the OS group held a Master's degree, while 35.7% held a Bachelor's degree and 16.1% held a PhD. To sum up, almost all of the respondents were educated to at least first degree level and were therefore likely to be able to understand the issues surrounding CG and accountability, as well as the latest developments in this area.

Figure 6.2 Respondents' Qualifications

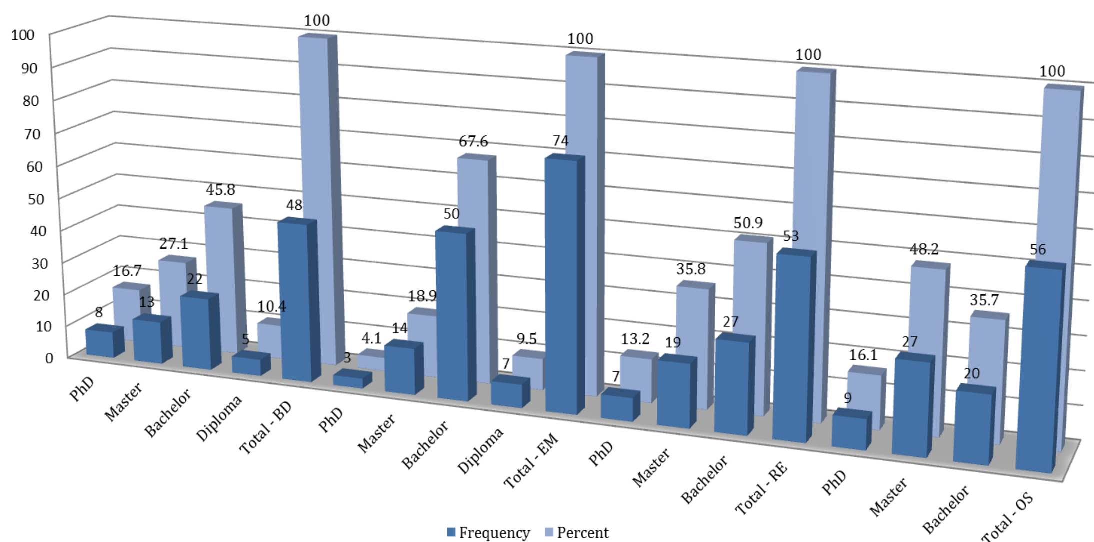
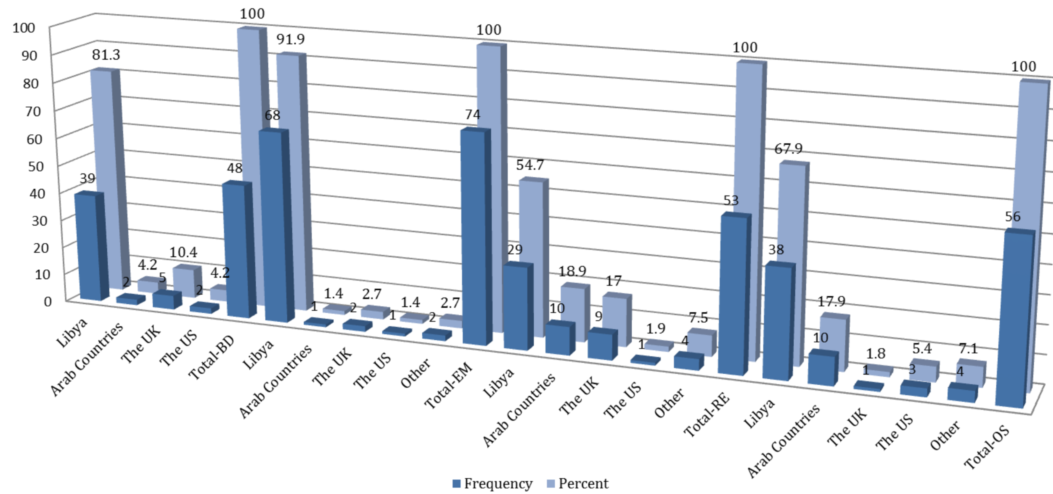


Figure 6.3 illustrates that in the BD group, more than three-quarters of the respondents had studied for their last degree in Libya, while 4.2% had obtained their last degree in another Arab country, 10.4% had received it in the UK and 4.2% had graduated in the US. In the EM group, 91.9% had obtained their last degree in Libya, 1.4% had studied in another Arab country, 2.7% had studied in the UK and 1.4% had studied in the US. The remaining 2.7% had obtained their last degree in another country. In the RE group, 54.7% of respondents had obtained their last degree in Libya, 18.9% had studied in another Arab country, 17% in the UK, 1.9% in the US and 7.5% in another country. Finally, in the OS group, two-thirds of respondents had obtained their last degree in Libya, while 17.9% had studied in another Arab country,

1.8% had studied in the UK, 5.4% in the US and 7.1% in another country. The distribution across the four groups suggests they are likely to have developed different interpretations of and attitudes towards CG practice and accountability.

Figure 6.3 Respondents' Place of Study



With regard to practical experience, Figure 6.4 shows that in the BD group, 52.1% of the respondents had practical experience of more than 15 years, while 18.8% had practical experience of between 10 and 15 years, 22.9% had practical experience of between 5 and 10 years and 6.3% had practical experience of between 1 and 5 years. In the EM group, 40.5% of respondents had more than 15 years' practical experience, 29.7% had 10-15 years' practical experience, 17.6% had 5-10 years' practical experience and 12.2% had 1-5 years' practical experience. In the RE group, more than a third of the respondents (39.6%) had practical experience of more than 15 years, while 22.6% had 10-15 years' practical experience, 28.3% had 5-10 years' practical experience and 9.4% had 1-5 years' practical experience. In the OS group, nearly a third of respondents (32.1%) had more than 15 years' practical experience, 35.7% had 10-15 years' practical experience, more than a quarter (28.6%) had practical experience of between 5 and 10 years and 3.6% had practical experience of between 1 and 5 years.

Comparing the groups, the 15 years and over category scored the highest percentage in all except the OS group, where it took second place. In contrast, the 1-5 year category scored the lowest percentage in all groups. The fact that nearly two-thirds of

the respondents from each group had practical experience of more than 10 years indicates that their perceptions are likely to be credible and reliable.

Figure 6.4 Respondents' Experience

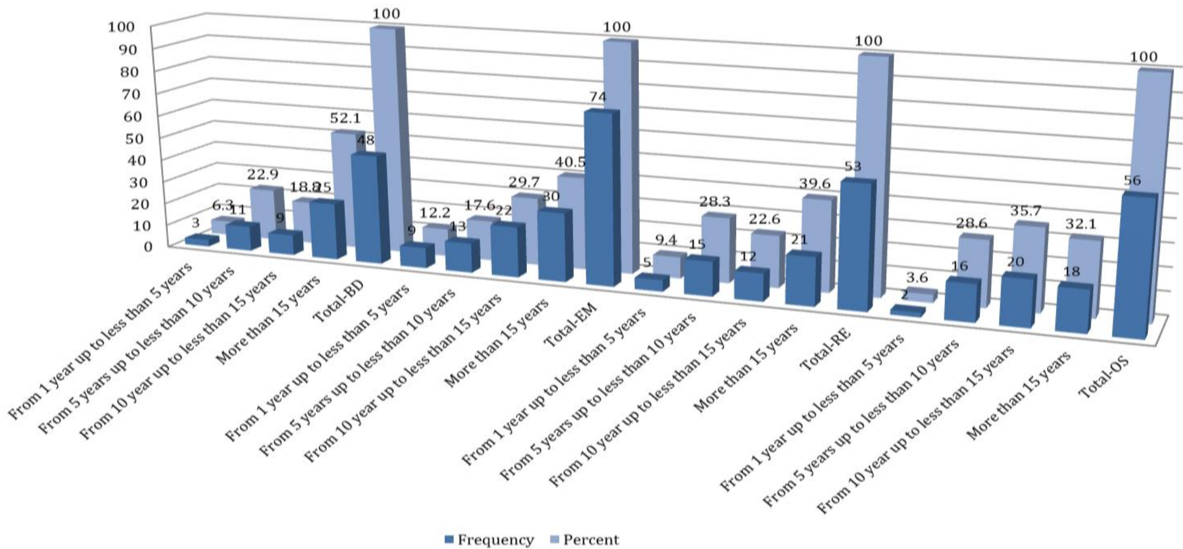
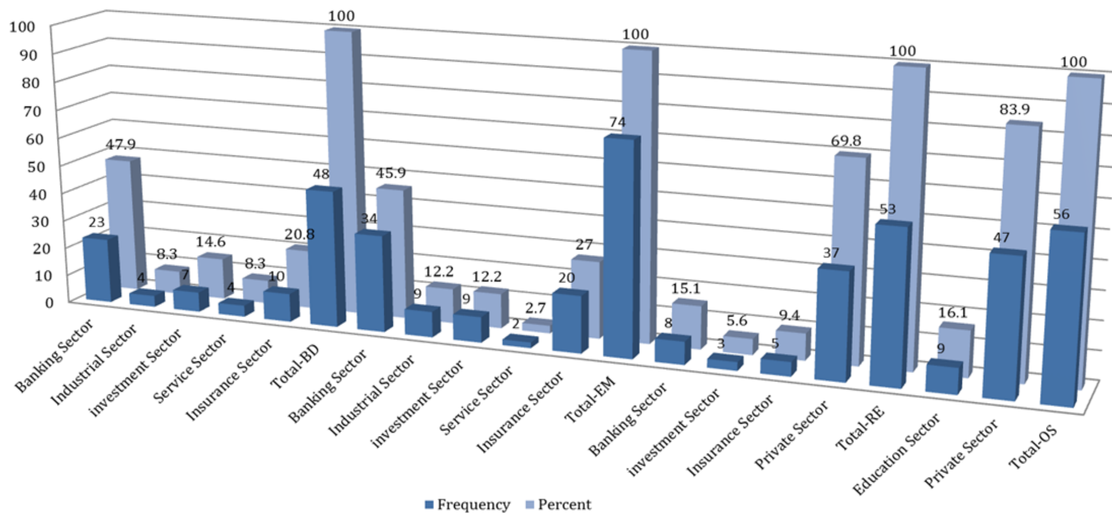


Figure 6.5 highlights that in the BD and EM groups, the highest percentage of respondents were from the banking sector (47.9% and 45.9% respectively). In both groups, the second most represented sector was insurance (20.8% and 27% of respondents respectively). 14.6% of respondents from the BD group and 12.2% of respondents from the EM group belonged to the investment sector, while 8.3% and 12.2% respectively came from the industrial sector. The lowest percentage in both groups was the service sector, which accounted for 8.3% of BD respondents and 2.7% of EM respondents. In the RE and OS groups, the highest percentage of respondents came from the private sector (69.8% and 83.9% respectively). While the RE group also contained respondents from the banking (15.1%), insurance (9.4%) and investment sectors (5.6%), the only other sector represented in the OS group was education, with 16.15%.

Figure 6.5 Respondents' Sector



6.4 Understanding of CG in the Libyan Environment

Before asking respondents for their opinions on CG practice and accountability in Libyan listed companies, it was necessary to find out what they understood CG to mean. Accordingly, this section of the questionnaire addressed the questions of how the English term "corporate governance" should be rendered in Arabic, how they thought CG should be defined, and their general views on its significance and awarness in Libya.

6.4.1 Arabic Interpretation of the Term CG

The Arabic translation of the term CG is one of the most controversial issues in Arab CG literature (Falgi, 2009). In the absence of any universally agreed translation, the respondents were given four commonly used variants and asked to identify the most popular. As Table 6.1 shows, there was agreement across the sample that *Hawkamat Alsharekat* is the most widely used term. This was placed first with a mean of 4.25 and a median score of 4. Second came *Aledarah Alrashedah* with a mean of 3.80 and a median score of 4. This term is commonly used in the Libyan environment since the LSM adopted it as an alternative to *Hawkamat Alsharekat* in the 2007 LCGC. The third ranked term was *Edart Tandheem wa Murakabat Alsharekat* with a mean of 3.16 and a median score of 3. This term was more favoured by the EM group because its narrow interpretation of CG as an internal mechanism for managing companies is more compatible with the views of this group. The table shows that the term

Alhakemia Almoassasatia was a neutral by all stakeholder groups (with a mean of 2.65 and a median score of 3), possibly because of its political overtones.

Table 6.1 Arabic Translation of the Term CG

Statement	N	Mean	Median	SD	Rank
Q1a: Hawkamat Alsharekat	231	4.25	4	0.81	1
Q1b: Aledarah Alrashedah	231	3.80	4	1.06	2
Q1c: Edart Tandheem wa Murakabat Alsharekat	224	3.16	3	1.33	3
Q1d: Alhakemia Almoassasatia	223	2.65	3	1.21	4

Note: A five-point Likert Scale was adopted where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

When the Kruskal-Wallis test was applied, significance levels equal to or lower than the critical value of 0.05 indicated that there were statistically significant differences between the groups in terms of their responses to *Hawkamat Alsharekat, Aledarah Alrashedah* and *Alhakemia Almoassasatia,* but not *Edart Tandheem wa Murakabat Alsharekat* (see Table 6.2). When the Mann-Whitney test was then carried out to identify any statistically significant differences between pairs of groups, the results indicated that there were significant differences between the EM group and each of the RE and OS groups with regard to the Arabic term *Hawkamat Alsharekat*. For the Arabic term *Aledarah Alrashedah,* there were significant differences between the BD and OS groups and between the EM and OS groups. There were also significant differences between the EM group and the RE and OS groups regarding the Arabic term *Alhakemia Almoassasatia*.

Table 6.2 Arabic Translation of the Term CG: KW Test & MW Test

Statement	Group Means				K-W P-values	Result	Mann-Whitney Test - P-values					
	BD	EM	RE	OS			BD-EM	BD-RE	BD-OS	EM-RE	EM-OS	RE-OS
Q1a	4.13	4.05	4.34	4.22	**0.004***	Significant	0.217	0.057	0.254	**0.001***	**0.008***	0.345
Q1b	3.54	3.73	4.12	3.80	**0.017***	Significant	0.329	0.083	**0.001***	0.518	**0.029***	0.190
Q1c	2.98	3.30	3.29	3.16	0.216	Not Significant	0.116	0.788	0.102	0.193	0.797	0.160
Q1d	2.60	2.99	2.50	2.65	**0.039***	Significant	0.152	0.499	0.768	**0.004***	**0.028***	0.705

6.4.2 Definition of CG

The stakeholder groups were asked to respond to a set of five CG definitions drawn from the literature (see Table 6.3). The definitions, which represented both the agency and the stakeholder perspectives, were all accepted by the respondents. Keasey & Wright's (1993) broad definition of CG as "a set of regulations, rules, procedures and cultures that enable a company to perform successfully" (Q2e) was ranked the highest with mean and median scores of 4.03 and 4 respectively. This was followed in second place by Parkinson's (1994) definition of CG as "monitoring and supervision of a company management to ensure it is working in the interests of the shareholders" (Q2d). This gathered mean and median scores of 3.85 and 4 respectively. Cadbury's (1992) definition of CG as "the system through which a company is directed and controlled" (Q2a) achieved third place with mean and median scores of 3.84 and 4 respectively. Definition Q2c views CG from the broader stakeholder perspective as "regulating the relationship between a company and the different stakeholders who are affected by and affect the activities and decisions of the company". This was ranked fourth with mean and median scores of 3.82 and 4 respectively. Lastly, definition Q2b, which views CG from a narrower perspective (i.e. the shareholders' view), achieved the lowest rank with mean and median scores of 3.58 and 4 respectively.

Table 6.3 Definition of CG

Statement	N	Mean	Median	SD	Rank
Q2a: CG is the system through which a company is directed and controlled.	227	3.84	4	0.82	3
Q2b: CG is used to regulate the relationship between a company and its shareholders.	226	3.58	4	0.95	5
Q2c: CG is used to regulate the relationship between a company and the different stakeholders who are affected by and affect the activities and decisions of the company.	229	3.82	4	0.94	4
Q2d: CG is the monitoring and supervision of a company's management to ensure it is working in the interests of the shareholders.	230	3.85	4	0.99	2
Q2e: CG is a set of regulations, rules, procedures and cultures that enable a company to perform successfully.	228	4.03	4	0.96	1

Note: A five-point Likert Scale was adopted where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

Table 6.4 shows that there were almost no statistically significant differences among the group means, apart from Q2b, which defines CG from an agency perspective. The p-value of 0.005 indicates that one or more stakeholder groups differed from the

others; the Mann-Whitney test revealed the differences to be between the BD and EM groups and the BD and RE groups. The finding suggests that although all three groups took a broad perspective of CG, the BD group was the broadest.

Table 6.4 Definition of CG: KW Test & MW Test

Statement	Group Means				K-W P-values	Result	Mann-Whitney Test - P-values					
	BD	EM	RE	OS			BD-EM	BD-RE	BD-OS	EM-RE	EM-OS	RE-OS
Q2a	3.95	3.76	3.76	3.93	0.184	Not Significant	0.085	0.169	0.994	0.856	0.093	0.180
Q2b	3.92	3.46	3.34	3.70	**0.005***	Significant	**0.001***	**0.005***	0.622	0.751	0.056	0.071
Q2c	3.93	3.72	3.79	3.88	0.683	Not Significant	0.225	0.669	0.805	0.581	0.326	0.810
Q2d	3.87	3.84	2.79	3.89	0.923	Not Significant	0.654	0.885	0.873	0.829	0.431	0.582
Q2e	3.98	4.01	4.02	4.11	0.594	Not Significant	0.817	0.471	0.414	0.310	0.239	0.990

6.4.3 Importance and Awareness of CG

In order to gain an overview of CG in the Libyan environment, the respondents were asked to give their views about the importance of CG and the general level of CG awareness in Libya. Questions 3a and 3b were designed to explore the respondents' perceptions of the relevance of CG. The findings in Table 6.5 reveal that the stakeholder groups strongly agreed that CG systems are extremely important both for listed companies themselves and for shareholders (overall mean scores of 4.25 and 4.27 respectively and overall median scores of 4 and 4 respectively). Breaking the sample down, Table 6.6 shows that the OS group agreed most strongly (mean scores of 4.55 and 4.54 respectively), while the BD and EM groups came second highest with mean scores of 4.17 and 4.16 respectively for Q3a and mean scores of 4.15 and 4.27 respectively for Q3b. The RE group agreed least strongly, with mean scores of 4.13 and 4.08 respectively. Although the Kruskal-Wallis test found no significant differences in the stakeholders' answers for either statement, the Mann-Whitney test identified significant differences between the EM and OS groups on Q3a and between the RE and OS groups on Q3b. The high level of support shown for these statements by the OS group may be because it is the most familiar with the LCGC.

Table 6.5 Importance and Awareness of CG

Statement	N	Mean	Median	SD	Rank
Q3a: CG is important for Libyan listed companies.	229	4.25	4	0.87	2
Q3b: The implementation of CG gives confidence to shareholders.	229	4.27	4	0.81	1
Q3c: There is sufficient awareness of CG issues in the Libyan environment.	231	2.39	2	0.95	4
Q3d: Libyan listed companies follow international developments in the area of CG.	229	2.59	3	0.95	3

Note: A five-point Likert Scale was adopted where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

Q3c was designed to investigate stakeholders' awareness of CG, but as Table 6.5 shows, the sample as a whole felt that awareness of CG issues in the Libyan environment is inadequate (overall mean and median scores of 2.39 and 2 respectively). Breaking the sample down into groups, Table 6.6 shows that the RE group disagreed with the statement the most strongly (mean score of 2.21), while the BD group, although still disagreeing, did so the least strongly (mean score of 2.67).

The Kruskal-Wallis test (see Table 6.6) identified statistically significant differences among the four groups regarding the level of public awareness of CG in the Libyan environment (p-value for this statement was 0.032); the Mann-Whitney test highlighted these as being between the BD and EM groups and the BD and RE groups. The BD group was slightly more inclined than either of the other two groups to feel that there is slightly awareness of CG issues in the Libyan environment.

The remaining question Q3d were designed to investigate stakeholders' awareness of CG. As shown in Table 6.5, the respondents did not believe that Libyan listed companies follow international developments in the area of CG (Q3d), giving this statement overall mean and median scores of 2.59 and 3 respectively. Again, the BD group disagreed least strongly, producing the highest group mean score (2.77). Table 6.6 demonstrates the outcomes of the Kruskal-Wallis test, which indicated no significant differences in respondents' responses in relation to Q3d.

Table 6.6 Importance and Awareness of CG: KW Test & MW Test

Statement	Group Means				K-W P-values	Result	Mann-Whitney Test - P-values					
	BD	EM	RE	OS			BD-EM	BD-RE	BD-OS	EM-RE	EM-OS	RE-OS
Q3a	4.17	4.16	4.13	4.55	0.071	Not Significant	0.648	0.897	0.075	0.499	**0.006***	0.112
Q3b	4.15	4.27	4.08	4.54	0.056	Not Significant	0.842	0.544	0.102	0.595	**0.017***	**0.013***
Q3c	2.67	2.35	2.21	2.39	**0.032***	Significant	**0.044***	**0.005***	0.094	0.158	0.940	0.206
Q3d	2.77	2.60	2.40	2.62	0.317	Not Significant	0.286	0.063	0.471	0.264	0.921	0.308

6.5 Compliance with CG Mechanisms

This section sought to identify stakeholders' views regarding the level of commitment to CG mechanisms within Libyan listed companies. The mechanisms identified were the BOD, disclosure and transparency, internal and external auditing and shareholders' rights.

6.5.1 The Board of Directors Mechanism

The BOD is one of the key internal CG mechanisms ensuring that the interests of shareholders and managers are aligned and that management teams are operating effectively (Kang et al., 2007). There is a general consensus that when other CG mechanisms are weakened, an inefficient board can be costly to companies and, in turn, to society. As a result, much of the debate about CG has concentrated on the boards' activities (De Andres et al., 2005). Accordingly, the questions in this section of the survey were designed to explore the respondents' views regarding the duties, responsibilities and composition of the board and its committees.

6.5.1.1 Duties of the Board of Directors

In the first part of Q4, respondents were asked to indicate how far they agreed that the activities listed in statements Q4a-e constitute the duties of boards in Libyan listed companies. As can be seen in Table 6.7, the respondents as a whole agreed that all the listed duties are undertaken by boards; overall mean scores ranged from 4.16 to 3.81, while overall median scores were all 4.

Table 6.7 Duties of the Board of Directors

Statement	N	Mean	Median	SD	Rank
Q4a: The Board of Directors endorses the strategic direction and main objectives of the company and supervises their implementation.	231	4.16	4	0.76	1
Q4b: The Board of Directors sets up and supervises systems of internal control.	231	3.87	4	0.80	3
Q4c: The Board of Directors sets out specific and clear policies, standards and procedures for the membership of the Board of Directors.	231	3.81	4	0.97	5
Q4d: The Board of Directors sets out a clear written policy governing the relations between stakeholders in order to protect their interests and preserve their rights.	231	3.87	4	0.83	4
Q4e: The Board of Directors sets up policies and procedures to ensure that the company's rules and regulations, as well as its commitment to disclose essential information to shareholders, creditors and other stakeholders, are respected.	231	4.12	4	0.78	2

Note: A five-point Likert Scale was adopted where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

The statement: "The Board of Directors endorses the strategic direction and main objectives of the company and supervises their implementation" (Q4a) scored highest with overall mean and median scores of 4.16 and 4 respectively. Table 6.8 shows that the BD and EM groups endorsed this most strongly (group means 4.19 and 4.20 respectively). Q4b: "The Board of Directors sets up and supervises systems of internal control" was awarded overall mean and median scores of 3.87 and 4 respectively, with the highest group mean coming from the BD group (4.06), while Q4c: "The Board of Directors sets out specific and clear policies, standards and procedures for the membership of the Board of Directors" achieved overall mean and median scores of 3.81 and 4 respectively – again, the highest group mean came from the BD group (3.96). The statement: "The Board of Directors sets out a clear written policy governing the relations between stakeholders in order to protect their interests and preserve their rights" (Q4d) was given overall mean and median scores of 3.87 and 4 respectively, but this time, the highest group mean came from the OS group (4.00), indicating a high level of emphasis on this aspect of board activity. Finally, "The Board of Directors sets up policies and procedures to ensure that the company's rules and regulations, as well as its commitment to disclose essential information to shareholders, creditors and other stakeholders, are respected" (Q4e) was given overall mean and median scores of 4.12 and 4 respectively. The highest group mean for this statement (4.25) came from the RE group, which represented the external auditors and regulators who officially monitor Libyan listed companies and their boards. This is a positive indication that these boards are expected to carry out their duties in

accordance with internal regulations and laws, as well as the stipulations of the LCGC.

As shown in Table 6.8, the Kruskal-Wallis and Mann-Whitney tests revealed no statistically significant differences between the groups on this question, indicating general satisfaction with the duties undertaken by boards in Libyan listed companies.

Table 6.8 Duties of the Board of Directors: KW Test & MW Test

Statement	Group Means				K-W P-values	Result	Mann-Whitney Test - P-values					
	BD	EM	RE	OS			BD-EM	BD-RE	BD-OS	EM-RE	EM-OS	RE-OS
Q4a	4.19	4.20	4.09	4.14	0.824	Not Significant	0.722	0.562	0.991	0.354	0.704	0.593
Q4b	4.06	3.84	3.81	3.79	0.385	Not Significant	0.223	0.059	0.213	0.607	0.877	0.739
Q4c	3.96	3.76	3.72	3.86	0.511	Not Significant	0.285	0.143	0.744	0.699	0.516	0.339
Q4d	3.92	3.78	3.83	4.00	0.304	Not Significant	0.424	0.333	0.407	0.938	0.124	0.110
Q4e	4.08	4.08	4.25	4.09	0.405	Not Significant	0.709	0.199	0.994	0.109	0.771	0.248

6.5.1.2 Responsibilities of the Board of Directors

In the next part of Q4, respondents were asked to indicate how far they agreed that the listed responsibilities are assumed by BODs in Libyan listed companies. As shown in Table 6.10, the respondents expressed a high level of agreement with the responsibilities listed in Q4f-Q4k. Overall mean scores for the statements ranged from 3.96 to 3.72, while overall median scores were all 4.

Statement Q4f: “The Board of Directors has the full authority and power to monitor the operations of the company's management in general and monitor the executives in particular” was given overall mean and median scores of 3.93 and 4 respectively. Table 6.10 shows that the RE group was the strongest supporter of this statement (group mean 4.08), while the EM group was the least strong (group mean 3.77). Statement Q4g: “The Board of Directors carries out its duties seriously and attentively and ensures its decisions are based on adequate information from the executive departments” was given overall mean and median scores of 3.84 and 4 respectively. The BD group expressed the strongest agreement with this statement (group mean 3.92), whereas the OS group gave the lowest mean score (3.66). The statement: “The members of the Board of Directors represent the majority of the shareholders and are committed to serving the company’s interests generally” (Q4h) scored lowest in this

section with overall mean and median scores of 3.72 and 4 respectively. In this case, the OS group expressed the strongest support (group mean 3.86), while the EM group had the lowest mean score of 3.58.

Overall, the respondents agreed most strongly with the statement: "The Board of Directors determines the authority delegated to the executive management, the executive decision-making procedures and the authorisation period" (Q4i), placing this first with overall mean and median scores of 3.96 and 4 respectively. Again, the strongest supporter for this statement was the OS group (group mean 4.11), while the BD and EM groups were the least supportive, with group means of 3.85 each. Statement Q4j: "The Board of Directors takes into account the interests of stakeholders when making strategic decisions" garnered overall mean and median values of 3.85 and 4 respectively. The OS group expressed the strongest agreement with this statement (group mean 4.02), while the EM group was the least supportive with a mean score of 3.73. Finally, the statement: "Board members devote enough time to undertake their responsibilities and to prepare for the meetings of the board" (Q4k) garnered overall mean and median scores of 3.73 and 4 respectively. The strongest support came from the RE group (group mean 3.85), while the EM group was the least supportive (group mean 3.64).

Table 6.9 Responsibilities of the Board of Directors

Statement	N	Mean	Median	SD	Rank
Q4f: The Board of Directors has the full authority and power to monitor the operations of the company's management in general and monitor the executives in particular.	231	3.93	4	0.83	2
Q4g: The Board of Directors carries out its duties seriously and attentively and ensures its decisions are based on adequate information from the executive departments.	231	3.84	4	0.85	4
Q4h: The members of the Board of Directors represent the majority of the shareholders and are committed to serving the company's interests generally.	231	3.72	4	0.84	6
Q4i: The Board of Directors determines the authority delegated to the executive management, the executive decision-making procedures and the authorisation period.	231	3.96	4	0.78	1
Q4j: The Board of Directors takes into account the interests of stakeholders when making strategic decisions.	231	3.85	4	0.85	3
Q4k: Board members devote enough time to undertake their responsibilities and to prepare for the meetings of the board.	231	3.73	4	0.93	5

Note: A five-point Likert Scale was adopted where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

As can be seen in Table 6.10, the Kruskal-Wallis test indicated that there were no statistically significant differences across the sample as a whole for any of the

statements, suggesting that boards in Libyan listed companies fulfil their responsibilities towards shareholders and stakeholders. The only significant differences found by the Mann-Whitney test were between the EM and RE groups (p-value=0.038) and the EM and OS groups (p-value=0.043) for statement Q4f. These differences may reflect a difference in perception between internal (the EM group) and external stakeholders (the RE and OS groups).

Table 6.10 Responsibilities of the Board of Directors: KW Test & MW Test

Statement	Group Means				K-W P-values	Result	Mann-Whitney Test - P-values					
	BD	EM	RE	OS			BD-EM	BD-RE	BD-OS	EM-RE	EM-OS	RE-OS
Q4f	3.85	3.77	4.08	4.05	0.103	Not Significant	0.370	0.291	0.319	**0.038***	**0.043***	0.974
Q4g	3.92	3.89	3.91	3.66	0.491	Not Significant	0.448	0.717	0.134	0.772	0.364	0.228
Q4h	3.71	3.58	3.77	3.86	0.281	Not Significant	0.363	0.772	0.371	0.217	0.065	0.780
Q4i	3.85	3.85	4.06	4.11	0.143	Not Significant	0.970	0.193	0.078	0.144	0.053	0.545
Q4j	3.90	3.73	3.81	4.02	0.288	Not Significant	0.215	0.494	0.706	0.679	0.062	0.275
Q4k	3.75	3.64	3.85	3.80	0.380	Not Significant	0.279	0.748	0.753	0.142	0.146	0.932

6.5.1.3 Composition of the Board of Directors

Since the composition of the board is generally considered to have an important impact on its effectiveness as a CG mechanism, this was the subject of the next set of statements in Q4. As shown in Table 6.11, the respondents expressed general agreement that the statements accurately reflect conditions in Libyan listed companies. Overall mean scores ranged from 4.10 to 3.77 and median scores were 4 for all the statements.

Table 6.11 Composition of the Board of Directors

Statement	N	Mean	Median	SD	Rank
Q4l: Boards in Libyan listed companies have no fewer than three members and no more than eleven.	231	4.10	4	0.78	1
Q4m: The general assemblies have criteria for appointing the board members in Libyan listed companies and the period of their appointment is no longer than three years.	231	3.79	4	0.91	3
Q4n: The majority of board members in Libyan listed companies are non-executive members.	231	3.84	4	0.86	2
Q4o: In Libyan listed companies, at least two board members or one third of the board (whichever is greater) are independent.	231	3.77	4	0.81	4

Note: A five-point Likert Scale was adopted where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

Statement Q4l: "Boards in Libyan listed companies have no fewer than three members and no more than eleven" scored highest with overall mean and median scores of 4.10 and 4 respectively. The RE and OS groups were the strongest supporters of this statement with group means of 4.23 each, while the EM group was the least supportive with a mean score of 3.93. Statement Q4m: "The general assemblies have criteria for appointing the board members in Libyan listed companies and the period of their appointment is no longer than three years" garnered overall mean and median scores of 3.79 and 4 respectively. This time, the strongest agreement was expressed by the BD group (group mean 3.88), while the EM group had the lowest mean score (3.66). The statement that: "The majority of board members in Libyan listed companies are non-executive members" (Q4n) scored second-highest with overall mean and median scores of 3.84 and 4 respectively. It was most strongly supported by the OS group (group mean 4.04) and least supported by the BD group (group mean 3.73). Finally, the statement that: "In Libyan listed companies, at least two board members or one-third of the board (whichever is greater) are independent" (Q4o) was given overall mean and median scores of 3.77 and 4 respectively. The strongest support came from the BD group (group mean 3.89) and the weakest from the OS group (group mean 3.64).

The Kruskal-Wallis test indicated a significant difference among the groups on statement Q4l only; when investigated further with the Mann-Whitney test, this revealed that the difference lay between the EM and RE groups (p-value=0.015) and the EM and OS groups (p-value=0.017). As in the last question, this may reflect a difference in perception between internal (the EM group) and external stakeholders (the RE and OS groups).

Table 6.12 Composition of the Board of Directors: KW Test & MW Test

Statement	Group Means				K-W P-values	Result	Mann-Whitney Test - P-values					
	BD	EM	RE	OS			BD-EM	BD-RE	BD-OS	EM-RE	EM-OS	RE-OS
Q4l	4.04	3.93	4.23	4.23	**0.038***	Significant	0.300	0.219	0.234	**0.015***	**0.017***	0.986
Q4m	3.88	3.66	3.85	3.82	0.563	Not Significant	0.250	0.887	0.900	0.269	0.292	0.950
Q4n	3.73	3.74	3.85	4.04	0.142	Not Significant	0.780	0.648	0.089	0.406	**0.029***	0.169
Q4o	3.89	3.73	3.85	3.64	0.447	Not Significant	0.209	0.631	0.203	0.333	0.860	0.325

6.5.1.4 Board Committees

The next part of Q4 was designed to investigate the respondents' views of how board committees operate – including their functions and responsibilities – in Libyan listed companies. Accordingly, respondents were asked to indicate how far they agreed with statements Q4p, Q4q, Q4r, Q4s, Q4t, Q4u and Q4v.

As shown in Table 6.13, overall, the respondents agreed with statement Q4p that: "Audit committees in Libyan listed companies are completely independent" (overall mean and median scores of 4.02 and 4 respectively). Table 6.14 shows that the RE group was the strongest supporter of this statement (group mean 4.17), while the EM group was the weakest (group mean 3.84). This variation of opinion, though not sufficient to register in the Kruskal-Wallis test (p-value= 0.083), was significant enough to show up in the Mann-Whitney test, which produced a p-value of 0.020 for the EM-RE pairing.

Q4q focused on the composition of audit committees in Libyan listed companies. Table 6.13 shows that all respondent groups generally agreed with the statement that: "Audit committees in Libyan listed companies are formed from non-executive directors and have no fewer than three members" (overall mean and median scores of 3.88 and 4 respectively). Table 6.14 demonstrates that the RE group expressed the strongest support for this statement (group mean 4.06), while the EM group expressed the weakest (group mean 3.61). The Kruskal-Wallis test revealed significant differences across the sample as a whole (p-value=0.002), which the Mann-Whitney test showed was due to statistically significant differences between the EM and BD groups (p-value=0.004), the EM and RE groups (p-value=0.001) and the EM and OS groups (p-value=0.014). The clear variation was thus due to the EM group's significantly lower level of support for this statement.

The respondents agreed overall with statement Q4r that: "The general assembly in Libyan listed companies determine the rules for selecting the members of the audit committee, the duration of their membership and the committee's method of working based on the suggestions of the Board of Directors" (mean and median scores of 3.90 and 4 respectively). Table 6.14 shows that the OS group recorded the highest group mean (4.02), while the EM group recorded the lowest (3.72). The Kruskal-Wallis test highlighted significant differences across the sample (p-value=0.035), which the Mann-Whitney test revealed were due to differences between the EM and BD groups

(p-value=0.021) and the EM and OS groups (p-value=0.015). As with the previous statement, the variation arose from the EM group expressing a significantly lower level of support than the other groups.

Q4s addressed the functions and responsibilities of audit committees in Libyan listed companies. Overall, the respondents agreed with statements Q4s1, Q4s2, Q4s3, Q4s4 and Q4s5, with overall mean scores of 3.99, 3.92, 3.94, 4.04 and 3.90 respectively and median scores of 4 across the board. Table 6.14 shows that the BD group expressed the strongest agreement for all these statements with the highest mean scores of 4.17, 4.04, 4.04, 4.08 and 3.96 respectively. The Kruskal-Wallis test showed that there were no statistically significant differences across the sample for any of the statements (p-values= 0.331, 0.653, 0.755, 0.872 and 0.523 respectively), and this was echoed in the results of the Mann-Whitney test, which identified no significant differences between group pairings. This suggests that audit committees in Libyan listed companies are discharging their functions and responsibilities effectively, as required under the LCGC.

Table 6.13 Board Committees

Statement	N	Mean	Median	SD	Rank
Q4p: Audit committees in Libyan listed companies are completely independent.	231	4.02	4	0.83	2
Q4q: Audit committees in Libyan listed companies are formed from non-executive directors and have no fewer than three members.	231	3.88	4	0.75	9
Q4r: The general assembly in a Libyan listed company determines the rules for selecting the members of the audit committee, the duration of their membership and the committee's method of working based on the suggestions of the Board of Directors.	231	3.90	4	0.79	8
***Q4s**: In practice, the functions and responsibilities of the audit committee in Libyan listed companies include the following:*	-	-	-	-	-
Q4s1: Directly supervising the internal audit of the company's management and verifying its effectiveness.	231	3.99	4	0.75	3
Q4s2: Examining the internal control system of the company and producing a written report giving opinions and recommendations.	231	3.92	4	0.74	5
Q4s3: Making recommendations to the Board of Directors regarding the appointment of the external auditor and sequestration, and the determining of fees.	231	3.94	4	0.78	4
Q4s4: Checking the annual financial statements before referring them to the Board of Directors.	231	4.04	4	0.68	1
Q4s5: Checking administrative and accounting policies and making recommendations where necessary to the Board of Directors.	230	3.90	4	0.77	6
Q4t: The Board of Directors determines the functions of each committee, its period of operation and the powers granted to it.	230	3.90	4	0.78	7
Q4u: The members of nomination and remuneration committees in Libyan listed companies are selected based on the suggestions of the Board of Directors.	231	3.78	4	0.82	10
***Q4v**: In practice, the duties and responsibilities of nomination and remuneration committees in Libyan listed companies include the following:*	-	-	-	-	-
Q4v1: Annually reviewing the skills required of board members.	231	3.66	4	0.84	13
Q4v2: Identifying the strengths and weaknesses of the Board of Directors and taking steps to improve it in line with the company's interests.	231	3.70	4	0.88	11
Q4v3: Recommending candidates to the Board of Directors in accordance with approved policies and standards.	231	3.65	4	0.95	14
Q4v4: Setting clear policies for the compensation and remuneration of directors and senior executives.	231	3.68	4	0.92	12

Note: A five-point Likert Scale was adopted where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

Q4t sought to identify whether the BOD in Libyan listed companies determines the functions of each committee, its period of operation and the powers granted to it. As shown in Table 6.13, all stakeholder groups generally agreed with this statement, recording overall mean and median scores of 3.90 and 4 respectively. Table 6.14 shows that the BD group was the strongest supporter of this statement, with a group mean of 4.04, while the EM group was the least supportive with a group mean of 3.82. The Kruskal-Wallis test indicated no significant differences across the sample (p-value=0.541), and the Mann-Whitney test found no significant differences between

pairs. It may therefore be concluded that all the groups were generally satisfied with board performance in terms of determining the functions and duties of committees.

Table 6.13 shows that the stakeholder groups mostly agreed with the statement that: "The members of nomination and remuneration committees in Libyan listed companies are selected based on the suggestions of the Board of Directors" (Q4u) (overall mean and median scores of 3.78 and 4 respectively). As can be seen Table 6.14, the BD group expressed the strongest support for this statement (group mean 3.90), while the EM group registered the lowest level of agreement (group mean 3.61). The Kruskal-Wallis test revealed no significant differences across the sample as a whole (p-value=0.081), but the Mann-Whitney test showed a significant difference between the EM and BD groups (p-value=0.028) and the EM and OS groups (p-value=0.048). Once again, the variation may be explained by the EM group's lower level of support for the statement.

Q4v addressed the duties and responsibilities of nomination and remuneration committees within Libyan listed companies. As shown in Table 6.13, all respondent groups agreed with statements Q4v1, Q4v2, Q4v3 and Q4v4, recording overall mean scores of 3.66, 3.70, 3.65 and 3.68 respectively and median scores of 4 for all statements. Table 6.14 shows that the OS group expressed the strongest agreement for all these statements with the highest mean scores of 3.79, 3.89, 3.82 and 3.95 respectively. The Kruskal-Wallis test highlighted no significant differences across the sample (p-values=0.270, 0.062, 0.360 and 0.070 respectively), but the Mann-Whitney test identified significant differences between the OS and EM groups and the OS and RE groups for statements Q4v2 and Q4v4 (p-values for Q4v2=0.030 and 0.011 respectively; for Q4v4, p-value=0.022 for both pairs). These variations may be explained by the fact that the OS group expressed stronger agreement than any other group.

Table 6.14 Board Committees: KW Test & MW Test

Statement	Group Means				K-W P-values	Result	Mann-Whitney Test - P-values					
	BD	EM	RE	OS			BD-EM	BD-RE	BD-OS	EM-RE	EM-OS	RE-OS
Q4p	4.06	3.84	4.17	4.06	0.083	Not Significant	0.169	0.350	0.638	**0.020***	0.057	0.602
Q4q	4.00	3.61	4.06	3.96	**0.002***	Significant	**0.004***	0.976	0.555	**0.001***	**0.014***	0.469
Q4r	3.98	3.72	3.94	4.02	**0.035***	Significant	**0.021***	0.495	0.989	0.062	**0.015***	0.494
Q4s1	4.17	3.92	3.93	4.00	0.331	Not Significant	0.064	0.197	0.418	0.796	0.348	0.606
Q4s2	4.04	3.89	3.83	3.95	0.653	Not Significant	0.260	0.408	0.902	0.885	0.372	0.501
Q4s3	4.04	3.84	3.96	3.96	0.755	Not Significant	0.300	0.812	0.817	0.475	0.472	0.987
Q4s4	4.08	3.99	4.06	4.05	0.872	Not Significant	0.409	0.699	0.738	0.647	0.561	0.992
Q4s5	3.96	3.84	3.87	3.96	0.523	Not Significant	0.215	0.735	0.767	0.480	0.201	0.574
Q4t	4.04	3.82	3.87	3.91	0.541	Not Significant	0.173	0.250	0.477	0.818	0.508	0.659
Q4u	3.90	3.61	3.83	3.86	0.081	Not Significant	**0.028***	0.509	0.883	0.098	**0.048***	0.644
Q4v1	3.58	3.60	3.70	3.79	0.270	Not Significant	0.447	0.651	0.378	0.170	0.059	0.660
Q4v2	3.73	3.66	3.53	3.89	0.062	Not Significant	0.349	0.178	0.371	0.581	**0.030***	**0.011***
Q4v3	3.67	3.60	3.51	3.82	0.360	Not Significant	0.325	0.340	0.814	0.703	0.140	0.141
Q4v4	3.65	3.62	3.53	3.95	0.070	Not Significant	0.489	0.369	0.157	0.618	**0.022***	**0.022***

Questions 4w1, 4w2, 4w3, 4w4, 4w5 and 4w6 were designed to investigate which board committees the respondents felt already exist within Libyan listed companies and their perceived importance. As shown in Table 6.15, 99.6% of the respondents said every listed company has an audit committee. This is not surprising, given that the majority of Libyan listed companies belong to the banking sector and are required by the CBL to comply with the LCGC (which stipulates that companies must have an audit committee). Overall, the audit committee was considered the most important, recording overall mean and median scores of 4.55 and 4 respectively. 77.5% of respondents said listed companies have a nomination committee, while 78.8% said they have a remuneration committee. However, these were perceived as the least important committees, recording overall mean scores of 3.80 and 3.84 respectively (though both medians were still 4). Almost three-quarters of the sample (76.1%) said listed companies have a risk committee. Equal importance was attached to Shariah

committee; with respondents giving overall mean scores of 4.12 and medians of 4 to both. Finally, 42.8% of respondents said listed companies have a CG committee. Despite this low score, however, the respondents perceived this as the second most important board committee, awarding it mean and median scores of 4.16 and 4 respectively.

Table 6.15 Perceived Importance of Board Committees

Board Committee	Does it exist?			Is it important?				
	N	Yes	No	N	Mean	Median	SD	Rank
Q4w1: Audit Committee	224	99.6%	0.04%	227	4.55	4	0.75	1
Q4w2: Nomination Committee	222	77.5%	22.5%	224	3.80	4	0.98	6
Q4w3: Remuneration (Compensation) Committee	222	78.8%	21.2%	223	3.84	4	1.00	5
Q4w4: Risk committee	222	76.1%	23.9%	224	4.12	4	0.93	3
Q4w5: Corporate Governance (CG) Committee	222	42.8%	57.2%	221	4.16	4	0.87	2
Q4w6: Shariah Committee	222	71.2%	28.8%	225	4.12	4	0.97	4

Note: A five-point Likert Scale was adopted where 1= strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

As can be seen in Table 6.16, the OS group was the strongest supporter of all the committees apart from the Shariah committee, whose strongest support came from the BD group. The Kruskal-Wallis test highlighted that there were significant differences across the sample in terms of the perceived importance of all the board committees (p-values=0.001, 0.000, 0.003, 0.029, 0.000 and 0.004), while the Mann-Whitney test showed significant differences across all the pairings apart from the EM-RE pair (these two groups expressed similar levels of agreement about all the committees). The OS group differed significantly from the EM, BD and RE groups in the importance it attached to the audit committee, and from the EM and RE groups in the importance it attached to all the other committees. The BD differed from the RE group in the importance it attached to the nomination committee (p-value=0.011), and from the EM group in the importance it attached to the CG committee (p-value=0.036). This suggests there may be a massive difference between board members and executive directors when it comes to their awareness of the importance of the CG committee. Finally, significant differences were observed between the BD group and the EM and RE groups (p-values=0.004 and 0.011 respectively) on the importance of the Shariah committee. This suggests that this group may have more

awareness and understanding of this committee's role than the other stakeholder groups.

Table 6.16 Perceived Importance of Board Committees: KW Test & MW Test

Statement	Group Means				K-W P-values	Result	Mann-Whitney Test - P-values					
	BD	EM	RE	OS			BD-EM	BD-RE	BD-OS	EM-RE	EM-OS	RE-OS
Q4w1	4.59	4.45	4.32	4.87	**0.001***	Significant	0.612	0.301	**0.004***	0.538	**0.001***	**0.000***
Q4w2	3.91	3.66	3.49	4.16	**0.000***	Significant	0.095	**0.011***	0.197	0.299	**0.002***	**0.000***
Q4w3	3.91	3.67	3.64	4.20	**0.003***	Significant	0.147	0.114	0.161	0.858	**0.001***	**0.001***
Q4w4	4.23	3.97	3.96	4.38	**0.029***	Significant	0.089	0.148	0.486	0.920	**0.009***	**0.023***
Q4w5	4.25	3.94	3.96	4.56	**0.000***	Significant	**0.036***	0.105	0.135	0.726	**0.000***	**0.001***
Q4w6	4.42	3.89	3.93	4.36	**0.004***	Significant	**0.004***	**0.011***	0.523	0.808	**0.010***	**0.030***

6.5.2 Disclosure and Transparency Mechanism

Numerous authors (e.g. Solomon, 2013; Berglof & Pajuste, 2005; Monks & Minow, 2004) have emphasised the importance of disclosure and transparency as an indicator of strong CG. Q5 was therefore designed to elicit stakeholders' views about the level of disclosure and transparency within Libyan listed companies.

Table 6.17 shows that the stakeholder groups agreed with the statement that: "Libyan listed companies have written disclosure policies, endorsed by the Board of Directors, to ensure that disclosure arrangements comply with the requirements of the regulatory authorities" (Q5a) (overall mean and median scores of 3.51 and 4 respectively). Table 6.18 indicates that the EM group recorded the highest mean score (3.70), while the RE group recorded the lowest (3.28). Although the Kruskal-Wallis test found no significant differences across the sample as a whole (p-value=0.099), the Mann-Whitney test revealed that there were significant differences between the EM group and both the BD and the RE groups regarding this statement (p-values=0.049 and 0.040 respectively).

Q5b focused on whether directors in Libyan listed companies disclose any personal interest they may have in other companies and any transactions that might affect the company. According to Table 6.17, the respondents as a whole were neutral towards this statement (overall mean and median scores of 2.92 and 3 respectively). Table

6.18 indicates that the EM group expressed the strongest support (group mean 3.19), while the OS group registered the lowest level of agreement (group mean 2.64). The Kruskal-Wallis test found significant differences across the sample (p-value=0.042), with the Mann-Whitney test revealing significant differences between the EM group and both the RE and OS groups (p-values=0.027 and 0.009 respectively). The variation shows that the RE and OS groups were much less inclined than the EM group to believe that directors in Libyan listed companies comply fully with disclosure and transparency requirements.

Q5c sought to investigate whether Libyan listed companies disclose the meetings of the BOD in their annual reports. As shown in Table 6.17, the respondents generally agreed with this statement, with overall mean and median scores of 3.67 and 4 respectively. The EM group expressed the strongest support (group mean 3.72), while the RE group expressed the weakest (group mean 3.56). The Kruskal-Wallis test found no significant differences within the sample (p-value=0.504), and nor did the Mann-Whitney test (p-values > 0.05). This suggests that the respondents were generally satisfied with Libyan companies in this regard.

Overall, the respondents also agreed with the statement that: "Libyan listed companies disclose the results of the annual audit assessing the efficiency and effectiveness of internal control procedures" (Q5d), awarding it mean and median scores of 3.68 and 4 respectively. Table 6.18 indicates that the OS group recorded the highest support for this statement, with a mean score of 3.98, while the BD group recorded the lowest support with a mean score of 3.44. Although all the groups were generally in agreement, the Kruskal-Wallis test found significant differences (p-value=0.014), which the Mann-Whitney test identified as being between the BD group and both the EM and the OS groups (p-values=0.036 and 0.001 respectively). In other words, the BD group agreed less strongly with the statement than the other groups.

Table 6.17 Disclosure and Transparency

Statement	N	Mean	Median	SD	Rank
Q5a: Libyan listed companies have written disclosure policies, endorsed by the Board of Directors, to ensure that disclosure arrangements comply with the requirements of the regulatory authorities.	231	3.51	4	0.93	4
Q5b: Directors in Libyan listed companies disclose any personal interest they may have in other companies and any transactions that might affect the company.	231	2.92	3	1.10	8
Q5c: In their annual reports, Libyan listed companies disclose the meetings of the Board of Directors.	229	3.67	4	0.81	2
Q5d: Libyan listed companies disclose the results of the annual audit assessing the efficiency and effectiveness of internal control procedures.	231	3.68	4	0.81	1
Q5e: Libyan listed companies disclose both financial and non-financial data in their annual reports.	231	3.56	4	0.83	3
Q5f: Libyan listed companies disclose what has and what has not been applied in respect of the rules on CG.	231	3.48	4	0.98	5
Q5g: Libyan listed companies disclose their policies and programmes concerning the local community and the environment.	230	2.95	3	1.08	7
Q5h: Libyan listed companies use their websites to promote disclosure and transparency as well as to provide appropriate information for investors and others.	231	3.23	3	1.01	6

Note: A five-point Likert Scale was adopted where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

Q5e addressed whether Libyan listed companies disclose both financial and non-financial data in their annual reports. Once again, the sample as a whole agreed with this statement (overall mean and median scores of 3.56 and 4 respectively). Table 6.18 shows that the OS group expressed the strongest support (group mean 3.77), while the BD group registered the lowest level of agreement with a mean score of 3.29. The Kruskal-Wallis test identified statistically significant differences across the sample (p-value=0.005); investigated further, the Mann-Whitney test revealed that significant differences existed between the BD group and both the EM and OS groups (p-values=0.008 and 0.003 respectively), and between the RE group and both the EM and OS groups (p-values=0.042 and 0.018 respectively). The variation suggests that the EM and OS groups were more inclined than the other two groups to believe that Libyan listed companies disclose both financial and non-financial data in their annual reports.

Q5f sought to investigate whether Libyan listed companies disclose what has and what has not been applied in respect of the rules on CG. As shown in Table 6.18, the respondents in general agreed with this statement, with overall mean and median scores of 3.48 and 4 respectively. Table 6.18 shows that the OS group was the

strongest supporter of this statement, with a mean score of 3.66, while the BD group was the least supportive with a mean score of 3.31. The Kruskal-Wallis test indicated that there were no significant differences across the sample as a whole (p-value=0.311), and the Mann-Whitney test found no significant differences between pairs (p-values > 0.05). The similarity of responses suggests that the respondents were all aware of the LCGC's stipulation that Libyan listed companies should disclose in their annual reports what has and what has not been applied and why.

Table 6.17 shows that the respondents were generally neutral regarding the statement: "Libyan listed companies disclose their policies and programmes concerning the local community and the environment" (Q5g), awarding it overall mean and median scores of 2.95 and 3 respectively. Table 6.18 indicates that the EM group registered the highest support for this statement, with a mean score of 3.29, while the RE group was the least supportive with a mean score of 2.70. The Kruskal-Wallis test indicated significant differences across the sample (p-value=0.009), and the Mann-Whitney test revealed these differences to be between the EM and BD groups (p-value=0.012) and between the EM and RE groups (p-value=0.001), confirming that the EM group agreed more strongly with the statement than the other two groups.

Q5h sought to investigate whether Libyan listed companies use their websites to promote disclosure and transparency as well as to provide appropriate information for investors and others. As shown in Table 6.17, the sample was once again generally neutral towards the statement with overall mean and median scores of 3.23 and 3 respectively. The EM group was again the most supportive (group mean 3.38), but this time, it was the RE group that showed the least support (group mean 2.98). The Kruskal-Wallis test highlighted no significant differences across the sample as a whole (p-value=0.125), but the Mann-Whitney test revealed that the difference between the EM and RE groups was statistically significant (p-value=0.017).

Table 6.18 Disclosure and Transparency: KW Test & MW Test

Statement	Group Means				K-W P-values	Result	Mann-Whitney Test - P-values					
	BD	EM	RE	OS			BD-EM	BD-RE	BD-OS	EM-RE	EM-OS	RE-OS
Q5a	3.40	3.70	3.28	3.59	0.099	Not Significant	**0.049***	0.730	0.181	**0.040***	0.832	0.130
Q5b	2.96	3.19	2.81	2.64	**0.042***	Significant	0.416	0.336	0.171	**0.027***	**0.009***	0.503
Q5c	3.58	3.72	3.56	3.70	0.504	Not Significant	0.146	0.665	0.231	0.412	0.902	0.558
Q5d	3.44	3.72	3.62	3.98	**0.014***	Significant	**0.036***	0.189	**0.001***	0.635	0.161	0.103
Q5e	3.29	3.68	3.42	3.77	**0.005***	Significant	**0.008***	0.536	**0.003***	**0.042***	0.650	**0.018***
Q5f	3.31	3.42	3.53	3.66	0.311	Not Significant	0.684	0.353	0.089	0.523	0.129	0.447
Q5g	2.79	3.29	2.70	2.98	**0.009***	Significant	**0.012***	0.584	0.661	**0.001***	0.053	0.343
Q5h	3.21	3.38	2.98	3.27	0.125	Not Significant	0.417	0.137	0.905	**0.017***	0.490	0.141

6.5.3 Internal and External Audit Mechanisms

In Q6, respondents were asked to indicate the extent to which they agreed with a series of statements relating to internal and external audit practice in Libyan listed companies. The first of these statements – "Internal control systems in Libyan listed companies are effective" (Q6a) – drew a neutral response, with respondents awarding it overall mean and median scores of 3.30 and 3 respectively (see Table 6.19). Table 6.20 shows that the OS group registered the highest support for this statement with a mean score of 3.54, while the RE group was the least supportive with a mean score of 3.08. Although the Kruskal-Wallis test indicated no significant differences across the sample as a whole (p-value=0.117), the Mann-Whitney test found that the difference between these two groups was statistically significant (p-value=0.040). The RE group's relative lack of support for the statement is telling, given that this group represents the external auditors and regulators who are best placed to determine whether these internal control systems are effective.

The respondents in general agreed with the statement that: "Internal auditors provide a quarterly report to the Board of Directors and the audit committee describing the extent of the company's compliance with the laws and rules that regulate its activities" (Q6b), awarding it overall mean and median scores of 3.72 and 4 respectively. Once again, Table 6.20 indicates that the OS group was the most supportive of this statement (group mean 3.86) and the RE group was the least

supportive (group mean 3.49). Again, the Kruskal-Wallis test revealed no significant differences in the sample as a whole (p-value=0.199), but the Mann-Whitney test indicated a significant difference between the RE and OS groups (p-value=0.042).

Q6c sought to investigate whether the BOD determines the objectives, functions and terms of reference of the internal audit in Libyan listed companies. The respondents expressed overall agreement with the statement (overall mean and median scores of 3.81 and 4 respectively), with the OS group being the most supportive (group mean 3.91) and the BD group being the least supportive (group mean 3.67). The Kruskal-Wallis test revealed no significant differences in the sample as a whole (p-value=0.237), but the Mann-Whitney test indicated that the variation between the BD and OS groups was statistically significant (p-value=0.041).

Table 6.19 Internal and External Audit

Statement	N	Mean	Median	SD	Rank
Q6a: Internal control systems in Libyan listed companies are effective.	231	3.30	3	1.06	5
Q6b: Internal auditors provide a quarterly report to the Board of Directors and the audit committee describing the extent of the company's compliance with the laws and rules that regulate its activities.	231	3.72	4	0.87	3
Q6c: The Board of Directors determines the objectives, functions and terms of reference of the internal audit in Libyan listed companies.	231	3.81	4	0.81	2
Q6d: Listed companies choose an external auditor registered in the Libyan Stock Market (LSM) to review their financial statements.	231	3.91	4	0.85	1
Q6e: The external auditor undertakes no additional work for the company under review (e.g. providing consulting or administrative services).	230	3.58	4	0.99	4

Note: A five-point Likert Scale was adopted where 1= strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

Table 6.19 shows that respondents generally agreed with the statement that: "Libyan listed companies choose an external auditor registered in the Libyan Stock Market (LSM) to review their financial statements" (Q6d), awarding this overall mean and median scores of 3.91 and 4 respectively. Table 6.20 shows that the RE group agreed most strongly with this statement (group mean 4.25), while the EM group agreed least strongly (group mean 3.57). The Kruskal-Wallis test indicated significant differences across the sample as a whole (p-value=0.000); when investigated further, the Mann-Whitney test revealed that these were between the BD and EM groups (p-value=0.040) and the BD and RE groups (p-value=0.024), and between the EM and

RE groups (p-value=0.000) and the EM and OS groups (p-value=0.000). The findings suggest major differences between nearly all of the groups.

Finally, Q6e sought to investigate whether external auditors undertake any additional work for the company they are reviewing (e.g. providing consulting or administrative services). As shown in Table 6.19, the respondents generally agreed that external auditors undertake no such work, awarding the statement overall mean and median scores of 3.58 and 4 respectively. While the OS group expressed the strongest agreement (group mean 3.82), the EM group expressed the weakest (group mean 3.37). The Kruskal-Wallis test indicated that there were significant differences across the sample as a whole (p-value=0.032), which the Mann-Whitney test revealed to be caused by the difference between these two groups (p-value=0.004).

Table 6.20 Internal and External Audit: KW Test & MW Test

Statement	Group Means				K-W P-values	Result	Mann-Whitney Test - P-values					
	BD	EM	RE	OS			BD-EM	BD-RE	BD-OS	EM-RE	EM-OS	RE-OS
Q6a	3.33	3.27	3.08	3.54	0.117	Not Significant	0.659	0.226	0.258	0.394	0.144	**0.040***
Q6b	3.79	3.73	3.49	3.86	0.199	Not Significant	0.790	0.171	0.401	0.225	0.273	**0.042***
Q6c	3.67	3.80	3.83	3.91	0.237	Not Significant	0.364	0.304	**0.041***	0.858	0.197	0.270
Q6d	3.85	3.57	4.25	4.11	**0.000***	Significant	**0.040***	**0.024***	0.179	**0.000***	**0.000***	0.226
Q6e	3.67	3.37	3.55	3.82	**0.032***	Significant	0.082	0.757	0.247	0.199	**0.004***	0.162

6.5.4 Shareholders' Rights Mechanism

Q7 investigated the respondents' point views regarding the rights accorded to shareholders in Libyan listed companies. The first statement in this question sought to investigate whether the respondents perceived these companies' statutes and internal regulations as containing the necessary procedures to ensure all shareholders' rights are upheld. Table 6.21 shows that the respondents agreed with the statement, awarding it overall mean and median scores of 3.97 and 4 respectively, while Table 6.22 indicates that the OS group recorded the highest support (group mean 4.02) and the BD group recorded the lowest (group mean 3.92). Given the similarity between the groups' responses, it is not surprising that neither the Kruskal-Wallis nor the Mann-Whitney tests found any significant differences (p-values > 0.05).

The respondents also agreed with statement Q7b that: "Shareholders in Libyan listed companies are entitled to attend the general assembly's meetings, participate in its deliberations and vote on its decisions" (overall mean and median scores of 4.15 and 4 respectively). The strongest support for this statement was expressed by the BD, EM and OS groups, with mean scores of 4.25, 4.20 and 4.23 respectively, but much less support was expressed by the RE group (group mean 3.91). This was confirmed by the Mann-Whitney test, which indicated statistically significant differences between the RE group and the other groups for this statement.

The statement: "Shareholders in Libyan listed companies have the right to ask for any information, as long as this does not breach financial regulations or damage the interests of the company" (Q7c) attracted general agreement, with overall mean and median scores of 4.03 and 4 respectively. The strongest agreement was recorded by the BD group, with a mean score of 4.19, while the weakest support was expressed by the RE group with a mean score of 3.85. Neither the Kruskal-Wallis nor the Mann-Whitney tests showed any significant differences between the groups for this statement (p-values > 0.05).

Q8d sought to investigate whether information is provided to shareholders without discrimination, regardless of whether they are majority or minority shareholders. Table 6.21 reveals that respondents generally agreed with the statement (overall mean and median scores of 3.78 and 4 respectively), while Table 6.22 indicates that the strongest support came from the BD group (group mean 4.00) and the weakest came from the RE group (group mean 3.57). The Mann-Whitney test revealed that the difference between these two groups was statistically significant (p-value=0.030), though the Kruskal-Wallis test found no significant differences across the sample as a whole (p-value=0.193).

Table 6.21 The Rights of Shareholders

Statement	N	Mean	Median	SD	Rank
Q7a: The statutes of Libyan listed companies and their internal regulations contain the necessary procedures to ensure all shareholders' rights are upheld.	231	3.97	4	0.78	4
Q7b: Shareholders in Libyan listed companies are entitled to attend the general assembly's meetings, participate in its deliberations and vote on its decisions.	231	4.15	4	0.75	1
Q7c: Shareholders in Libyan listed companies have the right to ask for any information, as long as this does not breach financial regulations or damage the interests of the company.	231	4.03	4	0.83	2
Q7d: Information is provided to shareholders without discrimination, regardless of whether they are majority or minority shareholders.	231	3.78	4	0.90	7
Q7e: General assembly meeting agendas take into consideration the issues that shareholders want to discuss.	230	3.86	4	0.82	6
Q7f: There is a clear policy from the Board of Directors regarding the distribution of dividends, and shareholders have the right to see this policy during the general assembly meeting.	231	3.91	4	0.81	5
Q7g: Shareholders' legal rights are respected by Libyan listed companies.	230	4.00	4	0.73	3

Note: A five-point Likert Scale was adopted where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

The respondents generally agreed with the statement that: "General assembly meeting agendas take into consideration the issues that shareholders want to discuss" (Q7e), awarding it overall mean and median scores of 3.86 and 4 respectively. The strongest agreement was expressed by the OS group, with a mean score of 3.96, while the RE group was the least supportive of this statement with a mean score of 3.76. The Kruskal-Wallis and Mann-Whitney tests showed that there were no significant differences among the stakeholder groups (p-values > 0.05), all of whom recorded similar responses.

A similar pattern emerged in Q7f, which sought to investigate whether boards have clear policies regarding the distribution of dividends, and whether these are accessible to shareholders during the general assembly meeting. The respondents generally agreed that this is the case, awarding the statement overall mean and median scores of 3.91 and 4 respectively. Once again, the strongest support for this statement came from the OS group (group mean 4.04), the weakest came from the RE group (group mean 3.83), and neither the Kruskal-Wallis nor the Mann-Whitney tests found any significant differences (p-values > 0.05).

Finally, Q7g sought to investigate whether the respondents perceived shareholders' legal rights as being respected and guaranteed by Libyan listed companies. Table 6.21

reveals overall agreement (overall mean and median scores of 4.00 and 4 respectively), while Table 6.22 shows once again that the OS group agreed most strongly (group mean 4.11), the RE group agreed least strongly (group mean 3.89) and no significant differences were identified by the Kruskal-Wallis or Mann-Whitney tests (p-values > 0.05).

The results from Q7 are remarkable in that they suggest that stakeholder groups are generally very satisfied with the measures that have been put in place to protect shareholders' rights in Libyan listed companies. The finding may be considered a positive indicator and may promote better relations between Libyan listed companies and their shareholders.

Table 6.22 The Rights of Shareholders: KW Test & MW Test

Statement	Group Means				K-W P-values	Result	Mann-Whitney Test - P-values					
	BD	EM	RE	OS			BD-EM	BD-RE	BD-OS	EM-RE	EM-OS	RE-OS
Q7a	3.92	3.96	3.98	4.02	0.826	Not Significant	0.535	0.448	0.398	0.755	0.721	0.961
Q7b	4.25	4.20	3.91	4.23	0.079	Not Significant	0.899	**0.032***	0.816	**0.042***	0.740	**0.026***
Q7c	4.19	4.04	3.85	4.04	0.495	Not Significant	0.330	0.135	0.667	0.453	0.706	0.321
Q7d	4.00	3.84	3.57	3.71	0.193	Not Significant	0.369	**0.030***	0.245	0.140	0.655	0.406
Q7e	3.79	3.89	3.76	3.96	0.509	Not Significant	0.503	0.982	0.196	0.493	0.464	0.202
Q7f	3.85	3.92	3.83	4.04	0.515	Not Significant	0.764	0.776	0.270	0.532	0.335	0.170
Q7g	4.00	4.01	3.89	4.11	0.539	Not Significant	0.901	0.782	0.244	0.656	0.318	0.195

6.6 The Legal and Regulatory Framework of CG and Accountability

In Q8, respondents were asked to indicate the extent to which they agreed with a number of statements relating to the adequacy and effectiveness of the legal/regulatory framework for CG and accountability in Libyan listed companies. The question also sought to establish respondents' views regarding the extent to which companies comply with this framework.

Q8a and Q8b sought to investigate whether respondents perceived Libya's laws and regulations as effective, sufficient and providing a suitable environment for CG and accountability practices. Table 6.23 indicates that the respondents in general disagreed with both statements, giving Q8a overall mean and median scores of 2.44 and 2

respectively and Q8b scores of 2.49 and 2 respectively. The EM group was the most supportive of the framework in both cases (mean scores 2.84 and 2.85 respectively), while the least supportive in both cases was the RE group (mean scores 2.11 and 2.26 respectively). The Kruskal-Wallis test (see Table 6.24) found significant differences within the sample for both Q8a and Q8b (p-values=0.000 and 0.007 respectively). When these differences were investigated using the Mann-Whitney test, an identical pattern emerged for both statements, with significant differences being identified between the RE group and the remaining three groups (p-values < 0.05). The variations suggest that regulators and external auditors, whose job it is to enforce the laws and regulations that govern Libyan listed companies, are significantly less satisfied with their adequacy and effectiveness than those stakeholder groups that have less direct involvement in this respect.

Table 6.23 shows that respondents were generally neutral towards statement Q8c: “Legislative bodies and the LSMA play an effective role in the supervision and control of CG and accountability practices in Libyan listed companies” (overall mean and median scores of 3.18 and 3 respectively). The strongest support for this statement was recorded by the EM group (group mean 3.37), while the weakest support was expressed by the RE group (group mean 2.85). The Kruskal-Wallis test revealed that there were significant differences across the sample as a whole (p-value=0.022), which the Mann-Whitney test identified as being between the RE group and both the EM and OS groups (p-values=0.002 and 0.021 respectively). The findings suggest a degree of dissatisfaction, especially among regulators, with the performance of both the Libyan legislative bodies and the LSMA. Possible explanations include the perceived failure of these bodies to modernise the law to bring it into line with the requirements of CG and accountability, and the lack of controls forcing Libyan listed companies to comply with the legal/regulatory framework.

Table 6.23 shows that respondents were also neutral towards statement Q8d: “Libyan listed companies adhere to the laws and regulations in force in the LSM” (overall mean and median scores of 3.30 and 3 respectively). The EM and OS groups expressed the strongest agreement with this statement, with mean scores of 3.39 each, while the weakest agreement was recorded by the RE group with a mean score of 3.13. The Kruskal-Wallis and Mann-Whitney tests found no significant differences

among the groups (p-values > 0.05), indicating a general consensus that there are weaknesses in Libyan listed companies' compliance with the LSM's laws and regulations.

Table 6.23 The Legal and Regulatory Framework of CG and Accountability

Statement	N	Mean	Median	SD	Rank
Q8a: The laws and regulations in Libya are effective and sufficient and provide a suitable environment for CG practices.	231	2.44	2	1.04	7
Q8b: The laws and regulations in Libya are effective and sufficient and provide a suitable environment for accountability practices.	231	2.49	2	1.05	6
Q8c: Legislative bodies and the LSMA play an effective role in the supervision and control of CG and accountability practices in Libyan listed companies.	231	3.18	3	1.04	5
Q8d: Libyan listed companies adhere to the laws and regulations in force in the LSM.	231	3.30	3	1.00	4
Q8e: The Libyan Corporate Governance Code (LCGC) should be mandatory for all Libyan listed companies.	231	4.15	4	0.84	1
Q8f: There is an urgent need for the establishment of an independent body to oversee CG issues in Libya.	231	4.13	4	0.80	2
Q8g: Libyan listed companies that do not comply with the LCGC should be de-listed.	230	3.80	4	0.98	3

Note: A five-point Likert Scale was adopted where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

The respondents in general agreed with the statement that: "The Libyan Corporate Governance Code (LCGC) should be mandatory for all Libyan listed companies" (Q8e), recording overall mean and median scores of 4.15 and 4 respectively. The strongest agreement for this statement was recorded by the OS group, with a mean score of 4.30, while the weakest support was expressed by the RE group with a mean score of 3.98. The Kruskal-Wallis and Mann-Whitney tests identified no significant differences within the sample (p-values > 0.05). The RE group's response may appear surprising at first, but this group felt that rather than concerning themselves with enforcing the LCGC, the first priority of the LSM and Libyan legislators should be to amend the country's legal framework to bring it into line with CG requirements.

Q8f sought to investigate whether the respondents saw the need for an independent body to be established to oversee CG issues in Libya. They expressed overall agreement with this statement, awarding it overall mean and median scores of 4.13 and 4 respectively. The RE group agreed most strongly (group mean 4.25), while the BD group was the least supportive (group mean 4.00), but neither the Kruskal-Wallis nor the Mann-Whitney tests revealed any significant differences (p-values > 0.05).

Several respondents commented in the questionnaire that an independent body is needed to encourage good CG practice in listed and non-listed companies alike. According to one member of the RE group,

> "Although the LSMA is an independent body that oversees Libyan listed companies, in fact, it has not yet carried out this function because it lacks enforcement mechanisms on the one hand and cooperation with legal bodies on the other. Establishing an independent body to oversee CG practices within unlisted companies would help raise awareness about the concept and importance of CG in the Libyan environment".

Table 6.23 shows that the respondents agreed overall with the statement that: "Libyan listed companies that do not comply with the LCGC should be de-listed" (Q8g), recording overall mean and median scores of 3.80 and 4 respectively. The strongest support for this statement was recorded by the OS group, with a mean score of 4.04, while the weakest support was expressed by the BD group with a mean score of 3.60. The Kruskal-Wallis test found that there were significant differences within the sample as a whole (p-value=0.045), which the Mann-Whitney test identified as being between the OS group and both the BD and EM groups (p-values=0.011 and 0.031 respectively). It is surprising that the OS group felt that Libyan listed companies that do not comply with the LCGC or do not provide reasons for their non-compliance should be de-listed from the LSM. The BD group's low level of agreement may be because these respondents recognised that this proposal is unlikely to be implemented, given the limited number of Libyan listed companies.

Table 6.24 The Legal and Regulatory Framework of CG and Accountability: KW Test & MW Test

Statement	Group Means				K-W P-values	Result	Mann-Whitney Test - P-values					
	BD	EM	RE	OS			BD-EM	BD-RE	BD-OS	EM-RE	EM-OS	RE-OS
Q8a	2.77	2.84	2.11	2.77	**0.000***	Significant	0.749	**0.002***	0.935	**0.000***	0.617	**0.001***
Q8b	2.75	2.85	2.26	2.82	**0.007***	Significant	0.582	**0.020***	0.735	**0.001***	0.881	**0.007***
Q8c	3.19	3.37	2.85	3.25	**0.022***	Significant	0.453	0.073	0.814	**0.002***	0.580	**0.021***
Q8d	3.23	3.39	3.13	3.39	0.412	Not Significant	0.374	0.705	0.277	0.201	0.770	0.165
Q8e	4.23	4.11	3.98	4.30	0.264	Not Significant	0.233	0.182	0.951	0.759	0.129	0.118
Q8f	4.00	4.14	4.25	4.13	0.506	Not Significant	0.372	0.148	0.534	0.527	0.707	0.294
Q8g	3.60	3.69	3.90	4.04	**0.045***	Significant	0.643	0.105	**0.011***	0.229	**0.031***	0.320

6.7 Factors Influencing the Practices of CG and Accountability

This section sought to investigate which factors the respondents perceived as having the most influence on the practices of CG and accountability in Libyan listed companies. As shown in Table 6.25, the respondents saw most of the listed factors as having an impact, but the factor they regarded as the most influential was the country's current economic and political situation (overall mean and median scores of 4.28 and 4 respectively). The strongest support for this statement (Q9p) came from the OS group, with a mean score of 4.50, while the EM group recorded the weakest agreement with a mean score of 4.18.

There was also general agreement that the weak investment climate in the LSM (Q9h), the limited number of listed companies in the LSM (Q9m), the limited CG training programmes available for directors (Q9f), weak accountability mechanisms (Q9g) and the lack of knowledge about CG in listed companies (Q9d) all adversely affect CG practices and accountability (overall mean scores of 4.21, 4.10, 4.07, 4.02 and 3.93 respectively). As shown in Table 6.26, statement Q9h drew the strongest support from the OS group (group mean 4.59) and the weakest from the BD group (group mean 3.96). The OS group was also the strongest supporter of statements Q9m (group mean 4.43), Q9f (group mean 4.21) and Q9g (group mean 4.25), but in these three cases, the weakest support came from the EM group (group means 3.86, 3.91 and 3.90 respectively). With regard to Q9d, the BD group expressed the strongest agreement, with a mean score of 3.96, while the RE group registered the weakest agreement with a mean score of 3.74.

The respondents agreed overall that the LSMA is inefficient (Q9i), international accounting and auditing standards are not widely adopted (Q9n), the mechanisms protecting the rights of stakeholders are weak (Q9e), there are weaknesses in the administrative and legal environment for listed companies (Q9c) and there is administrative and financial corruption in some Libyan listed companies (Q9a). The statements were awarded overall mean scores of 3.87, 3.84, 3.83, 3.81 and 3.79 respectively. Table 6.26 shows that statement Q9i was most strongly supported by the RE group (group mean 3.98), while the EM group expressed the weakest agreement (group mean 3.77). The pattern was repeated for statement Q9n, where the RE group recorded the highest mean score (4.09) and the EM group recorded the lowest (3.53). In contrast, the BD group recorded the strongest agreement with statements Q9e

(group mean 4.13) and Q9a (group mean 3.96), while the least supportive group for both these statements was the RE group (group means 3.72 and 3.36 respectively). The BD and EM groups both expressed the strongest agreement (group mean 3.92) with statement Q9c, while the OS group expressed the weakest (group mean 3.66).

The respondents agreed to some extent that the implementation of CG in listed companies takes a long time (Q9l), companies face political interference in their economic activities (Q9o) and boards in Libyan listed companies lack diversity (Q9k), awarding these statements overall mean scores of 3.58, 3.55 and 3.44 respectively. Table 6.26 reveals that the OS group agreed most strongly with Q9l (group mean 3.73), while the RE group expressed the weakest agreement (group mean 3.38). In the case of statement Q9o, the BD group was the strongest supporter (group mean 3.75), while in statement Q9k, the strongest supporter was the EM group (group mean 3.62). In both cases, the RE group was the least supportive (mean scores of 3.19 and 3.11 respectively).

Finally, Table 6.25 indicates that the respondents were neutral and disagreed towards statements Q9j ("The principles of CG are incompatible with the interests of joint stock companies") and Q9b ("There is weakness in terms of the independence of the external auditor"), awarding these overall mean scores of 3.29 and 2.45 respectively and median scores of 3 and 2 respectively. Table 6.26 shows that the BD group recorded the strongest agreement with both statements (group means 3.50 and 2.55 respectively), while the RE group was the least supportive of both (group means 3.13 and 2.36 respectively).

Table 6.25 Factors Influencing the Practices of CG and Accountability

Statement	N	Mean	Median	SD	Rank
Q9a: There is administrative and financial corruption in some Libyan listed companies.	231	3.79	4	1.12	11
Q9b: There is weakness in terms of the independence of the external auditor.	230	2.45	2	1.12	16
Q9c: There are weaknesses in the administrative and legal environment for listed companies.	231	3.81	4	1.01	10
Q9d: There is a lack of knowledge about CG in listed companies.	231	3.93	4	1.05	6
Q9e: The mechanisms protecting the rights of stakeholders are weak.	229	3.83	4	0.93	9
Q9f: There are limited training programmes for directors with respect to CG.	231	4.07	4	0.93	4
Q9g: Accountability mechanisms in general are weak.	230	4.02	4	0.87	5
Q9h: There is a weak investment climate in the LSM.	231	4.21	4	1.00	2
Q9i: The Libyan Stock Market Authority (LSMA) is inefficient.	231	3.87	4	1.01	7
Q9j: The principles of CG are incompatible with the interests of joint stock companies.	231	3.29	3	1.06	15
Q9k: Boards of Directors in Libyan listed companies lack diversity.	230	3.44	4	1.01	14
Q9l: The implementation of CG in listed companies takes a long time.	230	3.58	4	0.97	12
Q9m: There is a limited number of listed companies in the LSM.	228	4.10	4	0.79	3
Q9n: International accounting and auditing standards are not widely adopted.	230	3.84	4	1.03	8
Q9o: There is political interference (government intervention) in the economic activities of Libyan listed companies.	229	3.55	4	1.07	13
Q9p: The economic and political situation in Libya adversely affects CG practice.	230	4.28	4	0.91	1

Note: A five-point Likert Scale was adopted where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

As shown in Table 6.26, the Kruskal-Wallis test found that there were no significant differences across the sample as a whole for statements Q9c, Q9d, Q9e, Q9f, Q9g, Q9i, Q9j, Q9k, Q9l and Q9p (p-values > 0.05). However, in relation to statements Q9a, Q9b, Q9h, Q9m, Q9n and Q9o there were significant differences in the attitudes of stakeholder groups (p-values < 0.05).

The outcomes of the Mann-Whitney test, as shown in Table 6.26, demonstrate that there were significant differences between the attitudes of the RE group and all other stakeholder groups regarding Q9a (p-values < 0.05). In statement Q9b there were statistically significant differences between the BD group and both the RE and OS groups, and between the EM group and both the RE and OS groups (p-values < 0.05). With respect to Q9e, there were significant differences between the BD group and both the EM and RE groups (p-values=0.014 and 0.017 respectively). In statements Q9f, Q9g and Q10p there were significant differences between the EM and OS groups (p-values=0.033, 0.015 and 0.035 respectively), while in Q9h there were statistically

significant differences between the OS group and both the BD and EM groups (p-values=0.001 and 0.000 respectively), and between the EM and RE groups (p-value=0.038). In statement Q9k there was a significant difference between the EM and RE groups (p-value=0.031), while in statement Q9m there were significant differences between the OS group and both the EM and RE groups (p-values=0.000 and 0.011 respectively), and between the BD group and the EM group (p-value=0.012). Statement Q9n produced statistically significant differences between the EM group and the BD, RE and OS groups (p-values=0.047, 0.001 and 0.009 respectively). Finally, there were significant differences between the RE group and both the BD and EM groups for statement Q9o (p-values=0.010 and 0.014 respectively). Generally, the significant differences were caused by the BD and OS groups expressing stronger support for the statements than the other two groups; in other words, they were more inclined to see these factors as having an impact on CG and accountability.

The analysis indicates a general consensus that the most influential factor in terms of CG practices and accountability in Libyan listed companies is the country’s current economic and political situation. Equally notable, however, is the respondents’ general disagreed towards the statement suggesting that external auditors lack full independence, given that their registration with the LSM means they meet the required standards to support their independence.

Table 6.26 Factors Influencing the Practices of CG and Accountability: KW Test & MW Test

Statement	Group Means				K-W P-values	Result	Mann-Whitney Test - P-values					
	BD	EM	RE	OS			BD-EM	BD-RE	BD-OS	EM-RE	EM-OS	RE-OS
Q9a	3.96	3.88	3.36	3.93	**0.021***	Significant	0.418	**0.009***	0.928	**0.018***	0.484	**0.013***
Q9b	2.55	2.50	2.36	2.41	**0.000***	Significant	0.754	**0.000***	**0.000***	**0.000***	**0.000***	0.177
Q9c	3.92	3.92	3.70	3.66	0.412	Not Significant	0.606	0.315	0.140	0.500	0.196	0.641
Q9d	3.96	3.89	3.74	3.93	0.677	Not Significant	0.652	0.526	0.624	0.279	0.354	0.918
Q9e	4.13	3.75	3.72	3.79	0.054	Not Significant	**0.014***	**0.017***	0.067	0.919	0.602	0.554
Q9f	4.13	3.91	4.09	4.21	0.173	Not Significant	0.167	0.928	0.553	0.142	**0.033***	0.651
Q9g	4.02	3.90	3.93	4.25	0.143	Not Significant	0.408	0.898	0.208	0.468	**0.015***	0.180
Q9h	3.96	4.05	4.25	4.59	**0.001***	Significant	0.828	0.052	**0.001***	**0.038***	**0.000***	0.281
Q9i	3.88	3.77	3.98	3.89	0.370	Not Significant	0.419	0.453	0.789	0.086	0.236	0.623
Q9j	3.50	3.23	3.13	3.36	0.344	Not Significant	0.121	0.106	0.422	0.678	0.600	0.388
Q9k	3.48	3.62	3.11	3.48	0.160	Not Significant	0.488	0.165	0.896	**0.031***	0.359	0.154
Q9l	3.63	3.58	3.38	3.73	0.309	Not Significant	0.730	0.215	0.659	0.255	0.368	0.070
Q9m	4.17	3.86	4.02	4.43	**0.000***	Significant	**0.012***	0.332	0.171	0.084	**0.000***	**0.011***
Q9n	3.88	3.53	4.09	3.98	**0.004***	Significant	**0.047***	0.210	0.645	**0.001***	**0.009***	0.400
Q9o	3.75	3.64	3.19	3.61	**0.034***	Significant	0.461	**0.010***	0.448	**0.014***	0.816	0.055
Q9p	4.27	4.18	4.19	4.50	0.165	Not Significant	0.303	0.404	0.454	0.841	**0.035***	0.074

6.8 Accountability Practices

This section sought to investigate the respondents' attitudes towards accountability in Libyan listed companies. Table 6.27 indicates that they agreed in general with Knell's (2006) definition of accountability as the expectation that those in authority must be able to clarify and justify the actions taken on behalf of stakeholders (Q10a). They gave this definition overall mean and median scores of 4.05 and 4 respectively on the grounds that it is understandable to all stakeholders regardless of their level of education. Table 6.28 shows that the BD and OS groups were the strongest supporters of Knell's definition, with mean scores of 4.15 and 4.23 respectively, while the EM group expressed the weakest agreement for this statement with a mean score of 3.89. The Kruskal-Wallis test revealed that there were significant differences within the

sample (p-value=0.038), which the Mann-Whitney test confirmed were between the EM group and both the BD and OS groups (p-values=0.047 and 0.005 respectively).

Respondents were generally disagreed with the statement Q10b: “Accountability is practised and discharged in all Libyan listed companies” (overall mean and median scores of 2.45 and 2 respectively). As can be seen in Table 6.28, the RE group expressed the weakest agreement regarding this statement, with a mean score of 2.24, while the EM group was the most supportive with a mean score of 2.65 The Kruskal-Wallis test indicated that there were significant differences within the sample with respect to this statement (p-value=0.000), which the Mann-Whitney test highlighted as being between the EM group and the BD, RE and OS groups (p-values=0.003, 0.000 and 0.000 respectively), and between the BD and RE groups (p-value=0.006).

Likewise, the respondents were generally neutral towards the statement that: “Libyan listed companies commit to accountability as one way of fulfilling their responsibilities towards Libyan society” (Q10c), giving this overall mean and median scores of 3.07 and 3 respectively. As shown in Table 6.28, the most supportive was the EM group, with a mean score of 3.47, while the least supportive was the RE group with a mean score of 2.49. The Kruskal-Wallis test indicated that there were statistically significant differences among the groups (p-value=0.000), which the Mann-Whitney test revealed to be between the RE group and the BD, EM and OS groups (p-values=0.001, 0.000 and 0.007 respectively), and between the BD group and the EM group (p-value=0.046).

Statements Q10d and Q10e also attracted only a neutral response from the sample; they indicated only moderate agreement with the statement that: “The existence of effective mechanisms of accountability in the LSM inspires confidence in investors and stakeholders alike” (overall mean and median scores of 3.20 and 3 respectively), and they were not satisfied that: “All relevant parties (stakeholders) with Libyan listed companies practise accountability upon these companies” (overall mean and median scores of 2.91 and 3 respectively). Table 6.28 shows that the EM group was the most supportive of both statements, with mean scores of 3.43 and 3.19 respectively, while the RE group was the least supportive with mean scores of 2.76 and 2.49 respectively. The Kruskal-Wallis test showed that there were statistically significant differences within the sample for both statements (p-values=0.009 and 0.002 respectively). In

both cases, the Mann-Whitney test indicated that there were significant differences between the RE group and the BD, EM and OS groups (p-values < 0.05).

Table 6.27 Accountability Practices

Statement	N	Mean	Median	SD	Rank
Q10a: Those in authority must be accountable and able to clarify and justify the actions taken on behalf of stakeholders.	231	4.05	4	0.86	1
Q10b: Accountability is practised and discharged in all Libyan listed companies.	231	2.45	2	1.03	7
Q10c: Libyan listed companies commit to accountability as one way of fulfilling their responsibilities towards Libyan society.	230	3.07	3	1.02	4
Q10d: The existence of effective mechanisms of accountability in the LSM inspires confidence in investors and stakeholders alike.	231	3.20	3	1.13	3
Q10e: All relevant parties (stakeholders) with Libyan listed companies practise accountability upon these companies.	231	2.91	3	0.99	6
Q10f: Libyan listed companies' boards of directors, executive managers and employees are accountable for the consequences of their actions.	231	3.48	3	0.99	2
Q10g: Adopting a good CG makes Libyan listed companies to discharge their accountability.	231	2.97	3	1.12	5

Note: A five-point Likert Scale was adopted where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

Q10f sought to investigate whether Libyan listed companies' BODs, executive managers and employees are considered accountable for the consequences of their actions. Table 6.27 reveals that the respondents were neutral towards this statement, recording overall mean and median scores of 3.48 and 3 respectively. The BD group showed the strongest support, with mean score of 3.66, while the RE group was the least supportive with a mean score of 3.36. However, the Kruskal-Wallis test found no significant differences across the sample (p-value=0.345), and the Mann-Whitney test showed no differences among the pairs (p-values > 0.05).

Finally, the respondents were neutral towards the statement: "Adopting a good CG makes Libyan listed companies to discharge their accountability" (Q10g), giving it overall mean and median scores of 2.97 and 3 respectively. As shown in Table 6.28, the EM group was the most supportive of this statement, with a mean score of 3.24, while the RE group was the least supportive with a mean score of 2.64. The Kruskal-Wallis test showed that there were statistically significant differences within the sample (p-value=0.033), which the Mann-Whitney test confirmed was due to the difference between the EM and RE groups (p-value=0.005).

Table 6.28 Accountability Practices: KW Test & MW Test

Statement	Group Means				K-W P-values	Result	Mann-Whitney Test - P-values					
	BD	EM	RE	OS			BD-EM	BD-RE	BD-OS	EM-RE	EM-OS	RE-OS
Q10a	4.15	3.89	4.00	4.23	**0.038***	Significant	**0.047***	0.481	0.436	0.290	**0.005***	0.160
Q10b	2.49	3.31	2.24	2.45	**0.000***	Significant	**0.003***	**0.006***	0.063	**0.000***	**0.000***	0.305
Q10c	3.13	3.47	2.49	3.07	**0.000***	Significant	**0.046***	**0.001***	0.976	**0.000***	0.085	**0.007***
Q10d	3.27	3.43	2.76	3.23	**0.009***	Significant	0.551	**0.020***	0.941	**0.001***	0.489	**0.025***
Q10e	2.96	3.19	2.49	2.89	**0.002***	Significant	0.264	**0.028***	0.792	**0.000***	0.120	**0.028***
Q10f	3.66	3.62	3.36	3.65	0.345	Not Significant	0.971	0.225	0.554	0.202	0.492	0.095
Q10g	3.04	3.24	2.64	2.86	**0.033***	Significant	0.362	0.091	0.404	**0.005***	0.057	0.337

Overall, the findings of Q10 indicate that accountability practices are not yet established in Libyan listed companies. All stakeholders are not exercising their right to hold companies' boards of directors and executive managers to account for their actions, even though they are well aware of the concept of accountability. Things are unlikely to change, however, as long as environmental turbulence continues; the attendant disruption to the legislative environment, along with the lack of monitoring and enforcement mechanisms, will continue to have a negative impact on accountability practices within Libyan listed companies.

6.9 Summary

The questionnaire survey was adopted as the first method of data collection in order to investigate the views of different stakeholder groups regarding current CG and accountability practices within Libyan listed companies. These groups comprised board members, executive managers, regulators and external auditors, and other stakeholders. Descriptive statistics and non-parametric statistical tools (Kruskal-Wallis and Mann-Whitney tests) were used to analyse the gathered data.

The questionnaire outcomes revealed a strong consensus among all groups that the best Arabic translation of CG is *Hawkamat Alshrekat.* Nor was there a single view on how CG should be defined; all of the presented definitions – both those expressing the agency perspective and those expressing the stakeholder perspective – were accepted by the respondents, though the latter were generally endorsed more enthusiastically. In terms of importance and awareness of CG, all the stakeholder groups agreed that CG is important for Libyan listed companies, though many respondents felt that awareness of CG in these companies is inadequate.

On the whole, the various stakeholder groups found Libyan listed companies' compliance with the key CG mechanisms satisfactory; they were particularly satisfied with the BOD mechanism and how it discharges its duties and responsibilities. There was a general understanding and awareness of the rules regarding board composition and the formation and functions of subcommittees, but while all groups considered the audit committee the most important, only 42.8% said listed companies should have a CG committee (even though it was ranked the second most important). Disclosure and transparency, while seen as sufficient to meet local requirements, were not seen as up to international standards. This may be due to the absence of accountability mechanisms in the Libyan environment, which has impacted negatively on the development of disclosure and transparency in listed companies in particular. The respondents generally agreed with the majority of statements concerning the internal and external audit mechanisms, but they were less convinced of the effectiveness of internal control systems in Libyan listed companies (especially the regulators' group). They were more satisfied with the measures that have been put in place to protect shareholders' rights.

The questionnaire outcomes indicated stakeholders' dissatisfaction with the legal and regulatory framework of CG and accountability. This is not surprising, given that

some Libyan laws and regulations are not in line with the requirements of CG and therefore do little to support CG and accountability practices. The turbulent economic and political situation was seen as having the greatest adverse influence on CG practice and accountability within Libyan listed companies, though other acknowledged factors included the weakness of the investment climate and accountability mechanisms, the limited number of Libyan listed companies, the lack of CG training for directors and the general lack of knowledge about CG. Other factors such as the lack of independence of external auditors and any incompatibility between CG principles and the interests of these companies were seen as much less significant. Lastly, although all the respondents were well aware of the concept of accountability, they felt that achieving this in practice is made more difficult by the uncertain legislative environment and the absence of monitoring and enforcement mechanisms. The consequence of this is that stakeholders do not act on their right to hold listed companies' BODs and executive managers accountable for their actions.

This chapter having outlined the key findings from the questionnaire survey, the next chapter analyses the data gathered from the interviews, which were the second data collection instrument.

CHAPTER SEVEN

SEMI-STRUCTURED INTERVIEW RESULTS

7.1 Introduction

As described in Chapter 5, the second data collection method adopted in this study was semi-structured interviews. These were employed to explore and investigate the views of the two stakeholder groups regarding the current practice of CG and accountability in Libyan listed companies. This chapter presents the findings from these interviews. It begins by summarising the aim of the interviews before going on to discuss the participants' understanding of CG within the Libyan environment. This section (section 7.3) presents the interviewees' views on how the English term should be rendered in Arabic, their own definitions of CG, and why they think it is important for Libya. Section 7.4 explores the current level of compliance with CG mechanisms in Libyan listed companies, as perceived by the interviewees, while section 7.5 discusses their views of the legal and regulatory framework of CG and accountability. Section 7.6 investigates what the interviewees saw as the main factors influencing the practice of CG and accountability. Section 7.7 analyses their views regarding the concept and practice of accountability, while section 7.8 briefly summarises the findings presented in the chapter.

7.2 Interview Questions

The semi-structured interview questions were designed to cover the same main topics as the questionnaire survey, plus the issue of how CG and accountability practices might be developed in Libya listed companies. This facilitated comparison between the findings of the two tools, while also allowing further insight into the results yielded by the survey. The same questions were directed to both stakeholder groups (see Appendices V and VI). The twenty interviewees, who were chosen for their qualifications and experience within Libyan listed companies, were classified into two groups based on the nature of their roles: the internal stakeholders group (ISG) and the external stakeholders group (ESG) (see Table 5.8). The interviews, which were conducted in July and August 2015, lasted roughly 30-90 minutes each and were recorded (with the permission of the interviewee). The names of the interviewees were coded in order to ensure their confidentiality.

7.3 Understanding of CG in the Libyan Environment

In order to investigate their understanding of CG, the interviewees were asked to say what they think is the correct Arabic interpretation of the term, to give their own definition of CG and to explain why it is important for Libyan listed companies and the Libyan environment in general. Their responses are discussed in the following sub-sections.

7.3.1 Arabic Interpretation of the Term CG

7.3.1.1 Internal Stakeholders Group (ISG)

Although the Arabic term *Hawkamat Alsharekat* is the most common way of rendering the English term CG, there are several other Arabic translations in use, such as *Aledarah Alrashedah*, meaning good governance, *Edart Tandheem Wa-Murakabat Alsharekat,* which means organising and controlling companies, and *Ahakemia Almoassasatia*, which refers to institutional governance. It might be argued that the range of Arabic translations available, each conveying a slightly different understanding of the concept, is more likely to lead to misconceptions or at least opposing interpretations of CG, and there was indeed some divergence of opinion here; even within the ISG group, eleven of the twelve agreed on *Hawkamat Alsharekat* as the most appropriate translation while one dissented. One non-executive chairman affirmed that:

> "The term *Hawkamat Alsharekat* is the most suitable to express the English meaning of CG. Although still novel in the Libyan environment, the use of this term has become noticeable, especially in the banking sector, because of the commitment to implement CG in this sector" (BD1).

The one ISG member (BD6) who opposed the use of this phrase felt that *Aledarah Alrashedah* is closer in meaning to the English term CG.

7.3.1.2 External Stakeholders Group (ESG)

The ESG interviewees were more divided, with six out of eight supporting *Hawkamat Alsharekat* as the most suitable translation and two declaring that *Aledarah Alrashedah* is closer to the English term. Speaking for the former, one member of the LSMA explained that:

> "The principles of CG are in general not new in the Libyan environment, but what is new is that these principles have been

> collected and issued by the LSM in the form of a code named the Libyan Corporate Governance Code (LCGC). The use of the term *Hawkamat Alsharekat* to express the English term CG has become the most common in the Libyan environment for this reason" (RE1).

The supporters of *Aledarah Alrashedah,* on the other hand, argued that this term is more appropriate because when the LSM issued the LCGC for Libyan listed companies, they called it *Regulations for Good Governance.* They also pointed out that the emphasis in *Aledarah Alrashedah* is on the implementation of successful management standards as a way of improving company performance, and that the term is associated with a free economy and ensuring the rights of stakeholders. In contrast, *Hawkamat Alsharekat* is associated with a centralised economy and extensive state control. One individual investor in the LSM observed:

> "In my view, the Arabic term *Aledarah Alrashedah* is the most appropriate to express the English term CG, as this term conveys the sense of mature management overcoming routine problems in the company by encouraging effective participation in decision making by relevant stakeholders" (OS2).

The lack of consensus about how the English term CG should be rendered in Arabic may be partly attributable to the fact that it has only recently been introduced into the Libyan environment. However, the issue needs to be addressed without delay, as allowing a range of terms to be used increases the risk that stakeholders will develop an imperfect understanding of what CG actually means. Thus, the finding is consistent with Boutros-Ghali's (2002, p.1) conclusion that:

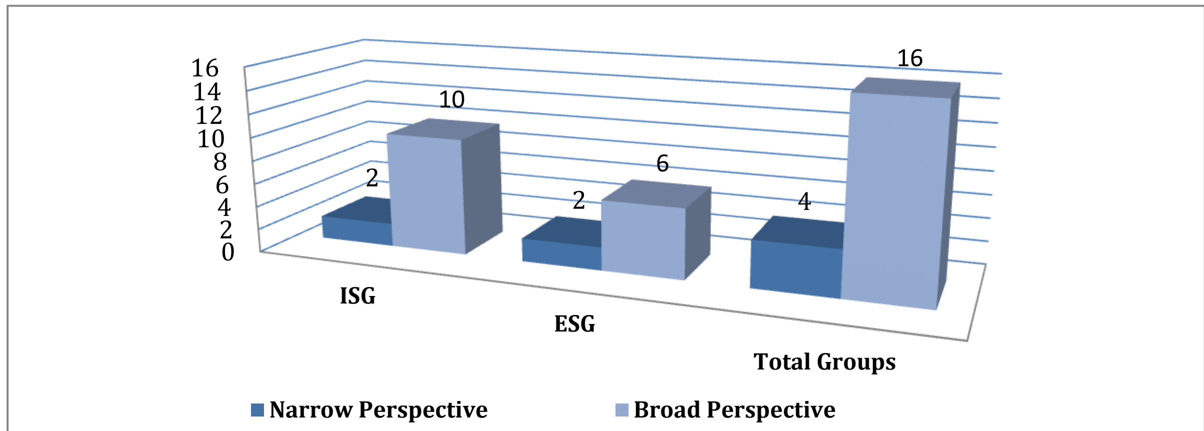
> "There are many challenges to promoting the principles of CG in the Arabic world. The first challenge I have found is that there is no Arabic equivalent for the word governance. We tried to find one Arabic word that translates the English word or its concept, but it was difficult. The problem is not just semantic; because when we do not have a word to express a concept, the concept does not exist in our daily life".

7.3.2 Definition of CG

As indicated above, the term CG is fairly new within Libyan listed companies, having first appeared in 2007 when the LSM issued its LCGC for boards of directors. This question therefore sought to elicit from the interviewees how they would define CG, the aim being to investigate whether they understood the purpose of CG as being to protect the interests of shareholders only (i.e. taking a narrow perspective) or all

relevant stakeholders (i.e. taking a broad perspective). Figure 7.1 shows how the definitions offered by the interviewees were distributed across the two categories. Narrow perspectives tended to concentrate on internal corporate considerations, regulatory considerations and the interests of shareholders, while broader perspectives took into account the interests of other stakeholders and ethical considerations.

Figure 7.1 Broad and Narrow Definitions of CG



Note: ISG = Internal Stakeholders Group; ESG = External Stakeholders Group.

Figure 7.1 shows that sixteen out of twenty interviewees (80%) followed Solomon (2013) and Keasey & Wright (1993) in adopting a broad perspective on CG. One board chairman defined CG in very expansive terms:

> "In my opinion, CG is a set of procedures and rules governing relations inside and outside the company to prevent the occurrence of any financial or administrative corruption, and to ensure the achievement of the desired objectives and protect the interests and rights of shareholders and stakeholders within the limits of ethical and professional values" (BD1).

Almost as broad was the view expressed by an audit committee chairman, who pointed to the importance of CG in helping companies improve performance:

> "I personally consider CG to be a set of regulations, rules and procedures that enable listed companies to perform successfully and to protect the rights of stakeholders in general" (BD4).

An external auditor noted that this expansion of the remit of CG, from shareholder protection to the protection of all stakeholders, is relatively recent:

> "CG is a modern phenomenon that relates to the setting of controls and procedures and regulations to protect the rights and interests of

> shareholders primarily, but in recent times, the importance of corporate governance has been expanded to include protection of the rights and interests of stakeholders" (RE4).

Only four out of twenty interviewees (20%) followed Parkinson (1994) and Cadbury (1992) in seeing CG from a narrow, shareholder-based perspective. The deputy minister of the Ministry of the Economy was one of this group, explaining that:

> "CG is a set of rules and procedures that regulate the relations within a company through accurate determination of responsibilities and duties to ensure it is working in the interests of the shareholders" (RE2).

Others taking this agency-oriented view saw CG primarily as a legal/regulatory system for the governance and monitoring of internal relations between the general assembly, board and executive management. An individual investor was echoing this narrow perspective when he noted that:

> "I think that the meaning of CG differs depending on the legal framework of the state; each country adapts the principles of CG to bring them into line with its laws and legislation" (OS2).

That such a high percentage (80%) of interviewees would define CG from a broad stakeholder perspective was not unexpected, given that Libya is an Islamic state whose constitution, laws and regulatory framework all encourage its citizens to see themselves as accountable to a broad variety of stakeholders and society as a whole.

7.3.3 Importance of CG

This question sought to investigate interviewees' views on the importance of CG in Libyan listed companies. All interviewees agreed that implementing CG mechanisms is important for all Libyan companies in general and for Libyan listed companies in particular. Table 7.1 summarises the various reasons why and shows how many interviewees agreed with each reason.

Table 7.1 Reasons for Implementing CG in Libyan Listed Companies

No	Reasons	ISG	ESG	N	%
	Interviewees	**12**	**8**	**20**	
1	Protecting stakeholders' rights	9	7	16	80%
2	Increasing confidence and companies' success	4	4	8	40%
3	Determining the responsibilities of the board and executive management	4	3	7	35%
4	Raising companies' performance and profitability	3	2	5	25%
5	Increasing disclosure and transparency	2	2	4	20%
6	Preventing financial and administrative corruption	3	0	3	15%
7	Achieving accountability	2	1	3	15%
8	Attracting foreign investment	1	1	2	10%
9	Achieving companies' goals	1	1	2	10%
10	Improving the functioning of institutions	1	0	1	5%
11	Protecting companies from risk	1	0	1	5%
12	Regulating the relationships between management and stakeholders	0	1	1	5%
13	Contributing to growth and evolution of companies	0	1	1	5%
14	Assistant factor for modifying and updating Libyan laws and regulations	1	0	1	5%

7.3.3.1 Internal Stakeholders Group (ISG)

The majority of ISG interviewees strongly believed that the presence of an effective system of CG will contribute positively to Libyan listed companies. As can be seen in Table 7.1, the most frequently cited reason for adopting a good CG system was the protection of stakeholders' rights; nine out of twelve interviewees (75%) felt that by serving as a tool to regulate and control relationships, good CG protects all stakeholders. An executive chairman from one board explained why this protection is so important in Libya:

> "From my perspective, of course, Libyan companies should not differ from other companies in the world. I think that there is an urgent need for CG practices in Libyan companies, whether listed or unlisted. CG is particularly important in Libyan listed companies because the LSM is still an emerging market, and because of the turbulence of the past. Commitment to the principles of CG is required to ensure the rights of stakeholders, determine who takes on which responsibilities and tasks and separate the terms of reference within these listed companies" (BD7).

The next most popular reason for adopting a good CG system was to raise confidence among all relevant parties and boost companies' success. Four out of twelve

interviewees (33%) in this group argued that a good CG system is important because it plays a significant role in identifying the duties and responsibilities of executive management and the BOD. One non-executive board chairman explained that:

> "In fact, the importance of CG in the Libyan case particularly is the separation of competencies and determination of responsibilities and duties. It is extremely important to move away from individual decisions, especially, for example, when one or two people are appointed to be executives and board members at the same time. As a result, the principle of separation of the terms of reference has been ignored within Libyan listed companies and consequently, decisions are sometimes personalised, and characterised by bias" (BD1).

7.3.3.2 External Stakeholders Group (ESG)

Seven ESG interviewees (88%) asserted that the main reason for adopting a good CG system within Libyan listed companies is to protect the rights of relevant stakeholders. The deputy minister of the Ministry of the Economy confirmed that:

> "CG regulates relationships within companies and outside, especially where the ownership is separated from management, and the general assembly appoints the board of directors. CG is important because it determines the rules that govern the relationship between the owners and management of these companies in order to protect the rights and interests of stakeholders" (RE2).

Four out of eight interviewees (50%) in this group saw the implementation of CG within Libyan listed companies as contributing significantly to raising investors' confidence and consequently companies' success. An individual investor (OS2) explained that any perception that CG is inadequate in listed companies would lead to a loss of confidence and the withdrawal of major investors from the market. Such a loss of confidence would be especially damaging in an emerging market like Libya.

7.4 Compliance with CG Mechanisms

CG mechanisms such as the BOD, disclosure and transparency, internal and external auditing and shareholder rights are the pillars on which the governance system is built. The two stakeholder groups were asked for their views on the current level of commitment being shown to these mechanisms within Libyan listed companies.

7.4.1 The Board of Directors Mechanism

The BOD is one of the key internal CG mechanisms (especially in emerging markets) ensuring that the interests of shareholders and managers are aligned and that management teams are operating effectively.

7.4.1.1 Composition of the Board of Directors

7.4.1.1.1 Internal Stakeholders Group (ISG)

All ISG interviewees confirmed that boards in Libyan listed companies have no fewer than three members and no more than eleven, the majority of whom are non-executive, as stipulated by the LCGC. This was borne out in their descriptions of their own boards, which varied in size from company to company, depending on the type and volume of activity, but which were made up mostly of non-executives. For example, one board chairman explained that in his company the board

> "consists of seven members including the chairman of the board and three control members, the majority of whom are non-executive members, as well as independent members representing one-third of the board" (BD3).

Similarly, a non-executive chairman from a mixed ownership bank explained that:

> "In my experience as a board member at this bank, the board of directors contains nine Libyan members including the chairman of the board and two foreign members representing the French partner. The majority of the board members are non-executives, and two are independent" (BD1).

Most ISG interviewees confirmed that board membership in their bank is for a fixed period only:

> "Article 18 of the statute of the bank states that the board of directors should consist of five members including the chairman of the board and deputy chairman of the board, and that members may serve for three years" (EM1).

When asked how these members are selected, seven ISG interviewees said that the general assembly is responsible for selecting and appointing board members according to pre-set technical and professional criteria. In state-owned banks, however, the job of selection may fall to the CBL, as explained by one CEO:

> "The selection and appointing of board members in the bank is done by the Central Bank of Libya (CBL), as it owns the largest percentage of shares (84%). The CBL takes into account specific conditions for

> selecting the board of directors. The most important are technical and practical efficiency, specialist knowledge and experience at the top of the banking field" (EM1).

Three out of twelve interviewees in this group also highlighted the importance of geographic factors in the selection process, explaining that banks with branches across Libya need to ensure that these branches also have a voice on the board. According to one interviewee,

> "The general assembly is solely responsible for selecting the membership of the board because it represents the shareholders. It takes into account technical and practical efficiency, specialist knowledge and experience. But geographic distribution is also taken into account when selecting board members, as this bank has many branches operating in all the cities of Libya" (BD8).

On a less positive note, two ISG interviewees argued that it would be unfair to ignore the fact that some board members within listed companies have been appointed out of nepotism or favouritism, because they have personal or tribal connections with members of the general assembly.

7.4.1.1.2 External Stakeholders Group (ESG)

Eight of the ESG said that the size of boards in Libyan listed companies is determined by law. An external auditor explained that:

> "As stipulated in the LCGC 2007 and the LCGC 2010, boards of directors in Libyan listed companies consist of at least three members and no more than eleven members, including the chairman" (RE3).

Six ESG interviewees confirmed that membership is for a fixed period, though two interviewees from the regulatory side suggested that some board chairmen remain board members even after their tenure has expired. On the subject of how board members are appointed, five ESG interviewees asserted that this is done according to set criteria and taking into consideration previous experience and specialist knowledge, but the other three in this group noted the continuing influence of personal relationships on the appointment process. One interviewee declared that:

> "In practice, there is no doubt that favours and personal relationships play a significant role in the selection of some board members within Libyan listed companies, although experience and efficiency also play a part. But the unfair selection process means that executive directors are not held accountable for any deficiencies in their implementation of CG" (OS3).

These interviewees were adamant that general assemblies must move away from favouritism and appoint board members whose qualifications will support the company's activities and long-term aims.

7.4.1.2 Duties and Responsibilities of the Board of Directors

7.4.1.2.1 Internal Stakeholders Group (ISG)

All ISG interviewees mentioned that the duties and responsibilities of the BOD are precisely defined in Libyan listed companies. One audit committee chairman explained that:

> "Article 23 of the statute of the bank stipulates that the board of directors is responsible for the bank's management in order to achieve the objectives of the bank with the exception of the terms of reference of the general assembly. The LCGC issued by the CBL and the LSM also determines the duties and responsibilities of the board of directors. What is more, Libyan Commercial Law (LCL) No. (23/2010) sets out the duties and responsibilities of the board of directors" (BD4).

Asked which are the most important of these duties and responsibilities, nine out of twelve interviewees in this group explained that some are stipulated by law. A board member at one listed company explained that:

> "For example, amongst the duties and responsibilities of the board of directors are setting up the public policy of the company, devoting enough time to its responsibilities, holding at least four board meetings a year, as required by law, determining the authority to be delegated to the executive management, monitoring and evaluating the work of the executive departments in the company and providing the estimated budget to the general assembly for endorsement" (BD6).

However, two of the ISG interviewees felt that the board's duties and responsibilities are not always set out in sufficient detail. One of these interviewees argued that: "Although these duties and responsibilities exist in terms of the job description, they need to be more detailed to help avoid any conflicts of competencies between the members of the board of directors" (BD5). The same interviewee also felt that some board members within Libyan listed companies do not devote sufficient time and effort to discharge their duties and responsibilities towards the board properly.

7.4.1.2.2 External Stakeholders Group (ESG)

Notably, all the ESG interviewees declared that the duties and responsibilities of the BOD are accurately defined in almost all Libyan listed companies. A monitor from the LSMA asserted that:

> "I can honestly say there is a clear determination of duties and responsibilities in Libyan listed companies, because on the one hand, all listed companies have their establishment decision and statute, which define the duties and responsibilities of the board of directors, and on the other hand, the Libyan Corporate Governance Code (LCGC), whether issued by the LSM or the CBL, also determines perfectly the duties and responsibilities of the board of directors within listed companies" (RE1).

Six out of eight interviewees in this group were happy to list the duties and responsibilities that should be discharged by board members. According to one of these,

> "The board's duties and responsibilities may be restricted as follows: setting goals and strategic plans for the company, the development and supervision of internal control systems in the company, setting up written policies to define the relationships between the company and stakeholders and finally, determining the powers of the executive management and supervising its performance" (OS3).

However, one regulator argued that although the statutes of Libyan listed companies set out the duties and responsibilities of the BOD, "in practice, these roles conflict and powers overlap within some Libyan listed companies, which leads to problems in implementation as well as in decision making in general" (RE2). An external auditor also explained that problems arise because some board members lack the knowledge and experience to understand their duties and responsibilities properly.

> "In my experience as an external auditor …, I can say that some Libyan listed companies have board members who are still not aware of their duties and responsibilities as they have weak knowledge and qualifications which are not even good enough to hold a low position in executive management" (RE3).

7.4.1.3 Board Sub-Committees

7.4.1.3.1 Internal Stakeholders Group (ISG)

When asked which sub-committees are appointed in Libyan listed companies, the ISG interviewees cited the audit committee as the most common, followed by the

nomination and remuneration committee and the risk and Shariah committees (especially in the banking sector); very few listed companies appoint a temporary executive committee, investment committee or CG committee.

Audit and nomination/remuneration committees are recommended by the LCGC, and their importance was confirmed by the ISG interviewees, eight of whom regarded the audit committee as the most important of their board's sub-committees and five of whom ranked the nomination/remuneration committee as the second most important. The audit committee was ranked top because it "reviews the annual financial statements and reports before submission to the board of directors. Moreover, the audit committee examines the internal control system in the company and makes recommendations to the board of directors in this regard" (EM3).

When asked how the members of these sub-committees are selected, ten ISG interviewees explained that the process is not significantly different from that used to select board members. One board member stated that:

> "There are clear policies specifying how the members of these committees should be selected. This is usually done by the board of directors proposing candidates for approval by the general assembly. They take into account specific standards such as specialist knowledge, experience in the relevant field, the prospective member's interests and compatibility with the committee's activity and their compatibility with other committee members. Someone on each committee must have a financial background, and there must be a representative from the board of directors" (BD8).

The majority of ISG interviewees confirmed that the audit committee in their listed company consists of non-executive directors and has no fewer than three members. However, one of the ISG interviewees declined to answer this question, while another interviewee (an executive director) indicated that:

> "Although experience and efficiency are factors in the selection of sub-committee members, some members of these sub-committees are selected out of personal interests, or for reasons of nepotism and favouritism, with negative consequences for the performance of these sub-committees" (EM4).

The majority of ISG interviewees asserted that the duties and responsibilities of sub-committees are clearly defined in Libyan listed companies, with seven of the twelve listing at least some of these tasks and responsibilities. One board chairman explained that:

> "The board of directors in the bank set out the duties and responsibilities of each committee in its establishment decision, including the purpose of each committee, the timing of its meetings, the activities it oversees, the powers granted to it and its implementation mechanisms. Additionally, the duties and responsibilities of these sub-committees can be identified in the bank through the job description and the LCGC, whether issued by the CBL or the LSM. Among the tasks and responsibilities of these sub-committees is providing a report whenever work is completed" (BD1).

An executive director at one listed bank described the main tasks of his audit committee as including

> "overseeing the internal audit department, checking the internal control system of the bank, checking the audit plan with the external auditor, reviewing the external auditor's notes, reviewing the financial statements before submission to the board of directors for approval" (EM1).

7.4.1.3.2 External Stakeholders Group (ESG)

The ESG interviewees also confirmed that almost all Libyan listed companies have an audit committee. Six of the eight mentioned the nomination/remuneration committee and risk committee, four mentioned the Shariah committee, and just two mentioned CG committee, explaining that these are most likely to be found in banks belonging to the Central Bank of Libya (the CBL is committed to applying the LCGC, which stipulates the establishment of a CG committee).

Six out of eight interviewees in this group thought that the audit committee is the most important board sub-committee because it serves as a fundamental link between the internal auditor and the external auditor appointed to review the financial statements of the company. However, one interviewee from the regulatory side argued that:

> "The mechanism for selecting members of the audit committee in some Libyan listed companies needs to be reconsidered; for example, when you see that members are being selected who do not have the accounting background to review financial statements, there is no point in these members having frequent meetings with either internal or external auditors. In these circumstances, the committee will not achieve the goal for which it was established" (RE4).

Talking about the most important functions of the nomination/remuneration committee, a regulator with the LSMA said this committee's duties include

> "annually reviewing the skills required of board members, recommending candidates to the board of directors in accordance with approved policies and standards and setting clear policies for the compensation and remuneration of directors and senior executives" (RE1).

Although the nomination/remuneration committee was ranked the second most important sub-committee by the group, four ESG interviewees also asserted the importance of the Shariah committee, especially in the Libyan banking and insurance sectors. One of these interviewees justified the importance of this committee thus:

> "Shariah committees in Libyan listed banks and insurance companies usually deal with issues related to financing or investment, giving tips and advice regarding the quality of this financing or investment and its compatibility with the provisions of Islamic Shariah" (OS3).

In terms of the selection process for sub-committees, six ESG interviewees said this is similar to the process used to appoint members to the BOD. Echoing interviewees from the ISG, one board member explained that:

> "Of course, the sub-committees are selected based on their compatibility with the board of directors, taking into consideration criteria such as financial expertise, technical and practical skill and experience in the relevant field. In addition, a member of the board of directors should be selected to sit on each sub-committee" (OS4).

However, also echoing members of the ISG, two ESG interviewees claimed that nepotism continues to taint the selection procedure in some companies. As one interviewee put it: "Although experience and technical proficiency are still criteria when selecting sub-committee members, a few are appointed because they have close ties with members of the general assembly or the board" (RE1).

Almost all the ESG interviewees said that audit committees within Libyan listed companies are made up of non-executive directors and have no fewer than three members. The majority felt that the duties and responsibilities of all sub-committees are clearly defined, though one regulator explained that it is up to the BOD to determine "the functions of each sub-committee in terms of the number of members, its period of operation and the powers granted to it, so that it can perform its functions to the fullest" (RE2). The same interviewee highlighted that while the general purpose of each committee is stipulated in the establishment decision, committee members may choose which mechanisms they will employ to carry out this purpose. This led a consultant with the LSM to complain that:

> "Although the majority of these duties and responsibilities are set out in the laws, regulations and the establishment decision, they are not determined in detail, but expressed in general items" (OS1).

7.4.2 Disclosure and Transparency Mechanism

Disclosure and transparency are considered crucial principles within the CG system; numerous authors (e.g. Solomon, 2013; Monks & Minow, 2004) have stressed the importance of disclosure and transparency mechanism as an indicator of good CG. This section presents the interviewees' responses regarding the perceived level of compliance with disclosure and transparency mechanism within Libyan listed companies. It also explores their views on how disclosure and transparency might be developed in these companies.

7.4.2.1 Internal Stakeholders Group (ISG)

When asked whether the level of disclosure and transparency within Libyan listed companies is adequate, eight of the ISG interviewees claimed that it is merely satisfactory. Six interviewees argued that this is because current disclosure and transparency practices are designed only to meet local – not international – requirements. One executive board member asserted that:

> "The level of disclosure and transparency in our listed companies is generally satisfactory by local standards, such as the requirement for annual reports to disclose both financial and non-financial data, details of board meetings and the names of committee members. However, compared to international requirements, and to [the level of] disclosure in similar emerging markets, it needs improvement" (BD7).

The other four ISG interviewees perceived disclosure and transparency practices within Libyan listed companies to be inadequate for a range of reasons, including the lack of accountability mechanisms in the Libyan environment and the weakness of the professional culture. One board member outlined his concerns thus:

> "I would say that the disclosure and transparency practices within the company are not satisfactory and not in line with the CG requirements, whether local or international. In practice, there is some ambiguity in the information (lack of transparency) required by each user. Perhaps amongst the causal factors are the weak professional culture, which allows the hiding or manipulating of information, deliberate delay in making it public, and poor quality information in financial reports. If the report does not meet the requirements of a financial analyst or financial statement reader, there is a clear lack of transparency" (BD8).

Another interviewee (BD2) attributed the low level of disclosure and transparency to the lack of Libyan Accounting Standards, while an executive manager cited a lack of understanding on the part of boards:

> "There is an obvious weakness in companies' transparency, because board members are the only parties who have the right to be informed about the company's important information due to their position, but unfortunately, some board members do not have a clear understanding of the meaning of disclosure and transparency" (EM2).

When ISG interviewees were asked whether Libyan listed companies disclose their CG practices in their annual reports, seven out of twelve indicated that listed companies are required to provide a summary of this information under the LCGC. One board member pointed out that:

> "As the bank already adheres to CG mechanisms, according to the CBL's requirements, it does give some information about CG practices in the financial reports, but not in detail; it discloses which CG principles have been implemented and which have not, and the reasons why not" (BD5).

However, the other five members of the ISG were less positive, arguing that Libyan listed companies still lack commitment to the principle of disclosure, with the result that practice generally remains unsatisfactory. One board member attributed this to the relative novelty of the LCGC's formal approach to the issue:

> "Of course, the fundamental reason for non-compliance in this case is due to the novelty of this type of disclosure in the Libyan environment. However, disclosure about CG practices is sometimes done through general assembly meetings by answering questions and inquiries relating to CG issues" (BD7).

When asked what is being done to develop disclosure and transparency within Libyan listed companies, six of the ISG interviewees identified a few steps that have already been taken. Some of these steps have been taken at the macro level by the LSM, such as its decision to issue disclosure forms to raise the level of disclosure in financial reports (pointed out by BD2), and its creation of an online resource:

> "The LSM has established models for the evaluation of disclosure and transparency inside Libyan listed companies to encourage these companies to improve disclosure and transparency. A website (portal) has been established by the LSM where Libyan listed companies can download disclosure forms which they then submit for approval by the market" (BD3).

Other interviewees described the steps that have been taken by their own institution. For example: “The financial reports currently contain all information, whether financial or non-financial, relating to all activities of the company, but the second essential step has been to start preparing combined balance sheets that were previously non-existent in the company” (BD7). Another interviewee (BD8) described his bank’s establishment of a “compliance management” team, one of whose functions is to disclose all relevant information to shareholders.

Only one ISG member was dismissive of the steps taken so far to improve disclosure and transparency practices, arguing that:

> “Disclosure and transparency practices are still weak and do not meet CG requirements, and therefore, these companies need to take serious steps to raise the level of disclosure; they need to disclose all the information needed by any user, and to improve the quality and timing of this disclosure” (EM4).

7.4.2.2 External Stakeholders Group (ESG)

When ESG interviewees were asked about the level of disclosure and transparency within Libyan listed companies, five described it as just about satisfactory. Two interviewees followed the ISG interviewees in ascribing this mainly to the fact that current requirements only meet local standards. One of the interviewees explained that:

> “From my previous experience with Libyan listed companies I would say that the level of disclosure and transparency is satisfactory only to the extent that it fulfils the local criteria, which relate mainly to the disclosing of financial and non-financial information in the annual reports” (OS2).

Another interviewee argued that although current levels of disclosure meet domestic requirements, but they are not in line with as stipulated the LCGC. He attributed this to the limited financial awareness and lack of professionalism of those charged with ensuring disclosure in the financial statements, adding that: “The accounting measurement also plays a significant role in the effectiveness of disclosure and transparency in the bank” (OS3). At the macro level, one regulator pointed to the lack of an oversight body in Libya to determine exactly what should be disclosed, as well as weak public awareness and lack of interest among stakeholders. The result is that Libyan listed companies disclose what they deem appropriate to comply with the law

regarding the income statement, cash flow statement and statement of financial position, while regarding the disclosure of anything else as voluntary.

Three of the ESG interviewees were highly critical of the level of disclosure and transparency within listed companies, describing it as very low. One external auditor ascribed this to "the lack of awareness among executive directors concerning the right meaning of disclosure and transparency" (RE4). Asked whether Libyan listed companies disclose their CG practices in their annual reports, five of the ESG interviewees pointed out that under the LCGC, Libyan listed companies are in fact only required to offer a brief summary. One individual investor explained:

> "There is disclosure in the financial reports on the extent of CG practices in Libyan listed companies, especially in the companies that belong to the banking sector, because all banks already adhere to CG mechanisms according to the requirements of the Central Bank of Libya. Other Libyan listed companies do not disclose CG practices in their financial reports in detail, other than to disclose what has been applied and what has not been applied in terms of CG mechanisms" (OS2).

Given the limited nature of the LCGC's requirement, it is perhaps not surprising that three of the ESG interviewees perceived a lack of commitment to this mechanism among Libyan listed companies. One consultant observed that: "There is disclosure of CG practices in the annual report, but there is an issue with the accuracy of this disclosure" (OS1).

Against a background of general concern, five of the ESG interviewees did highlight some small steps that have been taken to develop disclosure and transparency. One regulator with the LSMA declared that: "There have been attempts to develop disclosure in Libyan listed companies," though he was quick to add that: "The higher costs associated with disclosure are the main reason for the delay in bringing it into line with international disclosure requirements" (RE1). Encouragingly, however, one academic with previous experience in the LSM revealed that:

> "I know the Libyan Association of Accountants and Auditors (LAAA) is currently seeking to develop disclosure and transparency within Libyan listed companies and unlisted companies alike, to which end it has been preparing a proposal for Libyan Accounting Standards, including standards of disclosure and transparency" (OS3).

An external auditor in the group also referred to the LSM's disclosure forms as being designed to "increase the level of disclosure and transparency for investors and other stakeholders alike" (RE3).

The other three ESG interviewees were less encouraging, arguing that there is virtually no system in place to develop disclosure and transparency, either in the Libyan environment in general or in the LSM in particular. They cited a number of reasons for this; one interviewee offered the following summary:

> "The most important is weak public awareness about what disclosure and transparency means within Libyan listed companies. Moreover, there is clear weakness in the performance of the Libyan Stock Market Authority (LSMA) in respect of its supervision of and control over Libyan listed companies and the extent of their compliance with CG mechanisms, including the disclosure and transparency mechanism" (RE4).

7.4.3 The Internal and External Audit Mechanisms

7.4.3.1 Internal Stakeholders Group (ISG)

When ISG interviewees were asked whether the duties and responsibilities of the internal audit are clearly defined within Libyan listed companies, almost all confirmed that these are set out in internal audit regulations, job descriptions and the company statute. Thus, one executive chairman explained that the internal audit's tasks include: "monitoring compliance with laws and regulations, as well as financial and administrative (comprehensive) monitoring within the company" (BD2), while another interviewee described its duties as being to provide "a quarterly report to the board of directors, assessment of internal control systems; further to this, the audit committee describes the extent of the company's compliance with the laws and rules that regulate its activities" (BD6).

However, these descriptions are fairly broad, and it is perhaps not surprising that four of the group wanted the internal audit's duties and responsibilities to be set out in more specific terms. One executive director observed that the lack of a clearly defined and directed focus can have negative consequences:

> "Although these duties and responsibilities are defined, they lack detail. Furthermore, because the scope of the internal audit is more comprehensive and also covers administrative and technical matters, it ends up ignoring the routine work" (EM4).

Others argued that even where the internal audit's duties are clearly defined, this does not guarantee that the work will be done well. One board member who was dissatisfied with the performance of his company's internal audit put this down to the inefficiency of those involved:

> "There are some shortcomings in the implementation of these duties even though they defined and written accurately. The reason for this is the weak performance of some of those in the internal audit, even though every board meeting emphasises the importance of the internal audit and its role in monitoring the performance of the bank" (BD8).

Another interviewee (an audit committee chairman) split the blame for poor performance between departmental ineptitude and the bank's internal structures:

> "In fact, there is a weakness in the performance of the internal audit department as a result of lack of experience and the lack of a clear mechanism for internal auditors to submit their report to the board of directors" (BD4).

Asked whether the internal control system in their institution is efficient, four ISG interviewees felt that it is generally effective, one declined to answer and seven were critical, claiming that the system is unsatisfactory and that neither internal nor external auditors monitor it properly. One interviewee ascribed this to lack of experience and weakness on the part of the audit committee, adding that this was the main reason the Bank Law was enacted "requiring each bank to assign the audit of its accounts annually to two different external auditors" (BD4).

Discussing how these external auditors are appointed, eleven ISG interviewees asserted that listed companies have strict selection criteria. One board chairman listed these:

> "In the bank, the external auditor is selected by the general assembly from files provided by the external auditors themselves. Two auditors are selected in accordance with technical and professional standards, such as he must be registered in both the LSM and the CBL, be completely independent, have experience in the banking field, be practically and technically proficient and have the time to complete the audit of the financial statements in the bank" (BD1).

However, one executive director was critical that here, too, personal relationships can play a part in the selection process:

> "Honestly, I can tell you that personal relationships between general assembly members and external auditors still play a major role in the selection and appointment process…. This is part of the culture of

sharing interests that was widespread under the former regime before the Libyan revolution" (EM3).

Almost all of this group saw the main duty of the external auditor as being to express an impartial opinion on the company's financial statements. They also regarded him as primarily responsible for specifying the criteria adopted in the audit process. One interviewee explained that the external auditor's responsibilities are set down in law:

> "The duties and responsibilities of the external auditor are clearly defined by law, specifically in Article No. 49 of Law No. (116/1973), which provides for the establishment of the Libyan Association of Accountants and Auditors (LAAA). One of his fundamental duties is to express an impartial opinion about the fairness of the financial statements and the extent to which they represent the financial position and operational results of the bank. The audit committee in the bank reviews the report issued by the external auditor immediately on completion, and if there is any mistake or omission, the external auditor is accountable for the shortcoming. The same Article stipulates that among the responsibilities of the external auditor is to conduct himself professionally and personally according to the principles of honour and honesty, and to implement all the tasks imposed on him by law and professional ethics and customs" (EM1).

7.4.3.2 External Stakeholders Group (ESG)

Seven ESG interviewees argued that the duties and responsibilities of the internal audit within Libyan listed companies are defined not just in their job description or the company statute but also in law – specifically, Libyan Commercial Law (LCL) No. (23/2010) and the LSM's LCGC. Despite this, interviewees in this group, like their colleagues in the ISG, complained of a lack of detail, with one academic observing that: "Although these duties and responsibilities are determined, they need to be more detailed, and the work of the internal audit should not be limited to the financial audit" (OS3).

Almost all ESG interviewees were generally satisfied with how internal auditors discharge their duties, though three identified some shortcomings. The deputy minister from the Ministry of the Economy listed some of the problems, explaining how perceived inadequacies within the internal audit function affect shareholders:

> "There are a number of reasons for this: firstly, the insufficiency of some internal auditors who are engaged in the work of internal audit at these listed companies. Secondly, in practice, internal audit

> departments are dominated and influenced by executive directors within these companies. Thirdly, as a result of the above points, general assemblies tend to ignore the internal auditor's report in their meetings, instead depending on the external auditor's report because it is independent and far from the influence of the board of directors in the company. Finally, the internal audit function is generally limited to the financial audit, despite the fact that its formal duties also include an administrative and technical audit" (RE2).

Another regulator also observed that there is a clear gap between what is required in the job description and what is done in reality by internal auditors within listed companies.

Only three ESG interviewees believed that internal control systems within Libyan listed companies are generally effective, while the remaining five regarded them as inadequate, mainly because internal and external auditors alike fail to monitor these systems with sufficient rigour. One financial consultant asserted that:

> "External auditors repeatedly note in their reports that internal control systems are weak because no one is monitoring whether the laws and regulations are being enforced. These laws and regulations would strengthen the internal control systems in Libyan listed companies if they were enforced effectively" (OS1).

Five members of the ESG echoed ISG members in asserting that listed companies follow a set of criteria when selecting external auditors. One individual investor described the criteria employed by his company:

> "The LSM states that any external auditor registered in the market and according to the conditions for registration shall have the right to review financial statements for Libyan listed companies. This mechanism was imposed by the LSM to limit the external audit function to the professionally competent, as only those competent in the field can be registered. Apart from registration with the LSM, the criteria also cover technical proficiency, experience, fees and the duration of the audit. External auditors then submit their tenders to the general assembly, which evaluates their files against these criteria" (OS2).

The other three ESG members were less confident about the integrity of the selection process, suggesting that in some cases, general assemblies deliberately disregard these criteria and allow personal interests to influence their choice. This raises real questions about the independence of the external auditor in these companies. One interviewee on the regulatory side was highly critical of this state of affairs:

> "In practice, some general assemblies within these listed companies are inefficient in themselves, which negatively affects how they select and appoint external auditors, basing the choice primarily on mutual interest. As a result, the external auditor's report does not represent the true financial position of the company" (RE2).

Almost all ESG interviewees agreed with the ISG that the external auditor's main duty is to express an impartial opinion on the accuracy of the financial statement as a reflection of the company's financial position and results. However, some felt that this duty is at times compromised by a lack of awareness and understanding on the part of some external auditors.

A regulatory member at the LSMA described one example of an external auditor apparently not understanding the true nature of his responsibility:

> "Yesterday, I was in a board meeting at one of the listed companies. The external auditor had been summoned to clarify some vague issues and was speaking with great pleasure when he said he was working closely with the bank and there was a lot of confidence between them. The executive director in this company then stated that the external auditor had offered them consultancy services. I made a note of this and later on I asked him to turn this 'consultancy' into advice; I had to make it clear it is the responsibility of the external auditor to preserve his independence" (RE1).

According to one academic with previous experience in the LSM, although the duties and responsibilities of the external auditor have been identified in law (116/1973), shortcomings within the legislation mean that the clarification of these responsibilities and the development of the external audit function have largely been matters of professional regulation. However, external auditors' lack of accountability to the LAAA has limited the impact of such professional regulation and frustrated attempts to raise standards within the profession.

7.4.4 Shareholders' Rights Mechanism

7.4.4.1 Internal Stakeholders Group (ISG)

When ISG interviewees were asked to say to what extent they thought the rights of shareholders are protected in Libyan listed companies, seven interviewees asserted that these rights are guaranteed under the law and in practice. One executive board member declared that:

> "The LCGC issued by the LSM refers clearly to shareholders' rights. Further to this, the Libyan Commercial Law No. (23/2010) stipulates that shareholders have the right to review the minutes of meetings of the general assembly, and that they must receive their invitation to attend the general assembly meeting no less than fifteen days beforehand so they can study the items on the agenda. This law states that shareholders have the right to receive the annualised dividend according to a specific policy. Shareholders have the right to vote on appointments to the board of directors and on any decisions in which they have an interest, and to cumulative voting according to their share of the capital. In practice, all the aforementioned shareholders' rights are guaranteed and protected by Libyan listed companies" (BD8).

Five interviewees felt that although shareholders may have rights under the law, these are not always protected in practice. One of interviewees cited problems with dividend distribution in particular, explaining that some Libyan listed companies in the public sector "do not care about setting clear policy regarding the distribution of dividends" (BD5).

7.4.4.2 External Stakeholders Group (ESG)

Two ESG interviewees asserted that shareholders' rights are protected and respected, both legally and in practice. One interviewee from the regulatory side explained that:

> "For example, shareholders in Libyan listed companies have the right to ask for any information, as long as this does not breach financial regulations or damage the interests of the company. Further to this, shareholders in these listed companies are entitled to attend the general assembly's meetings, participate in its deliberations and vote on its decisions. Also, general assembly meeting agendas must take into consideration the issues that shareholders want to discuss. GA meetings are usually held in accordance with the laws and regulations, especially since the revolution of 17 February 2011 as there have been many appeals regarding GA meetings, so companies are careful to announce the date of the GA meeting in order to avoid any possible appeals or failure to obtain the required quorum" (RE1).

This time, however, six interviewees argued that while all shareholder rights are absolutely protected in terms of company law and regulation, some listed companies fail to respect these rights in practice. One regulator claimed that:

> "In fact, some boards in Libyan listed companies have a hold over the general assembly. Consequently, their decisions are biased and not impartial, which leads to the erosion of minority shareholders' rights. For example, dividends are withheld for the purposes of investment

> without compelling reason or explanation of where specifically this investment is going. Furthermore, the unreliability of the media in the Libyan environment in general and within Libyan listed companies in particular means that there are often delays in informing the members of the general assembly (specially the minority shareholders) about the date of general assembly meetings" (RE2).

7.5 The Legal and Regulatory Framework of CG and Accountability

The legal and regulatory framework organises the work of companies and gives them their powers, duties and responsibilities. The OEDC Principles (2004) stress the importance of the legal and regulatory framework when they state: "The framework of CG relies primarily on the legal and regulatory environment". This section examines the interviewees' views regarding the adequacy and effectiveness of the legal/regulatory framework currently governing CG and accountability in Libya's listed companies.

7.5.1 Internal Stakeholders Group (ISG)

When asked whether Libyan laws and regulations create an environment that encourages the implementation of CG and accountability in listed companies, virtually all ISG interviewees appeared dissatisfied with the current framework. They felt that Libyan laws and regulations provide a weak environment that does little to encourage the implementation of CG and accountability. One board member argued that:

> "There is no doubt that the laws and regulations should be the backbone of every system as well as playing a fundamental role in supporting CG and accountability practices. However, in the economic system (free economic system) recently adopted by the Libyan state, the existing laws and regulations are fairly weak, and therefore there is an urgent need to reconsider some of these laws and regulations in terms of amendment or development to bring them into line with the requirements of CG and accountability in the Libyan environment. Weak enforcement laws and poor follow-up by monitoring and supervisory bodies have also negatively influenced CG and accountability practices in Libya" (BD7).

Another interviewee also cited inconsistent enforcement by the relevant authorities as leading to a lack of accountability. This interviewee went so far as to suggest that things have changed little since pre-revolutionary times, when even those who contributed dramatically to a company's bankruptcy or who were involved in fraud

could be rewarded with “a high position or appointment to a large institution” (EM2). Others stressed that there is an urgent need for well-qualified experts, especially in commercial law and with knowledge, awareness and experience of the Libyan business environment, to update the legal and regulatory system and bring it into line with CG requirements.

When asked about the role of existing Libyan legislative bodies such as the LSMA, all ISG interviewees said that one of the core functions of these bodies is to monitor the compliance of Libyan listed companies with the principles of CG. However, ten of the group pointed out that the LSMA has not yet been able to carry out this role because it is still awaiting ratification of its authority by the parliament. Furthermore, despite being entrusted with the vital tasks of monitoring Libyan listed companies, developing CG standards and endorsing external auditors in the LSM, it still lacks any meaningful monitoring or enforcement mechanisms. One executive director expressed his frustration thus:

> “The best way to express it is that the LSMA was stillborn; it has not yet started its tasks, nor has its authority been ratified, despite the fact that it has been established since 2014 and it has a board of directors” (EM2).

As far as other regulatory bodies are concerned, five ISG interviewees saw the CBL, the Audit Bureau and bodies within the insurance and banking sectors as playing a monitoring/supervisory role, although they were generally unimpressed with the performance of these bodies, “especially concerning the monitoring of compliance with laws and regulations” (BD2). Seven ISG interviewees listed possible reasons for this lacklustre performance, including one board chairman who explained:

> “Although the legislative bodies in the Libyan environment have qualified staff, what is lacking is enforcement and continuous supervision of institutions. Another main reason for their weak performance is that government entities are intervening at the heart of their work, which negatively affects the performance of these authorities” (BD6).

Ten of the twelve ISG interviewees felt that the LCGC should be compulsory rather than voluntary, at least until public awareness of the concept and importance of CG and its role in raising performance has grown. One audit committee chairman was confident that this idea is universally supported by stakeholders:

> "There is no doubt that if you ask any stakeholder in this market about this idea then most certainly, he would support the LCGC being made mandatory for all Libyan listed companies – to promote transparency, protect the rights of shareholders and stakeholders alike and reduce the financial and administrative corruption currently afflicting most companies in the Libyan environment. To do this requires the effective implementation of CG to achieve true accountability. Finally, I would also like to point out here that I would prefer to see one of the legislative authorities issue a law specifically relating to CG rather than the LCGC already issued by the market itself" (BD4).

However, the other two ISG interviewees cautioned that any such change would be very difficult in Libya's current political and economic circumstances, arguing that it should be left to the LSMA to make the code mandatory when its authority is finally ratified. In contrast to his colleagues, one executive director argued that rather than making the LCGC mandatory first, this should come after public awareness has been raised and the environment changed:

> "The LCGC at present should be voluntary for Libyan listed companies until a governance environment has been created which encourages CG practices, for example by increasing awareness of the concept of CG and amending laws and regulations that are not in line with the requirements of the CG system" (EM2).

Just one interviewee, an executive chairman, argued that the Libyan Commercial Law (LCL) No. (23/2010) is already sufficient to support the implementation of CG within Libyan listed companies, and that the legislators' main task should be to assemble the provisions currently scattered across Libyan law into one piece of legislation. He argued that:

> "Libyan Commercial Law (LCL) No. (23/2010) contains the rules of CG scattered throughout its articles. If the Libyan supervisory and regulatory authorities can force Libyan listed companies to comply with what is in LCL No. (23/2010), this is enough to apply the rules of CG" (BD7).

7.5.2 External Stakeholders Group (ESG)

When the ESG interviewees were asked whether Libyan laws and regulations create an environment that encourages CG and accountability practices in listed companies, almost all expressed dissatisfaction with the current legislative framework. Several spoke of an urgent need to modify and develop laws and regulations to respond to

both the Libyan economic system and CG requirements. One interviewee from the regulatory side explained that:

> "Laws issued by the Libyan legislature have many articles which reflect the principles and rules of CG, but there are also articles that impede CG practices in the Libyan environment. There are ambiguities because these laws were issued in an earlier era under the socialist system of the time…. under Libya's new, free economic system, there is an urgent need to amend some of these laws in line with the requirements of CG" (RE2).

Almost all ESG interviewees agreed that the main tasks of the relevant legislative bodies are to monitor and enforce the compliance of Libyan listed companies with CG practices and to provide recommendations for the development of legislation. However, when asked about the efficiency of the LSMA in this regard, seven of this group noted that it is unable to perform the first of these tasks because it lacks the power to force Libyan listed companies to improve their CG and accountability practices. As far as the other bodies are concerned, three interviewees felt that the supervisory bodies within the bank and insurance sectors are generally satisfactory, while one interviewee declined to answer this question. However, four interviewees were dissatisfied with the performance of these authorities, arguing that they are too dependent on the laws and regulations of neighbouring countries and insufficiently concerned with fashioning regulation to fit the Libyan culture and economy. This led one of the interviewees to conclude that these authorities themselves need to be reviewed "in terms of either the persons in charge or their regulation mechanisms" (OS4). An external auditor, meanwhile, criticised their "timidity":

> "Let me say that theoretically, the legislative bodies are the only means to ensure the implementation of CG principles. It should also be noted that the importance of these bodies is not only in the enactment of laws and legislation, but in the enforcement and following up of these laws effectively. However, in practice, they are timid, and although Libya has plenty of legal expertise available, this is not being deployed as it should be" (RE4).

On the question of whether the LCGC should be made compulsory, the ESG interviewees were unanimous that the code should be mandatory and monitored by a specific authority, such as the LSMA, which should have the right to impose penalties on listed companies failing to comply. The general feeling was that the code should be imposed through legislation rather than regulation to maximise the chances of it

being implemented effectively within listed companies. One member of the LSMA cited Sweden as an example of a country that has gone down the legislative route:

> "The legal system will play a fundamental role in the improvement and development of CG and accountability practices if the LCGC becomes a specific law obliging Libyan listed companies to implement CG. CSR reports are currently not required in many countries of the world, but Sweden has enacted legislation requiring mention of CSR in annual financial reports. Let me tell you in brief, if it is not imposed by law or legislation, then it will not be done efficiently or effectively in the Libyan environment" (RE1).

One interviewee (OS1) underlined the importance of making the LGCG compulsory, arguing that it is a good way to help companies become more successful. He suggested that any companies wanting to be listed in the LSM should be compelled to implement the principles of CG. The general feeling was that if CG is not imposed by law, it will not be practised efficiently in the Libyan environment generally and in Libyan listed companies in particular.

7.6 Factors Influencing the Practices of CG and Accountability

This part of the interview sought to investigate which factors the interviewees perceived as having the most influence on the practice of CG and accountability in Libyan listed companies.

7.6.1 Internal Stakeholders Group (ISG)

Eleven ISG interviewees generally agreed that a lack of knowledge and awareness about the concept and importance of CG at all company levels is the most significant factor. One board chairman (BD1) suggested that this may be because the CG culture has yet to become established in most Libyan institutions, either at the top or bottom of the hierarchy. He also pointed to a lack of training programmes for members of the general assembly, boards of directors and executive directors (even when they are directly concerned with CG practice), explaining that GA members and board members rarely participate in conferences, seminars or workshops on CG.

Eight ISG interviewees highlighted the weakness of the legislative environment as the second most influential factor on the grounds that this underlies the generally poor performance of Libya's supervisory and regulatory bodies. One interviewee argued that:

> "There are many causes, including the failure to develop laws and legislation suited to the principles of CG, although they are in line with the socialist system which was previously adopted by the Libyan state. Also, the weak performance of the regulatory and monitoring bodies in the Libyan environment and the LSMA in particular" (BD8).

One board member (BD5) cited both weak, outdated laws and regulations that have not been updated in line with the requirements of CG and accountability, and poor monitoring and enforcement by the relevant authorities. He accused the government of deliberately failing to support supervisory bodies, even though they are expected to monitor state institutions and bring about improvements in CG and accountability practices in the LSM.

Another factor, cited by seven ISG interviewees, was that companies are currently not accountable for their failure to implement CG. One audit committee chairman (BD4) explained that this lack of accountability is partly legal in origin (existing legislation is incompatible in some respects with the requirements of CG, and there are no laws to enforce compliance), but that social factors also play a part (see 7.7.1 and 7.7.2).

7.6.2 External Stakeholders Group (ESG)

All eight ESG interviewees perceived the lack of awareness of the concept of CG in Libyan listed companies as the most significant factor, although one interviewee from the regulatory side (RE1) qualified this by saying that many senior executives are aware of the concept but fail to communicate its importance to general assemblies and boards of directors. Like the ISG, interviewees in this group also cited lack of participation in CG-related conferences, seminars and workshops by GA members and boards.

Six ESG interviewees identified the weakness of the legislative environment as the second most significant factor affecting CG and accountability practices. One regulator argued that:

> "Confusion accompanied the determination of our economic identity under the former regime, and this led to the creation of a culture in which laws and regulations were not seen as fixed. This has made it more difficult to enforce the laws and regulations that support CG practices and accountability in the Libyan environment" (RE2).

Another four ESG interviewees observed that Libyan listed companies are not currently accountable for any shortcomings in their implementation of CG. One

external auditor (RE3) attributed this to the poor performance of the monitoring and regulatory bodies, who fail to punish companies violating the regulations and abuse the powers conferred upon them.

In summary, there was a consensus across both groups regarding the factors having the greatest impact on CG and accountability practice in Libyan listed companies. A lack of knowledge and awareness about the concept and importance of CG at all company levels was seen as the most significant factor, followed by the weakness of the legislative environment and the lack of accountability.

7.7 The Concept and Current State of Accountability

The aim in this part of the interview was to investigate the interviewees' views on the concept of accountability and the extent to which they thought accountability is currently being practised in Libyan listed companies.

7.7.1 Internal Stakeholders Group (ISG)

Almost all the ISG interviewees agreed that those who are in a position of authority and who are entrusted with powers and responsibilities must be able to explain and justify the actions they take on behalf of stakeholders. An executive director from a listed company explained that:

> "There is no particular definition of the term accountability, but in general, it can be defined as holding those at the higher levels and decision makers responsible for the results of their actions, within the limits of their responsibilities" (EM2).

When asked whether the stakeholders of Libyan listed companies demand accountability from these companies, the majority of ISG interviewees stressed that in practice, such demands tend only to be made by major shareholders, who are able to have some measure of accountability through general assembly meetings. Other stakeholders tend to know too little about companies' performance and activities to even start demanding accountability. The executive chairman of one listed company explained that the CBL plays a key role in ensuring accountability to shareholders:

> "From my experience of attending general assembly meetings I have noticed that shareholders are now concentrating on the powers granted to executives and holding them accountable. For example, in the banking sector, the major shareholder is the CBL, which is specifically requesting accountability from all banks. The CBL has established an entity within each bank called the compliance management team,

> whose task is to monitor the extent to which the bank complies with the principles of CG and to hold it accountable for any shortcomings in this regard" (BD7).

When asked whether Libyan listed companies and their boards are accountable for the consequences of their actions, virtually all ISG interviewees emphasised that this accountability is enshrined in Libyan Commercial Law No. (23/2010), which holds boards of directors responsible for any breach of the duties set out in the law. Five ISG interviewees stressed that the BOD is accountable first and foremost to the general assembly for any negligence or omission in its performance, and for committing any unlawful actions or actions that do not serve the interests of the bank. An executive chairman of a listed company explained that the GA has more than one mechanism at its disposal for ensuring this accountability:

> "In reality, accountability can be discharged during the general assembly meetings, especially if the external auditor offers substantial remarks in the annual audit report which need convincing justifications. Another example, the monitoring committee in the company – that has been established by the GA – among its main tasks is to monitor the performance of the board of directors. It prepares a report for the GA, which holds the board of directors accountable for any shortcomings mentioned in this report" (BD2).

On the other hand, seven ISG interviewees argued that accountability is almost non-existent in the Libyan business environment, with listed companies and their directors not being held accountable for their actions and decisions because of the prevailing "culture of courtesy". These interviewees argued that the importance placed on social relationships, in Libyan society in general and in business transactions in particular, is a key barrier to the implementation of accountability in Libyan listed companies.

All the ISG interviewees understood the close link between CG and accountability; accountability cannot be implemented effectively unless there is an integrated CG system that determines the duties and responsibilities of those involved, and this system will not work unless the principle of accountability is strictly upheld. As one executive director observed, accountability is one of the fundamental pillars of CG (EM4). Where accountability is lacking, CG performance will not only be weak, it will be very difficult to improve it. The two concepts are thus two sides of the same coin.

7.7.2 External Stakeholders Group (ESG)

Virtually all of the ESG interviewees shared the same view regarding the concept of accountability. One (RE2) defined it as each individual being responsible for his actions and for explaining and justifying the actions and decisions taken under his authority. He saw this accountability as extending to members of the general assembly, the BOD, executive directors and other stakeholders.

As in the previous group, almost all ESG interviewees suggested that only major shareholders demand any kind of accountability for failure or negligence on the part of the board or executive directors, as other stakeholders generally lack understanding of the concept of performance assessment and the real meaning of accountability. The exception was one external auditor, who expressed frustration that general assemblies often choose to ignore evidence of incompetence or even wrongdoing:

> "From the reality of my job as an external auditor at the LSM, in practice, even when my reports mention illegal acts taking place, there is often no response or expectation of accountability, as general assemblies do not care about holding negligent officials accountable, even when the external auditor makes the same observations every year" (RE2).

Almost all ESG interviewees confirmed that boards are accountable for their actions under the law, but six of the eight were critical of current levels of accountability. They cited several reasons for this, including outdated legislation, the LSMA's inability to enforce accountability within the LSM because of its unratified status, and the clear influence of social factors. A financial consultant in this group echoed others in the ISG by highlighting the impact of social ties in undermining attempts to enforce accountability in listed companies:

> "In practice, the implementation of accountability mechanisms is still weak due to legal and social factors. Let me describe the reality of accountability in the Libyan environment and how it relates to the social aspect. When an official makes a mistake, he is considered accountable under the law, but the legal environment is so weak and social factors are so important, they overturn this accountability" (OS1).

Almost all ESG interviewees agreed that accountability requires a good CG system. One interviewee (RE1) described the CG system and accountability as complementary. The CG system aims to achieve accountability as this is a step towards realising the objective of the company – to protect the rights and interests of

all relevant stakeholders. Accountability is more easily achieved when responsibilities and terms of reference are clearly identified; where these are ill-defined, it may be difficult to determine who should be held responsible for performance.

7.8 Summary

This chapter reported the findings obtained from the second data collection instrument – the semi-structured interviews. Twenty interviews were conducted with a range of stakeholders (twelve internal and eight external) to elicit their views regarding current CG and accountability practices within Libyan listed companies. The interviews were conducted in Tripoli (at the Libyan Stock Market) and Misurata.

Most of the interviewees agreed on *Hawkamat Alsharekat* as the most appropriate Arabic translation of CG, reflecting the fact that this term has become widely used in the banking sector. Nor is it surprising that a high percentage (80%) of interviewees defined CG from a broad stakeholder perspective, given that Libya is an Islamic state whose constitution, laws and regulatory framework all encourage its citizens to see themselves as accountable to society at large. Consistent with this broad definition was the view expressed by 75% of the ISG and 88% of the ESG that the most important reason for adopting a good CG system is the protection of stakeholders' rights.

Asked about the mechanics of compliance, the interviewees unanimously confirmed that boards in Libyan listed companies have between three and eleven members, the majority of whom are non-executive, as stipulated by the LCGC. The majority of both groups asserted that the general assembly is responsible for selecting and appointing board members according to pre-set technical and professional criteria (geographic factors may also be taken into account), though two ISG interviewees and three ESG interviewees countered this by arguing that some board members within listed companies are only appointed because they have personal or tribal connections with members of the general assembly.

Virtually all the interviewees asserted that the duties and responsibilities of the board are clearly set out in almost all Libyan listed companies, and only three interviewees (two in the ISG and one in the ESG) suggested that some board members do not devote sufficient time and effort to discharging these duties and responsibilities properly. This may be due to a lack of knowledge and experience.

Most of the interviewees said that sub-committee members are selected in much the same way as board members, and that their duties and responsibilities are also clearly defined. Three-quarters regarded the audit committee as the most important of their

board’s sub-committees because it serves as the main link between the internal and external auditors. Almost all asserted that audit committees within Libyan listed companies are made up of non-executive directors and have no fewer than three members.

The level of disclosure and transparency within Libyan listed companies was also described as no more than satisfactory by both ISG and ESG interviewees. They ascribed this mainly to the fact that current disclosure and transparency practices are designed to meet local – not international – requirements, but they also suggested that many executive directors have a poor understanding of the concepts of disclosure and transparency.

Just over half of both groups were critical of current internal and external audit mechanisms, claiming that internal control systems are inadequate mainly because internal and external auditors alike fail to monitor these systems with sufficient rigour. This is despite the fact that the duties and responsibilities of the internal audit are clearly defined in companies’ internal audit regulations, job descriptions and statutes (virtually all interviewees agreed), and listed companies follow a set of criteria when selecting external auditors (most agreed). Almost all ISG interviewees agreed with the ESG that the external auditor’s main duty is to express an impartial opinion on whether the financial statement accurately reflects the company’s financial position and results.

In discussions about shareholders’ rights, seven of the ISG interviewees felt that these are protected and respected, both legally and in practice; the ESG interviewees, however, felt that this is only true for major shareholders, and that minority shareholders have much less protection. Additionally, almost all expressed dissatisfaction with the current legal and regulatory framework, which they saw as too weak and as doing little to encourage the implementation of CG and accountability. They were unanimous in their dissatisfaction with the performance of Libya’s regulatory bodies in monitoring companies’ compliance with CG and accountability principles.

The two groups were strikingly similar in what they judged to be the main factors impacting CG and accountability practice in Libyan listed companies. Both groups saw a lack of understanding at all levels of the concept and importance of CG as the

prime factor, followed by the weakness of the legislative environment, and then the fact that companies are not held accountable for their CG shortcomings. This last is due partly to gaps in the legislation, and partly to the influence of the prevailing cultural norms. All the interviewees observed that the expectation of accountability is limited to major shareholders, and even these receive only a limited measure of accountability during general assembly meetings. Virtually all of the interviewees commented that accountability mechanisms are largely non-existent in Libya, even in listed companies, making it very difficult to adopt an integrated CG system within the Libyan environment.

The following discussion chapter brings together the above findings from the semi-structured interviews and those obtained from the questionnaire survey and compares them with the findings from the literature review.

CHAPTER EIGHT

COMPARISON OF QUESTIONNAIRE AND SEMI-STRUCTURED INTERVIEW RESULTS

8.1 Introduction

The current study set out to investigate CG and accountability practice in Libyan listed companies. It seeks to understand how various Libyan stakeholders perceive CG and accountability, their assessment of current CG and accountability practice in these companies and whether they think the legal and regulatory framework of CG is adequate. This chapter brings together the results from the questionnaires and semi-structured interviews and compares them with the findings from the literature review in order to answer the research questions identified in Chapter One:

- How is the concept of CG understood in the Libyan context?
- To what extent are Libyan listed companies committed to implementing CG mechanisms?
- Does Libya have an adequate legal and regulatory framework to support CG and accountability practices?
- What factors influence CG and accountability practice in Libyan listed companies?
- How is accountability understood and practised in Libyan listed companies?

8.2 Understanding of CG in the Libyan Environment

The first research question: “How is the concept of CG understood in the Libyan context?” was addressed by asking stakeholders to identify what they saw as the best Arabic interpretation of the term, to give their own definition of CG and to explain why it is important for Libyan listed companies and the Libyan environment in general.

8.2.1 Arabic Interpretation of the Term CG

The term CG has only recently appeared in the Arabic literature, and there is still much debate about how it should be translated (Falgi, 2009). The questionnaire results indicated strong agreement among all stakeholder groups that *Hawkamat Alshrekat* is the most appropriate Arabic translation of CG in the Libyan environment, and this

was broadly supported by the interview findings, with the majority of both the internal stakeholder group (ISG) and the external stakeholder group (ESG) agreeing that this is the best choice to express the English meaning of CG. The respondents thus echoed Zagoub (2016) in seeing this as the closest Arabic equivalent. In this respect, Libya echoes Saudi Arabia, where *Hawkamat Alshrekat* is also the most widely accepted translation (Alshehri, 2012). The few interviewees that disagreed preferred the term "*Aledarah Alrashedah"* as the most appropriate for both general and specialist users. The divergence of opinion about how the English term CG should be rendered in Arabic may be partly attributable to the fact that it has only recently been introduced into the Libyan environment. However, the range of Arabic translations available, each conveying a slightly different understanding of the concept, increases the risk of misconceptions or opposing interpretations of CG gaining a hold in the Libyan environment.

8.2.2 Definition of CG

The aim of this question was to investigate whether the questionnaire respondents and interviewees understood the purpose of CG as being to protect the interests of shareholders only or all relevant stakeholders. A number of definitions were provided in the questionnaire survey; narrow (agency-oriented) perspectives tended to concentrate on internal corporate considerations, regulatory considerations and the interests of shareholders, while broader (stakeholder-oriented) perspectives took into account the interests of other stakeholders and ethical considerations. All of the definitions offered in the questionnaire were accepted by the stakeholder groups, suggesting a good level of understanding of the CG concept across the sample as a whole. Most highly favoured by both internal and external stakeholders was Keasey & Wright's (1993) broad definition of CG as the regulations, rules, procedures and cultures that enable a company to perform successfully. Other, more agency-oriented, definitions such as those offered by Parkinson (1994) and Cadbury (1992) were less popular with both internal and external stakeholders.

The division of opinion emerged more clearly in the interviews, with 80% of interviewees defining CG in broad terms. For example, one of these interviewees defined the purpose of CG as being to prevent financial or administrative corruption, to ensure the achievement of company objectives and to protect the interests and rights of shareholders and stakeholders. Only 20% of interviewees defined CG as

primarily a system for governing relations between the general assembly, board and executive management.

The general view among interviewees and questionnaire respondents – that the most important function of CG is the protection of stakeholders' rights – is consistent with what Allen (2005) found in his investigation of CG practice in emerging markets. Allen concluded that where the market is undeveloped, resources are more likely to be fairly allocated if firms consider the interests of all stakeholders, not just shareholders. The finding also supports Iqbal & Mirakhor's (2004) argument that governance in Islamic economies tends to be stakeholder-oriented, with structures and processes being designed to protect the rights of all those who are exposed to risk as a consequence of the company's activities.

8.2.3 Importance and Awareness of CG

There was general consistency in the results obtained from the questionnaire survey and semi-structured interviews, with both internal and external stakeholder groups seeing CG as extremely important for listed companies and their shareholders. Interviewees from both internal and external stakeholder groups asserted that the main reason for adopting a CG system is to protect stakeholders' rights. Calder (2008) argues that this guarantee of legal protection means that companies with good CG enjoy greater investor confidence. This leads on to the second reason highlighted by interviewees: adopting a good CG system raises confidence among all relevant parties and boosts companies' success. The result is consistent with Abor & Adjasi's (2007) conclusion that developing states are increasingly adopting CG because of its ability to generate investor confidence. The corollary of this – that perceived CG failings might lead to a loss of confidence – was also noted by one interviewee, who feared that this could lead to the withdrawal of major investors from the market. Such a loss of confidence would be especially damaging in an emerging market like Libya. The present results seem to be in line with those of previous studies (e.g. La Porta et al., 2000; Al-Matari et al., 2012; Mallin, 2013; Solomon, 2013; Al-Malkawi et al., 2014; Mjahid et al., 2014).

Despite the universal acknowledgement of its importance, however, all stakeholder groups felt that awareness of CG issues within the Libyan environment is inadequate, even among those most closely involved with listed companies such as board

members, executive directors and investors. This lack of awareness means that there is little demand from society for CG practice to improve. It was also observable during the fieldwork for this study, with many of those who were approached to participate declining on the grounds that they felt they knew too little about CG issues. It has been suggested that the LSM and other regulatory and supervisory authorities should make more effort to spread the culture of CG among all stakeholders. This could be achieved by training employees at all functional levels (including executive managers), along with general assemblies and BODs, through workshops, training courses, conferences and seminars focusing on CG issues. The aim should be to raise public awareness of the concept and importance of CG in Libyan listed companies.

To summarise, there was broad agreement among the internal and external stakeholder groups that "*Hawkamat Alshrekat"* is the most appropriate Arabic translation for the term CG. Most understood the concept in broad terms and saw its most important function as being to protect the interests of all relevant stakeholders. There was general understanding of its high importance for firms and shareholders but concern that awareness of CG issues is currently inadequate among Libyan listed companies.

8.3 Compliance with CG Mechanisms in Libyan Listed Companies

The second research question: "To what extent are Libyan listed companies committed to implementing CG mechanisms?" was addressed by investigating stakeholders' views on the current level of commitment being shown to the BOD mechanism, disclosure and transparency, internal and external auditing and shareholder rights within Libyan listed companies.

8.3.1 The Board of Directors Mechanism

The Cadbury Report (1992) pays particular attention to the BOD as it considers this one of the most important mechanisms for achieving CG best practice. A number of themes were discussed, including the board's composition, duties, responsibilities and sub-committees.

8.3.1.1 Composition of the Board of Directors

According to the LCGC (2007), boards in Libyan listed companies should have between three and eleven members, the majority of whom should be non-executives and at least two or one-third of whom (whichever is greater) should be independent. Both the questionnaire and the interview outcomes confirmed that Libyan listed companies generally comply with this stipulation, though ISG and ESG interviewees explained that board size varies from company to company, depending on the type and volume of activity.

From the point of view of CG, this adherence to the board size requirement is encouraging. Nam & Lum's (2005) finding that the most efficient board size for CG purposes is fewer than twelve members seems to support the LCGC's eleven-member maximum, though the findings of other authors suggest that boards at the top end of this scale may be more effective in their oversight role than their smaller counterparts (Al-Mosharrafa, 2015). Boards with ten or eleven members are more likely to encompass a wider range of skills, allowing them to make better decisions and monitor CEO performance more closely (Rechner & Dalton, 1991; Al-Matari et al., 2012; Al-Janadi et al., 2013). Albu & Girbina (2015) argue that large boards are generally better able to monitor the actions of senior managers and that their CG practices are likely to be more advanced. This is partly because these boards are more likely to be made up of a mix of executive and non-executive directors, which strengthens their ability to monitor and influence these managers (Kula, 2005; Lee, 2008; Al-Sahafi et al., 2015; Al-Faryan, 2017).The value of NEDs is acknowledged in many CG codes in the requirement that boards should have at least as many NEDs as executive directors (Muravyev et al., 2014). It is also echoed by numerous researchers, including Yoo & Reed (2015), who argue that having a large percentage of NEDs on the board ensures that shareholders' interests and rights are protected, and Volonté (2015), who claims that NEDs are better able to offer this protection than executive directors. Both Lemonakis et al., (2018) and Garefalakis et al., (2017) conclude that NEDs can help boards be more independent, efficient and effective.

Both the questionnaire responses and the interview outcomes indicated that general assemblies in Libyan listed companies are practically committed to the LCGC's requirements that they – as the shareholders' representatives – should be solely responsible for appointing board members, and that these appointments should be for

no longer than three years. Interviewees from both internal and external stakeholder groups asserted that board members are selected according to pre-set criteria for technical and practical efficiency, specialist knowledge and experience, as set down in the code. Practice, at least in theory, thus appears to be consistent with the principle that board efficiency is best protected by appointing the right balance of executives and NEDs, and of practically experienced and suitably qualified directors (Fratini & Tettamanzi, 2015). The finding also appears consistent with Mallin's (2007) observation that the criteria for selecting and appointing board members are typically stipulated in national CG codes and regulations. The most talented and qualified people are more likely to be recruited if there are mechanisms in place to ensure that the right candidates are appointed. However, evidence also emerged that these criteria are sometimes abandoned in favour of personal relationships, with candidates being appointed because they have personal or tribal connections with members of the general assembly.

8.3.1.2 Duties and Responsibilities of the Board of Directors

The questionnaire respondents as a whole strongly agreed that all the duties listed in Table 6.7 are undertaken by the boards of Libyan listed companies. These duties include endorsing the strategic direction and main objectives of the company and supervising their implementation; setting up and supervising systems of internal control; setting out specific and clear policies, standards and procedures for board membership; setting out clear written policies to protect the rights and interests of stakeholders; and setting up policies and procedures to ensure that the company's rules and regulations, as well as its commitment to disclose essential information to shareholders, creditors and other stakeholders, are respected.

They also strongly agreed that boards in Libyan listed companies are responsible for monitoring the operations of the company's management in general and executives in particular; for carrying out their duties seriously and attentively; and for ensuring that their decisions are based on adequate information from executives (see Table 6.9). They saw boards as responsible for determining what authority is to be delegated to executive managers and for how long, and for setting out executive decision-making procedures. Finally, they agreed that boards must take the interests of stakeholders into account when making strategic decisions.

The interview results supported the questionnaire findings, with both ESG and ISG interviewees declaring that the board's duties and responsibilities are clearly set out in almost all Libyan listed companies. One interviewee listed these duties and responsibilities as being: to set goals and strategic plans for the company, to develop and supervise internal control systems, to set up written policies to define the relationships between the company and stakeholders, and to determine the powers of the executive management and supervise its performance. Just two interviewees felt that board members need more detailed job descriptions; one argued that this is necessary to avoid "conflicts of competencies" between board members.

Like Keay & Loughrey (2015) and Bankewitz (2016), the respondents saw the BOD's mnadate as being to protect shareholders' rights and interests by monitoring the performance of and offering advice to senior management. They echoed the Cadbury Report (1992), Dahya et al., (2002), the OECD (2004), the UK Combined Code (2006), Monks & Minow (2008), the UK CG Code (2010) and Al-Matari et al., (2012) in suggesting that the main duties and responsibilities of the board are to set the direction of the company through targeted aims, policies, plans and strategies over the short and long term. The results are also in line with Mallin's (2007) argument that the primary role of the BOD is to set the company's objectives and monitor its progress towards achieving its goals, and with Clarke's (2007) finding that the board's three main roles are control, strategic and institutional.

The findings provide evidence that boards in Libyan listed companies are carrying out their duties in accordance with internal regulations and laws, as well as the stipulations of the LCGC (2007). Furthermore, the stakeholder groups were broadly satisfied that board members are devoting sufficient time and effort to discharge these duties and responsibilities properly.

8.3.1.3 Board Sub-Committees

Brown et al., (2011) note that most CG codes recommend a minimum of three sub-committees: the audit committee, the nomination committee and the remuneration committee. Others, such as a finance committee, an executive committee or a risk management committee, may be set up as required (Kaczmarek & Nyuur, 2016). The LCGC (2007) advises all Libyan listed companies to set up sub-committees, marking out the audit committee and the nomination/remuneration committee as the most

important. Risk committees, CG committees and Shariah committees are advised as needed.

Both questionnaire respondents and interviewees saw the audit committee as the most important board sub-committee. The significance of the audit committee means it features prominently in the LCGC and, since the majority of Libyan listed companies are in the banking sector and are required by the CBL to comply with the LCGC, it is not surprising that they should all have an audit committee. The importance attributed to the committee echoes the views expressed by researchers like Mallin (2010), who calls it one of the most crucial sub-committees in the BOD, and Solomon (2010, p.186), who describes it as “a cornerstone of effective corporate governance”.

Alaswad & Stanišić (2016) found that audit committees are generally required to have at least three members, two-thirds of whom should be non-executive, while Utama & Leonardo (2014) advise that they should comprise at least three INEDs, one of whom should be appointed chairman. Both the questionnaire survey respondents and the interviewees all agreed that audit committees in Libyan listed companies have at least three members and are made up of NEDs. There was also a general consensus that these committees are independent, which as numerous researchers (e.g. Abbott et al., 2000; Lin et al., 2006; Al-Matari et al., 2012) have pointed out means the companies concerned are more likely to appoint external auditors who are specialists in the field and more likely to provide better-quality financial reporting. Independent audit committees have been shown to have a positive influence on financial reporting and oversight (Persons, 2009).

Both survey respondents and interviewees explained that committee members are appointed in much the same way as board members; that is, candidates are usually put forward by the board for approval by the general assembly. Candidates are judged against specific criteria, including their knowledge of and experience in the relevant field (at least one committee member must have a financial background), their interests and their compatibility with other committee members. This seems consistent with the UK Combined Code’s (2008) stipulation that at least one INED on the committee should have “recent and relevant financial experience”, and with the recommendations of numerous researchers, including Ghafran & O’Sullivan (2017), who point out that relevant experience and knowledge are essential if committee members are to perform their monitoring function effectively, and Velte (2017), who

calls for this knowledge to be in accounting, auditing, financial reporting or internal controls. McDaniel et al., (2002) and Zhang et al., (2007) explain that expert members are better equipped than their non-expert colleagues to oversee the quality of financial reporting and improve its effectiveness, while DeZoort & Salterio (2001) observe that audit committee members with financial and auditing knowledge are better able to understand auditor judgements and to support the auditor in any conflict with management. They are also more likely to detect material misstatements. Despite this, however, a few interviewees claimed that candidates are sometimes appointed not because they have relevant expertise to offer but because they have close ties with members of the general assembly or the board.

The questionnaire respondents and interviewees all agreed that the functions and responsibilities listed in Table 6.13 are undertaken in practice by audit committees in Libyan listed companies. There was general agreement that the audit committee's main functions are to supervise the internal audit and verify its effectiveness, and to examine the company's internal control system and produce a written report giving opinions and recommendations. The respondents thus seemed to echo Bardhan et al., (2015) in seeing the audit committee as playing a vital role in monitoring internal control systems. The relationship between the audit committee and the internal audit has been emphasised by Alzebana & Sawan (2015), who highlight its importance in achieving good CG, and by Oxner & Oxner (2006), who explain that the audit committee depends on the internal audit for access to the information it needs. The committee's role in validating the efficiency of the company's internal control system has been identified by a number of authors (Abbott et al., 2004; Bardhan et al., 2014; Rich & Zhang, 2014).

There was similar consensus on the committee's other responsibilities, which were identified as: making recommendations to the BOD regarding the appointment of the external auditor and his/her fees; checking the annual financial statements before referring them to the BOD; and checking administrative and accounting policies and making recommendations to the board where necessary. These findings are also consistent with the roles and responsibilities identified by previous researchers (see Smith, 2003; Burke et al., 2008; Rezaee, 2009; Al-Matari et al., 2012; Abdulsaleh, 2014). The committee was seen as playing a central role in monitoring the financial reporting process and enhancing information flows between owners and managers

(Beasley et al., 2009; Samaha et al., 2015). This finding seems to be in line with Alrshah & Fadzil's (2013) conclusion that the audit committee is responsible for supervising the relationship between managers and the external auditor and for resolving any disputes between the two. This all helps ensure the quality of the external audit process and enhances confidence in the final report (Bédard & Compernolle, 2014).

The findings suggest that Libyan listed companies are taking heed of the Greenbury Report (1995) and the Combined Code (2008, p.9), which recommends that:

> "There should be a nomination committee, which should lead the process for board appointments and make recommendations to the board. The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board".

The nomination/remuneration committee was ranked the second most important board sub-committee by the interviewees, who echoed Mallin (2013) in arguing that this committee plays a significant role in resolving board-related issues. Strikingly, however, the questionnaire respondents perceived this as the least important sub-committee. In accordance with the LCGC's recommendation, almost all Libyan listed companies have such a committee. The majority of internal and external stakeholders in both the survey and the interviews confirmed that the members of the nomination/remuneration committee, like those of the audit committee, are nominated by the board, which also determines the functions of the committee, its period of operation and the powers granted to it.

The job of the committee is to make recommendations regarding the appointment and replacement of board members (Madhani, 2015). The respondents' view that the committee is responsible for identifying potential candidates echoes Chhaochharia & Grinstein (2007) and Minichilli et al., (2007), who describe the identification of nominees for the posts of chairman and CEO and advising on the suitability of candidates for board membership as the most important of the committee's duties. There was general agreement among questionnaire respondents and interviewees that all the duties and responsibilities listed in Table 6.14 are undertaken in practice by these committees. These include annually reviewing the skills required of board members (Kaczmarek & Nyuur (2016) argue that the committee's ultimate aim should be to boost the effectiveness of the board by ensuring that it appoints capable

and qualified directors from a diverse range of backgrounds), identifying the strengths and weaknesses of the board and taking steps to improve it in line with the company's interests. The committee is also responsible for setting clear policies for the compensation and remuneration of directors and senior executives, thereby helping avert potential conflicts of interest arising between managers and shareholders (Madhani, 2015; Kanapathippillai et al., 2016), and for reviewing the employment terms and conditions of senior managers (Kaczmarek & Nyuur, 2016).

The findings suggest that Libyan listed companies are taking heed of the Greenbury Report (1995) and the Combined Code (2008, p.9), which recommends that: "There should be a nomination committee, which should lead the process for board appointments and make recommendations to the board. The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board". The respondents' view that the committee is responsible for identifying potential candidates echoes Chhaochharia & Grinstein (2007) and Minichilli et al., (2007), who describe the identification of nominees for the posts of chairman and CEO and advising on the suitability of candidates for board membership as the most important of the committee's duties. Finally, the view that the committee should be responsible for setting remuneration policy has also been highlighted by Solomon (2013) and by Mallin (2007), who argues that this is necessary to avoid executives setting their own pay.

Unlike the nomination/remuneration committee, the questionnaire respondents and interviewees were equally supportive of both risk and Shariah committees, perhaps because these are seen as enhancing legitimacy, especially in the banking and insurance sectors. Only 42.8% of the questionnaire respondents said their company has a CG committee, even though they perceived this as the second most important board sub-committee. There was less support among the interviewees, none of whom said their company has a CG committee. This may be due to the lack of awareness of both the nature and essential role of this committee.

8.3.2 Disclosure and Transparency Mechanism

Adequate disclosure is necessary to reduce the information asymmetry that results from managers being far more knowledgeable about a company's activities and situation than other relevant stakeholders (Mallin, 2013). However, the findings

suggest that at present, stakeholders in Libyan listed companies are generally unconcerned about this information asymmetry.

The questionnaire respondents considered current disclosure levels to be sufficient within Libyan listed companies. They were satisfied that annual reports generally include the results of the annual audit assessing the efficiency and effectiveness of internal control procedures, information about board meetings, financial and non-financial information and details of what has and what has not been applied in respect of CG rules. It is notable that the EM group were the most supportive of current performance, though this may be because this group is the main author of this disclosure. The fact that these disclosure topics comply with the recommendations of the LCGC (2007) supports Cheung et al.,'s (2010) argument that companies tend to structure their disclosure around the requirements of the relevant regulatory authorities and corporate legislation. On the other hand, the questionnaire respondents gave no firm evidence that companies disclose information about their policies and programmes concerning the local community and the environment, or about the personal interests and transactions of directors. They were also neutral on the question of whether Libyan listed companies use their websites to promote disclosure and transparency and to provide information for investors and others. In other words, there was no evidence that listed companies in Libya deploy voluntary disclosure as a way of reassuring or enlisting the support of influential stakeholders, as posited by Tauringana & Chithambo (2015) and Liao et al., (2015).

The findings from the interviews offered more detailed insights, confirming that the level of disclosure and transparency in Libyan listed companies is barely satisfactory for a range of reasons, most of which originate in a general lack of interest in disclosure among stakeholders. The interviewees argued that disclosure requirements in Libya lag behind those even of other emerging markets, with the result that listed companies concentrate their disclosure on basic information such as the income statement and statement of financial position. Thirteen interviewees (a mixture of internal and external stakeholders) argued that this is because current disclosure and transparency practices are designed only to meet local – not international – requirements. Blame was placed on the inertia of the LAAA, which could play a much greater role in lobbying for disclosure and transparency requirements to be strengthened, but the interviewees also criticised the weakness of Libya's regulatory

and oversight bodies in general for failing to determine exactly what should be disclosed. A few attributed the poor disclosure levels to the lack of accountability mechanisms in the Libyan environment, citing the lack of Libyan Accounting Standards and the non-adoption of international standards. These interviewees followed Black et al., (2008) in seeing a link between the low levels of financial disclosure and the absence of international accounting standards.

There was more parity between the interview results and the questionnaire outcomes on the question of whether Libyan listed companies disclose their CG practices in their annual reports. Following the majority of questionnaire respondents, twelve (out of twenty) interviewees from the internal and external stakeholder groups pointed out that under the LCGC, Libyan listed companies are in fact only required to offer a brief summary of which CG principles have been implemented and which have not, and the reasons why not. Melis et al., (2015) and Ntim & Soobaroyen (2013) argue that most companies disclose information about their CG practices in order to enhance their reputation and thus their legitimacy. Interpreted from the perspective of legitimacy theory, the empirical finding in this study suggests that listed companies are at present mainly motivated to offer CG disclosure because they wish to be seen as complying with the LCGC.

8.3.3 The Internal and External Audit Mechanisms

The questionnaire respondents and interviewees both saw it as the board's job to determine the objectives, functions and terms of reference of the internal audit, and the internal auditor's job to provide a quarterly report to the BOD and the audit committee describing the extent of the company's legal and regulatory compliance. This suggests that, like Al-Matari et al., (2014) and Al-Matarneh (2011), they saw (at least in principle) the internal audit as an important pillar within the company's CG structure and that they recognised that both the BOD and the audit committee must undertake control tasks to ensure the credibility of the financial reporting process. It also seems to support Hutchinson & Zain's (2009) conclusion that the internal audit is the main mechanism strengthening the company's board and supporting the audit committee. Internal audit reports are an important channel of communication between internal auditors, the board and the audit committee and are thus an important contributor to successful management (Ljubisavljević & Jovanović, 2011) and key to strengthening CG practices.

However, the questionnaire respondents were ambivalent on the question of whether internal control systems in Libyan listed companies are actually effective. Even more troubling, more than half of the interviewees were openly critical of these systems, arguing that they are inefficient because internal and external auditors alike fail to monitor them with sufficient rigour. This seems inconsistent with Eighme & Cashell's (2002) claim that the internal audit plays a significant role in enhancing the efficiency of the company's internal control system, and with the Cadbury Report's (1992) view of the internal audit mechanism as an effective tool for monitoring controls and measures within a company. The RE group's criticism of the efficiency of internal control systems within Libyan listed companies is particularly telling, given that this group represents the external auditors and regulators who are best placed to determine whether these internal control systems are effective. Where there was criticism of the performance of individual internal audit departments, this was attributed to a lack of experience on the part of some internal auditors or to executive directors exerting too much influence. There were also complaints that the internal audit function is generally limited to the financial audit, despite the fact that its formal duties also include an administrative and technical audit.

The respondents generally shared stakeholder theory's view that the external audit function is a key control mechanism whose job it is to help reduce information asymmetry between shareholders, investors and managers by enhancing the integrity and truthfulness of the company's financial statements (Beasley et al., 2009). The general consensus among questionnaire respondents and interviewees was that listed companies appoint LSM-registered external auditors to review their financial statements, indicating confidence in the integrity of the selection process. It was repeatedly emphasised that listed companies follow a set of criteria when selecting external auditors. These criteria were imposed by the LSM to ensure that only the technically proficient and experienced can be appointed, but they are also an assurance of the auditor's independence. This emphasis on independence was confirmed by the questionnaire respondents when they expressed disagreement with the suggestion that Libyan external auditors lack full independence, and support for the view that auditors should provide no consultancy or administrative services for companies they are auditing. The result suggests that the questionnaire respondents

shared Alrshah et al.,'s (2016) view that external auditors who provide such services risk undermining their independence by becoming too close to management.

The link between independence and proficiency is made explicit in the OECD's (2004) recommendation that the auditor should be "independent, competent and qualified". The Cadbury Report (1992) asserts that the external audit is the cornerstone of a company's CG because it offers an objective consideration of the manner in which the financial statements are prepared and presented to users; the respondents in this study echoed the Cadbury Report in seeing the main task of the external auditor as being to report on whether these financial statements reflect a true and fair view. This requires both professional competence and impartiality (Mansouri et al., 2009). Notably, the RE group was the most inclined to regard registration with the LSM as proof that an external auditor possesses both of these qualities.

On the whole, however, the questionnaire respondents and interviewees were critical of the role currently being played by the internal and external audit and were unconvinced of the effectiveness of internal control systems in Libyan listed companies. Virtually everyone agreed that the duties and responsibilities of the internal audit are clearly defined (in companies' internal audit regulations, job descriptions and statutes), and most agreed that listed companies appoint external auditors according to a set of criteria that should guarantee their professional competence and independence. Despite this, however, the general view was that neither internal nor external auditors do enough to ensure that internal control systems are functioning effectively. The evidence suggests that although listed companies in Libya have taken a number of practical steps to comply with the LCGC's requirements regarding the internal and external audit mechanisms, their commitment does not yet extend as far as consistent monitoring and enforcement.

8.3.4 Shareholder Rights Mechanism

The importance of protecting shareholder rights is highlighted in many CG codes and principles, including those issued by the OECD (2004) (Shanikat & Abbadi, 2011). In the present study, the questionnaire respondents agreed that all the shareholder rights listed in Table 6.21 are protected and heeded by Libyan listed companies. These include the right to attend the general assembly's meetings, participate in its deliberations and vote on its decisions (including the election and de-selection of board members); the right to put items onto the GAM agenda; and the right to ask for

any information as long as this does not breach financial regulations or damage the interests of the company. All of these rights are granted equally to all shareholders, whether majority or minority, in accordance with the OECD's second principle (2004) of equal treatment for all shareholders (Mjahid et al., 2014).

According to the questionnaire respondents, shareholders also have the right to expect that companies will keep accurate records of share trading and give them regular and timely information about their activities. The importance of keeping shareholders informed is emphasised by Mallin (2010), who argues that their ability to participate in GAMs is contingent on their being properly prepared. The finding suggests that shareholders in Libyan listed companies enjoy similar rights to shareholders in other MENA countries; the UAB's (2007) survey of banking sectors in Jordan, Oman, Yemen, Qatar, the UAE and Egypt found that shareholders in four out of the six countries (the exceptions were Qatar and Yemen) had the right to participate and vote in GAMs and to access information.

The questionnaire respondents asserted that boards must have a clear policy regarding the distribution of dividends and that shareholders have the right to see this policy during the GAM. Again, this is in line with the recommendations of the OECD (2004). Zattoni & Judge (2012) also argue that shareholders should be given warranties of dividend distribution. The respondents were confident that shareholders' legal rights are respected by Libyan listed companies.

A slightly different picture emerged from the interviews, however; while the majority of ISG interviewees felt that shareholder rights are protected and respected by companies, both legally and in practice, the ESG interviewees were less positive, with some suggesting that minority shareholders tend to suffer because of the ownership structure in Libyan listed companies, most of which are state-owned. The RE group in particular was less confident than the other groups that the rights of minority stakeholders are adequately protected. The scepticism of these regulators and external auditors might be attributable to their role within the sector; these groups are particularly well placed to understand the practical difficulties involved in ensuring that the needs and wishes of all shareholders are properly accommodated within the time constraints of a GAM.

The finding that minority shareholders may enjoy less protection in Libyan listed companies because of the ownership structure echoes the findings of studies conducted in other developing economies. La Porta et al., (1999), for example, found that where ownership is concentrated, controlling shareholders tend to dominate the decision making, leaving minority shareholders largely powerless. This is also noted by Alkahtani (2015), who found that minority shareholders in Saudi Arabia are often unable to exercise their rights, even though provisions exist within the country's legislation to challenge violations of these rights, and by Mallin (2007), who found that minority shareholders' rights in Malaysia suffer under pressure from majority shareholders seeking to retain company control. Finally, Solomon (2010) found Jordan to have an insider-dominated CG system and no consideration for minority shareholders' rights, along with a stock exchange lacking in accountability and transparency. Interestingly, these findings do not support legitimacy theory's assumption that listed companies will protect the rights of minority shareholders because this enhances their own reputation (Melis et al., 2015). Tackling the inequality between majority and minority shareholders in Libyan listed companies is important both for improving company-minority shareholder relations and for the LSM as a whole, but the problem must first be addressed by the country's regulatory and monitoring authorities.

Overall, the findings demonstrate that Libyan listed companies are broadly committed to implementing CG mechanisms, but that there are significant weaknesses in terms of practice. Listed companies' commitment is most evident in their adherence to the LCGC's (2007) requirements regarding the composition, roles and responsibilities of boards and sub-committees, but they are also engaging with the requirement for disclosure and transparency, albeit to local rather than international standards. Listed companies have also taken practical steps towards meeting the LCGC's requirements regarding the internal and external audit mechanisms, but the general view among stakeholders is that these mechanisms are currently not robust enough to ensure strong internal control systems. Finally, in terms of the shareholders' rights mechanism, majority shareholders are seen to enjoy much greater protection, both legally and in practice, than minority shareholders.

8.4 The Legal and Regulatory Framework of CG and Accountability

This section seeks to answer the third research question: "Does Libya have an adequate legal and regulatory framework to support CG and accountability practices?" The findings suggest not – the questionnaire respondents all expressed dissatisfaction with Libya's legal and regulatory framework and its ability to foster the implementation of CG and accountability practice. Interestingly, this dissatisfaction was strongest among the RE group (Mann-Whitney tests confirmed statistically significant differences between this group and the remaining three), whose job it is to enforce these laws and regulations. La Porta et al., (1998, 1999) stress the importance of legal enforcement in improving CG practice, but this finding suggests that regulators are frustrated by what they see as a lack of support from Libya's supervisory/regulatory bodies and the LSMA. It is perhaps not surprising then that the questionnaire respondents felt unable to agree that listed companies actually comply with the LSM's laws and regulations.

The interviewees – both internal and external stakeholders – were equally dissatisfied with the current framework and critical of what they saw as poor enforcement by monitoring and supervisory bodies, though as one interviewee from the regulatory group pointed out, part of the problem is that Libya's legal system has not yet been fully updated to take account of the country's new, free-market economic model. These weaknesses within the legal environment may partly explain inconsistencies in CG practice among listed companies, given that: "The framework of CG relies primarily on the legal and regulatory environment" (OECD, 2004). The finding supports Okpara's (2011) argument that an inadequate legal system and lack of adherence to the regulatory framework are the main barriers to CG implementation in developing countries. It echoes the findings of Brahim & Nourredines (2017), who describe the legislative environment in Algeria as also doing little to encourage CG practice, and seems to support Alajlan's (2004) argument that Arab markets in general are poorly regulated, and that the laws governing listed companies are not consistently enforced.

The interviewees were consistent with the questionnaire respondents in expressing strong dissatisfaction with the performance of the LSMA and other regulatory bodies in terms of their supervision of and control over CG and accountability practices in Libyan listed companies. These bodies were accused of failing to update legislation

or to force Libyan listed companies to comply with the legal/regulatory framework. Interviewees repeatedly complained that the LSMA still has no meaningful enforcement mechanisms, despite the importance of the tasks entrusted to it (one interviewee went so far as to call it "stillborn"), and there were calls for the other regulatory bodies to be reviewed "in terms of either the persons in charge or their regulation mechanisms". One ISG interviewee asserted that the main reason these bodies perform poorly is government interference, while an ESG interviewee (a regulator) accused them of being timid. This interviewee emphasised that the importance of these bodies lies not just in their ability to enact legislation, but in their ability effectively to enforce these laws. His assertion seems to support Berglöf & Claessens' (2004) argument that enforcement is widely considered even more important than the issuance of the law itself and is seen as crucial to achieving effective CG and accountability.

There was general agreement among questionnaire respondents that the LCGC should be mandatory for all Libyan listed companies, though, perhaps surprisingly, the RE group was the least enthusiastic in its agreement. This group felt that rather than concerning themselves with enforcing the LCGC, the first priority of the LSM and Libyan legislators should be to amend the country's legal framework to bring it into line with CG requirements. On the question of what should happen to listed companies that do not comply with the LCGC, most questionnaire respondents felt they should be de-listed, though in this case, it was the BD and EM groups that were the least supportive. However, it may simply be that these respondents recognised the impracticability of this proposal, given the limited number of Libyan listed companies. The overwhelming majority of both ISG and ESG interviewees also wanted to see the LCGC being made compulsory, providing that this is done via legislation rather than regulation. These interviewees felt that the code is most likely to be implemented by listed companies if they are being monitored by a single authority with the power to impose penalties for non-compliance.

The idea that an independent body should be established to oversee CG issues in Libya was supported by both questionnaire respondents and interviewees – both groups saw it as necessary to encourage good CG practice in listed companies. One ESG interviewee justified the need for such an independent authority by citing the relative weakness of the LSMA, explaining that the delay in ratification and its lack

of enforcement powers may have led companies to underestimate the importance of CG implementation. This recognition of the role played by outside agencies is echoed in the OECD Principles (2004), which emphasise the importance of monitoring, regulatory and supervisory authorities in ensuring that laws are enforced. It is also noted by Saidi (2004) in his Lebanon-based study. This author concludes that an independent body is urgently needed to oversee the implementation of the OECD's Principles in the Lebanese business environment.

In conclusion, the answer to the third research question seems to be that Libya does not currently have a legal/regulatory framework that supports CG and accountability. Internal and external stakeholders alike expressed dissatisfaction both with the framework itself, which they saw as weak and outdated, and with the performance of Libya's regulatory and supervisory bodies in monitoring listed companies' compliance with CG and accountability principles. The finding appears consistent with Owusu & Vaaland's (2016) conclusion that developing countries tend to have inadequate legal and regulatory systems for CG, and with Klapper & Love's (2004) suggestion that a strong legal and regulatory framework is fundamental to establishing a good CG system.

8.5 Factors Influencing the Practices of CG and Accountability

The literature illustrates that the factors influencing CG practice vary from country to country. Accordingly, the fourth research question: "What factors influence CG and accountability practice in Libyan listed companies?" sought to investigate which factors internal and external stakeholders in this study perceived as having the most influence in the Libyan environment.

The questionnaire respondents identified Libya's current economic and political situation as the factor having the greatest influence on CG and accountability practice, providing support for Abdou's (2015) argument that political factors are having a direct and significant adverse impact on the quality of CG in Libyan institutions. In terms of the remaining factors that were identified, there are interesting similarities between the findings of this study and those of other studies conducted in other emerging economies. For example, the identification of the weak investment climate in the LSM (and the limited number of listed companies) as the second most influential factor echoes concerns that have been expressed about the Romanian Stock

Market (Loana et al., 2009). In Libya's case, companies may be holding back from listing because they are still coming to grips with the recent transition to a free-market economy. Similarly, the general perception that CG practice is being hampered because directors lack knowledge about CG but have too little access to training mirrors Dahawy's (2007) finding that Egyptian stakeholders need more training courses and workshops to raise awareness and improve the implementation of CG in that country. Finally, the questionnaire respondents echoed Braendle et al., (2013) in identifying weak accountability mechanisms as a key obstacle to the development of CG practice. Writing about the Iranian context, Braendle et al., explain that these mechanisms are not widely understood, nor is the concept of accountability itself encouraged, in Iran's business environment.

The findings from the semi-structured interviews, while not consistent with the questionnaire responses, are arguably more illuminating because they give an insight into respondents' reasoning. The first difference was the overwhelming consensus across both internal and external stakeholder groups that the factor having the greatest impact on CG and accountability practice in Libyan listed companies is not the economic and political climate but the lack of knowledge and awareness about the concept of CG at all company levels. This may be attributed to the general absence of a CG culture in Libya and to the lack of training programmes for GA and board members and executive directors within Libyan listed companies. The finding supports Iswaissi & Falahati (2017), who also identified CG training within Libyan commercial banks as inadequate, and serves as further evidence that the Union of Arab Banks (UAB, 2007) is right to press for extensive CG training for all relevant parties in the Arab banking sector. In fact, such training is necessary for listed companies in general across the MENA region; Alzahrani (2013) points to a similar lack of awareness about CG in Saudi listed companies, while Braendle et al., (2013) describe lack of knowledge about CG as the foremost barrier to the improvement of CG practice in the Iranian environment.

Both the ISG and ESG interviewees saw the weakness of the regulatory/legislative system as the second most influential factor affecting CG and accountability practice. This weakness was attributed to two main causes: outdated regulation that has not yet been modified to bring it into line with CG and accountability requirements, and poor performance by the regulatory and monitoring authorities, particularly the LSMA.

One ESG interviewee also blamed this lack of leadership and enforcement from the regulatory bodies for the fact that Libyan listed companies are not held accountable for their failure to implement CG. This lack of accountability was identified as another significant factor by the interviewees, who argued that the relevant authorities must devote more attention to strengthening accountability mechanisms if they want to ensure that CG reforms are implemented in Libyan listed companies.

The importance of enforcement is emphasised in a number of other studies, including those by Okike (2007) and Wong (2009). These authors point to other governments (e.g. Nigeria) that have demonstrated a determination to improve CG by issuing new corporate legislation and CG codes for listed companies, but who have largely failed in their aim because enforcement of this legislation has been weak. The view that the enforcement of a law is at least as important as its original enactment is repeated by Shleifer & Wolfenzon (2002) and by Berglöf & Claessens (2004), who argue that law enforcement is as central to achieving effective protection for all shareholders as law creation. Similarly, La Porta et al., (1999) conclude that both the presence and the enforcement of laws and regulations protecting minority shareholders are fundamental determinants in the development of stock markets.

To sum up, the interviews yielded richer, more complex insights than the questionnaires into what internal and external stakeholders perceived as the main factors influencing CG and accountability practice in Libya's listed companies. The interviewees identified the lack of knowledge and awareness about the concept of CG at all company levels as the most significant factor inhibiting the advance of CG, followed by the weakness of the Libyan legislative environment and the lack of accountability within listed companies. Collectively, these are creating a poor environment for CG and accountability in Libya.

8.6 Perceived Current State of Accountability

The fifth research question: "How is accountability understood and practised in Libyan listed companies?" sought to investigate the stakeholders' views on the concept of accountability and the extent to which they thought accountability is currently being practised in Libyan listed companies.

The questionnaire respondents strongly agreed with Knell's (2006, p.32) definition of accountability as "the requirement of those in authority to exercise responsibility to

justify and explain their actions to those on whose behalf they act". This definition seemed to be the most easily understood by all relevant stakeholders, irrespective of educational level. However, the respondents were less enthusiastic about the other statements in this part of the questionnaire, returning neutral responses to the suggestions that effective accountability mechanisms inspire confidence in investors and stakeholders that Libyan listed companies are committed to accountability as one way of fulfilling their responsibilities towards society, and that stakeholders do indeed hold these companies accountable. It is noteworthy that regulators and external auditors were the least supportive of the latter two statements, given that it is their job to monitor Libyan listed companies' actions and hold them accountable.

The suggestion that accountability is practised within Libyan listed companies attracted disagreement from both internal and external stakeholders. Again, the RE group was the least supportive of the statement, while the EM group was the most supportive (which may be explained as this group being reluctant to criticise itself). This perceived lack of accountability, as discussed in Section 8.5, may be attributed to the weakness of the legislative environment and the absence of monitoring and enforcement mechanisms. The result is that relevant stakeholders do not take advantage of their right to hold Libyan listed companies accountable for their actions. The RE group was also unconvinced that boards, executive managers and employees are considered accountable, but while it was neutral towards this statement, the other groups expressed agreement. This divergence in opinion may be due to the fact that as the only group looking at listed companies from the outside, the RE group is the only one able to assess them objectively. Finally, on the question of whether good CG makes listed companies more likely to practise accountability, the respondents as a whole were neutral.

The findings from the interviews revealed differences between internal and external stakeholders on the question of how the term accountability should be defined; while one ISG interviewee declared that it is about "holding those at the higher levels and decision makers responsible for the results of their actions, within the limits of their responsibilities", an ESG interviewee saw accountability in broader terms as "each individual being responsible for his actions and for explaining and justifying the actions and decisions taken under his authority". This definition echoes the broad perspective taken by Messner (2009), who argues that in the business environment,

accountability is about clarifying and justifying the actions that have been carried out in the interests of shareholders and other relevant stakeholders. Both definitions suggest that the interviewees had a clear understanding of the concept of accountability as a key mechanism for ensuring that relevant stakeholders receive important information, as providing a link between all involved parties and as central to improving CG practice within listed companies.

The overwhelming majority of ISG and ESG interviewees confirmed that only major shareholders demand any kind of accountability for failure or negligence on the part of the board or executive directors. This is usually done via GAMs, though one of the external auditors expressed frustration that general assemblies often choose to ignore evidence of incompetence or wrongdoing, even when it persists over several years. Almost all of the interviewees agreed that boards and executive managers are in theory accountable for their actions under the law, but more than half (seven out of twelve ISG and six out of eight ESG interviewees) said that in practice, directors and executive managers are rarely held accountable for their actions and decisions. Owners may want greater accountability from managers, but this is generally resisted (Perks, 1993). Accountability can only be guaranteed so long as owners' rights are enforced (Tricker, 1984), but this rarely happens in Libyan listed companies. The interviewees attributed this lack of enforcement mainly to the influence of the prevailing cultural norms and social ties and to the LSMA's unratified status. A similar lack of accountability has been identified in other developing countries; Wanyama (2006) and Falgi (2009), for example, found accountability practices in Uganda and Saudi Arabia respectively to be largely ineffectual, while Onyinyechi & Okafor (2016) found very low levels of accountability in the Nigerian public sector. These authors point to a lack of comprehensiveness, accessibility, relevance, reliability, quality and timeliness in the disclosure of even financial information.

The overwhelming majority of interviewees understood the complementary nature of the connection between CG and accountability: that on the one hand, accountability cannot be achieved without a robust and integrated CG system, and that on the other, this system will be of no use unless accountability mechanisms are strictly upheld. One of the ISG interviewees described the two concepts as two sides of the same coin. This result is consistent with Sinclair's (1995) conclusion that there is a real link between CG and accountability; he suggests that the growing emphasis being placed

on CG has been largely driven by widespread concerns about the accountability of agents towards owners and other stakeholders. Proponents of stakeholder theory claim that it leads to greater accountability (Baydoun et al., 2013), but the finding that internal and external stakeholders perceive CG and accountability as linked suggests that legitimacy theory may offer a better explanation of CG and accountability practices in the Libyan environment. Legitimacy theory posits that actors seek to be perceived as accountable in order to acquire legitimacy. In the context of Libya, as more listed companies signal their compliance with accountability and CG practices, the practices themselves also gain in legitimacy.

We might thus summarise the answer to the fifth research question as being that while stakeholders are well aware of the concept of accountability, they do not perceive it as operating in practice within Libyan listed companies. Only major shareholders tend to demand accountability, and even these receive only a limited measure of accountability during GAMs. This issue needs to be addressed by the relevant monitoring and supervisory bodies, who must be given support at the highest level to clarify their role in enhancing CG and accountability practice within listed companies. A good start would be the early ratification of the LSMA so that it can play a more proactive role in raising CG and accountability performance. Furthermore, the remit of these bodies should include not only monitoring the compliance of Libyan listed companies in regard to the implementation of CG and accountability but also recommending legislative changes where necessary.

8.7 Summary

This chapter compared and contrasted the results from the questionnaires and semi-structured interviews with the findings from the literature review. Addressing each of the research questions in turn, it discussed the participants' views regarding how CG is understood in the Libyan environment, the extent to which listed companies are complying with CG mechanisms, the adequacy and effectiveness of the legal/regulatory framework currently governing CG and accountability, the factors influencing CG and accountability practice, and the current level of accountability in the Libyan environment. Throughout the chapter, these findings were put into the broader context, with discussion of how they compare with the findings of other studies, including those conducted in other emerging and developing economies, and how they align with international CG principles. The next chapter summarises these findings in order to offer recommendations for improving CG and accountability practices in Libya's listed companies. It then outlines the key contributions made by the study before acknowledging its main limitations and identifying areas for future research.

CHAPTER NINE

CONCLUSION

9.1 Introduction

As CG has become a main requirement for businesses in all countries – both developed and developing – awareness of its importance has grown across the MENA region. Despite this, however, there have been relatively few attempts so far to investigate CG mechanisms and practice in these countries, though the urgent need for such investigation has been highlighted by several authors. This research aims to respond to this need by investigating CG and accountability practice in one MENA country – Libya. It employs a mixed methods research design comprising a quantitative survey followed by semi-structured, qualitative interviews to explore how CG and accountability are perceived by internal and external stakeholders in Libyan listed companies. The use of a mixed methods design allows for methodological and data triangulation, enhancing the reliability of the findings; the semi-structured interviews were conducted after the questionnaire survey in order to confirm the earlier quantitative findings, to promote data quality and provide a deeper understanding of the phenomenon under investigation. It is hoped that the study will contribute to the current literature by enriching our understanding of how CG and accountability are perceived and practised in one developing country (Libya) and by offering evidence from a state with a unique legal, cultural and political framework.

The chapter is organised into six sections. The first section begins by summarising the major research findings, after which Section 9.3 presents the stakeholders' suggestions for developing CG practices and accountability in Libyan listed companies. Section 9.4 outlines the key contributions made by the study, while Section 9.5 acknowledges its main potential limitations. Finally, Section 9.6 suggests avenues for future research.

9.2 Review of Research Findings

This section summarises the findings obtained from the questionnaire survey and semi-structured interviews for the first five research objectives.

Research Objective 1: *To investigate stakeholders' understanding regarding the meaning of CG in Libyan listed companies.*

The findings reveal that both the questionnaire respondents and interviewees were generally aware of and understood the concept of CG. Most agreed on *Hawkamat Alshrekat* as the best Arabic translation, and the majority took a broad view of the concept, seeing its main function as being to protect the interests not just of shareholders but of all relevant stakeholders. Everyone agreed on the importance of CG, with the general perception being that a robust CG system is crucial to inspire confidence among investors and other stakeholders and is therefore central to listed companies' success. Despite this, however, the perception in all stakeholder groups was that awareness of CG issues within the Libyan environment is currently inadequate, even among board members, executive directors and investors.

Research Objective 2: *To investigate the extent to which CG mechanisms are implemented in Libyan listed companies.*

The questionnaire and interview findings confirm that Libyan listed companies generally comply with the LCGC's (2007) requirements regarding board size and composition: most boards have between three and eleven members, the majority of whom are non-executives and at least two or one-third of whom (whichever is greater) are independent. The results also indicate that general assemblies in Libyan listed companies are practically committed to the LCGC's requirements regarding the appointment of board members and their length of tenure. Interviewees were at pains to point out that board members are selected according to pre-set criteria for technical and practical expertise, as set down in the code, though a few observed that these criteria are sometimes intentionally ignored, with candidates instead being appointed only because they have a personal relationship with someone in the general assembly.

The findings provide evidence that boards in Libyan listed companies are generally carrying out their duties and responsibilities in accordance with internal regulations and laws, as well as the stipulations of the LCGC (2007). These duties include endorsing the strategic direction and main objectives of the company and supervising

their implementation; setting up and supervising systems of internal control; setting out specific and clear policies, standards and procedures for board membership; setting out clear written policies to protect the rights and interests of stakeholders; and setting up policies and procedures to ensure that the company's rules and regulations, as well as its commitment to disclose essential information to shareholders, creditors and other stakeholders, are respected. The BOD's perceived responsibilities include monitoring the operations of the company's management in general and executives in particular; ensuring that its decisions are based on adequate information from executives; determining what authority is to be delegated to executive managers and for how long; setting out executive decision-making procedures; and taking the interests of stakeholders into account when making strategic decisions.

The evidence also suggests that listed companies are on the whole committed to meeting the LCGC's (2007) requirements regarding the composition, roles and responsibilities of board sub-committees. The findings indicate that the audit committee is perceived as the most important board sub-committee within Libyan listed companies. Both internal and external stakeholder groups confirmed that these committees are independent and have at least three members, all of whom are NEDs. As with board appointments, audit committee members are usually recommended by the board and submitted to the general assembly for approval. Also like prospective board members, candidates for the audit committee are assessed against pre-set criteria. In this case, they are expected to have relevant experience and knowledge – at least one committee member must come from a financial background. The respondents confirmed that the audit committee's duties include supervising and verifying the efficiency of the internal audit, monitoring the company's internal control system and producing written reports with opinions and recommendations for the board. It is responsible for making recommendations to the BOD regarding the appointment of the external auditor and his/her fees, checking the annual financial statements before referring them to the BOD, and checking administrative and accounting policies and making recommendations to the board where necessary.

The interviewees ranked the nomination/remuneration committee as the second most important board sub-committee, though the questionnaire respondents perceived this as the least important. The majority of respondents (both survey and interview) confirmed that the members of this committee are nominated by the board, which

determines its functions, powers and period of operation. There was general agreement that the duties and responsibilities undertaken by the nomination/remuneration committee include annually reviewing the skills required of board members, identifying the strengths and weaknesses of the board and taking steps to improve it in line with the company's interests, recommending candidates to the BOD and setting clear policies for the compensation and remuneration of directors and senior executives.

As far as other board committees are concerned, the interviewees and questionnaire respondents showed equal levels of support both for risk committees and for Shariah committees. However, the interviewees were less convinced than the questionnaire respondents of the importance of CG committees.

On the issue of disclosure and transparency, the findings were mixed; the questionnaire respondents were generally content with current practice, but the interviewees perceived the level of disclosure and transparency in Libyan listed companies as barely satisfactory. They complained that disclosure requirements in Libya lag behind those even of other emerging markets, with the result that listed companies limit their disclosure to basic financial information such as the income statement and statement of financial position. In terms of CG disclosure specifically, both interviewees and questionnaire respondents pointed out that under the LCGC (2007), Libyan listed companies are only required to disclose which CG principles have been implemented and which have not, and the reasons why not. The view was also expressed that at present, disclosure and transparency practices in Libya are designed only to meet local requirements.

There was also criticism – but in this case, from both the questionnaire respondents and the interviewees – of the effectiveness of the internal and external audit mechanisms in Libyan listed companies. Virtually everyone agreed that the duties and responsibilities of the internal audit are clearly defined, and most agreed that external auditors are generally appointed according to a set of criteria that should guarantee their professional competence and independence, but despite this, the general view was that neither internal nor external auditors do enough to ensure that listed companies' internal control systems function effectively. The evidence suggests that while these companies have taken practical steps to comply with the LCGC's requirements regarding the internal and external audit mechanisms, they are not

committed enough to ensure that these mechanisms are consistently monitored and enforced.

The questionnaire respondents were confident that listed companies properly protect and observe the rights of shareholders, including their right to attend GAMs, participate in its deliberations and vote on its decisions; to put items onto the GAM agenda; and to ask for any information as long as this does not breach financial regulations or damage the interests of the company. There was less of a consensus among the interviewees, however; although the majority of ISG interviewees felt that shareholder rights are protected and respected by companies, the ESG interviewees were less positive, with the RE group in particular believing that majority shareholders enjoy much greater protection, both legally and in practice, than minority shareholders.

Research Objective 3: *To identify whether the legal and regulatory framework is adequate to support CG and accountability practices.*

The findings obtained from the questionnaires and semi-structured interviews indicate that Libya does not currently have a legal/regulatory framework that supports CG and accountability practices. Internal and external stakeholder groups alike expressed dissatisfaction both with the framework itself, which they saw as weak and outdated, and with the performance of Libya's regulatory and supervisory bodies in monitoring listed companies' compliance with CG and accountability principles. Interestingly, this dissatisfaction was strongest among the RE group, whose job it is to enforce these laws and regulations.

Research Objective 4: *To identify the key factors influencing CG and accountability practice in Libyan listed companies.*

The questionnaire respondents identified Libya's current economic and political situation as the factor having the greatest influence on CG and accountability practice in listed companies. The weak investment climate in the LSM (and the limited number of listed companies) was seen as the second most influential factor, followed by directors' lack of awareness and knowledge about CG, and the weakness of Libya's accountability mechanisms.

The findings from the semi-structured interviews, while different from those yielded by the questionnaires, demonstrate consistency across the internal and external stakeholder groups. These findings are arguably more significant than the questionnaire responses as they give a more detailed insight into the respondents' views. The interviewees were almost unanimous in identifying the lack of knowledge and awareness about the concept of CG at all company levels as the biggest factor inhibiting the advance of CG. This lack of awareness originates in the general absence of a CG culture in Libya and the lack of training programmes for GA members, board members and executive directors within Libyan listed companies. The weakness of the legislative environment was seen as the second most influential factor, with interviewees citing outdated regulation and poor monitoring/enforcement by the regulatory authorities as key difficulties. Finally, both the internal and external stakeholder groups pointed to lack of accountability as another significant factor, explaining that companies are not sanctioned by these regulatory authorities if they fail to implement CG.

Research Objective 5: *To explore current accountability practice in Libyan listed companies.*

The results obtained from the questionnaires and semi-structured interviews suggest that both internal and external stakeholders are well aware of the concept of accountability, but that they perceive it as largely non-existent within Libyan listed companies. In practice, the expectation of accountability is limited to major shareholders, and even these receive only a limited measure of accountability during general assembly meetings. The lack of accountability within the Libyan environment makes it more difficult for companies to adopt CG because the two concepts are closely connected: accountability cannot be achieved without an integrated CG system, and this system will not work unless the principle of accountability is strictly upheld.

9.3 Stakeholders' Recommendations for Improving CG and Accountability Practices in the Libyan Environment

This section aims to address the sixth research objective by presenting the suggestions and recommendations made by the two broad stakeholder groups for developing CG practice and accountability in Libyan listed companies.

- Efforts should be made to spread the culture of CG among all stakeholders. This could be achieved by training employees at all functional levels (including executive managers), along with GA members and BODs, through workshops, training courses, conferences and seminars on CG and accountability. The aim should be to raise public awareness of the concept and importance of CG in Libyan listed companies.
- The legal and regulatory environment should be reviewed periodically and updated where necessary to ensure it is in line with the principles of CG.
- State intervention is needed to support the LSM to overcome its problems and help it make the necessary changes within the market. A strong and successful LSM is crucial to encourage more Libyan companies to seek listed status, which in turn will lead to more companies implementing CG and accountability.
- General assemblies in Libyan listed companies should appoint board members according to fair and objective criteria, as stipulated in the LCGC, in order to avoid conflicts of interest.
- The investment climate within the LSM could be improved by simplifying some of the current investment conditions. The base of the LSM should also be expanded by creating a mechanism to increase the number of listed companies and by opening branches in other Libyan cities.
- Legislation must be enacted explicitly requiring all Libyan companies to apply CG.
- The monitoring and supervisory bodies must have support at the highest level so that they can perform their functions with full independence. Their remit should include not only monitoring the compliance of Libyan listed companies in regard to the implementation of CG and accountability, but also recommending legislative changes where necessary to enhance CG and accountability practices within these companies.
- Permanent committees should be established within the relevant supervisory, regulatory and executive bodies for the purpose of updating and amending legislation that is not in line with CG requirements.
- Mechanisms must be put in place to strengthen the link between accountability and performance in Libyan listed companies and to combat corruption.
- The LAAA must be supported in its efforts to produce Libyan accounting and auditing standards. It is a prerequisite for the implementation of CG that companies adopt standards commensurate with the international accounting and

auditing standards. The LAAA should be encouraged to develop partnerships with international audit firms.

- Greater weight should be given to both the internal and external audit functions, as these are essential for identifying whether CG and accountability are being implemented.
- Internal auditors should have a professional association to promote their independence. They should not be seen simply as a function or activity within the institution.
- The LSMA must be ratified so that it can perform its role effectively and contribute to the development of CG within the LSM.
- The educational curriculum in Libya's universities must be updated to bring it into line with the CG requirements in developed countries.
- The LSM needs to update its technology so that investors and other stakeholders can readily access the information they need to make strategic decisions about their investments.
- The government should support the LSM to keep abreast of developments in similar emerging markets. It should also allow the LSM to open the way for foreign investors to enter the market (e.g. through partnerships) in order to increase the investment base.

9.4 Contribution of the Research

This research makes a number of significant contributions to the CG literature in general and to the Libya-based CG literature in particular. Firstly, it addresses a gap in the accounting literature by exploring the practices of listed companies in a developing country – a context that is still poorly understood. The vast majority of previous studies have examined CG and accountability in developed countries, but given the influence that local legal, economic, social and political factors have on CG practice, the findings of these studies may not be transferable to developing economies (Iswaissi & Falahati, 2017). By offering new evidence from a context that is legally, culturally, politically and socially distinct from those examined in most studies, and by representing a range of stakeholder perspectives, the research may help deepen our understanding of the concepts of CG and accountability. Consideration of the Libyan context is especially important as CG practice in the country is still in the early stages of development, and little is known about how CG

and accountability are understood and enacted. Larbsh (2010) and Zagoub (2011) made early attempts to investigate CG practice in Libyan commercial banks, but the current research is the first to investigate the extent to which Libyan listed companies in general comply with the LSM's voluntary LCGC (2007) and accountability practice. Its results are therefore valuable not only because they help reduce the literature gaps regarding CG in listed companies and stock market emergence in the MENA states, but also because they provide practical, up-to-date information for shareholders and other relevant stakeholders in Libya.

An understanding of current CG standards in Libya is crucial if governance in the country is to be strengthened and it is to be able to attract the domestic and foreign investment it needs to sustain development. The weakness and instability of the Libyan economy are widely attributed to poor CG and accountability practices in listed Libyan companies, so the second contribution of the research is to aid national economic development by giving these companies the information they need to improve their CG. As noted above, the research is the first attempt to investigate the extent to which Libyan listed companies are complying with the requirements of the LCGC (2007). The fact that the findings indicate that these companies are complying only partially with the requirements of the LCGC (2007) suggests that the code may need to be made compulsory if it is to meet the needs of the state. Most importantly, if voluntary regulation is turned into binding legislation, listed companies must be made aware that compliance with the code has become mandatory.

The third contribution of the research is to highlight the adverse effect that weaknesses in the Libyan legal and regulatory system are having on attempts to develop a CG framework in the country. The study shows that Libyan laws and regulations provide a weak environment that does little to encourage CG and accountability practices. The findings have important implications for legislative and regulatory bodies such as the LSM and the CBL; they suggest that key priorities should be to amend the country's legal framework to bring it into line with CG requirements, and to enhance the quality and consistency of attempts at enforcement. They also have policy implications for regulators, external auditors and legislators seeking to review and update the CG system to meet international requirements. The findings serve as an empirical basis to inform future policy change, but they also have theoretical implications for a number of academic debates, including that

concerning the impact of the legal/CG framework on corporate performance (see La Porta et al., 1998).

Fourthly, this research contributes to the literature by revealing those factors that have the most significant inhibiting effects on CG and accountability practices within Libyan listed companies. It takes steps towards identifying ways of enhancing CG and accountability practices, contributing to the CG literature with its discussion of the enabling factors which may have a positive influence on these practices in Libyan listed companies. Again, the findings offer empirical evidence upon which policy makers and practitioners can draw to improve CG standards in the Libyan environment. They may also serve as a foundation for future investigation by other researchers.

Finally, at the theoretical level, this research contributes to the continuing debate about which approach is the most appropriate for explaining and evaluating CG and accountability practices in developing countries. As discussed in Chapter 3, critics have argued that the stakeholder perspective is more appropriate than the shareholder perspective when discussing developing (particularly MENA) countries, and the few studies that focus on the Libyan context have all adopted this approach (Iswaissi & Falahati, 2017). The particular aptness of the stakeholder perspective in the Libyan context is confirmed in this research, with both the survey and interview findings indicating that CG is generally perceived from the perspective of stakeholders as protecting the interests of all stakeholders, with relatively little emphasis being placed on protecting the interests of shareholders. The findings underline the necessity of implementing a robust CG framework to protect the interests of all these groups.

9.5 Limitations of the Study

Although the present thesis makes a valuable contribution to knowledge by investigating CG and accountability practices in Libyan listed companies, it should be acknowledged that as with any other study in social research, it has certain limitations. The first is the generalisability of the results; caution is necessary when generalising from the results, as the small sample size (only 400 questionnaires were circulated, 231 of which were returned and analysed, and just 20 individuals were interviewed) means that the findings might not accurately reflect the full range of views held by stakeholders in the Libyan environment.

Gathering data from the broadest possible range of stakeholders was made additionally difficult because many of those targeted (especially general assembly members, board members and sub-committee members) were unavailable to participate; many work part-time and do not have permanent offices in their companies, while others were too busy to schedule meetings and interviews. This made it more difficult to find a balanced number of participants for each stakeholder group.

It is also possible that the answers given by the questionnaire respondents and interviewees were not an accurate reflection of their true opinions. Faced with a survey or an interviewer, some respondents are reluctant to provide a negative impression of their institution, so give an “ideal” answer. Alternatively, they may omit questions for fear of betraying a lack of understanding. In the case of questionnaire surveys, there is also the risk that participants will quickly get bored and start giving random answers instead of thinking carefully about their responses.

Finally, this investigation of CG and accountability practice is limited to Libyan listed companies; it does not include unlisted companies, some of which exhibit signs of CG and accountability practice. Furthermore, since Libya is a huge state, the investigation concentrates only on the main cities of Tripoli, Misurata and Khoms. It is in these cities that most of Libya’s listed companies are headquartered.

9.6 Avenues for Future Research

Comparatively few studies have explored CG in Libya, making it a vital area for future research. This study investigates Libyan listed companies’ compliance with CG mechanisms, the barriers to compliance, and the legal and regulatory framework of CG and accountability in the country, but there are numerous ways in which the research could be extended, especially given the dynamic nature of Libya’s business environment.

- Future studies should investigate the effects of compliance with the CG mechanisms on companies’ performance. More particularly, comparative studies between listed and unlisted companies are recommended to develop the CG environment and ensure better implementation of CG in the Libyan context. Comparative studies might also examine the CG codes adopted by neighbouring countries with similar economies so that Libya can draw on their experiences to

improve its own CG and overcome the main obstacles affecting governance practices in Libyan listed companies.

- Some of the key CG mechanisms should be examined in depth and separately to increase understanding of their significance in the Libyan environment; the role of the audit committee in CG, the impact of board composition on the implementation of CG, the impact of board characteristics on firm performance, and the role of the legal and regulatory framework in enhancing and developing CG and accountability practices are all worthy of close attention. The study's finding that Libya's legislative environment remains weak also requires further investigation.
- The current research reveals that majority shareholders are seen to enjoy much greater protection than minority shareholders. Accordingly, future research should focus on shareholders' rights, especially those of minority shareholders, to ensure that these are protected in the LSM.
- Future research should also investigate the relationship between CG and ownership structure, with a specific focus on the variables that affect disclosure levels in Libyan listed companies.
- It is recommended that further investigation be conducted of the role played by Libya's monitoring and regulatory bodies in ensuring the compliance of Libyan listed companies with CG and accountability requirements. These bodies are perceived by stakeholders as one of the most important monitoring mechanisms in the LSM.
- The study demonstrates that the current level of disclosure and transparency in Libyan listed companies only satisfies local requirements, and that accountability practices are virtually non-existent. Further research is therefore recommended to illuminate how disclosure levels influence accountability practices in these companies.

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APPENDICES

Appendix I: Questionnaire Survey – Internal Stakeholders (English)

An Investigation into Corporate Governance (CG) and Accountability Practices: Evidence from Libyan Listed Companies

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2015

Section One: Demographic Information

A) Please indicate your job by ticking (✓) in the appropriate place (please choose one):

• Executive Chairman		• Executive director	
• Non-executive Chairman		• Non-executive director	
• Executive Board Member		• Company employee	
• Non-executive Board Member		• *(Other)* Please specify………	

B) Please tick (✓) in the appropriate place according to your level of academic qualification:

• PhD		• Master	
• Bachelor		• *(Other)* Please specify….........	

C) Please tick (✓) in the appropriate place according to the place where you studied:

• Libya		• The US	
• Other Arab countries		• The UK	
• *(Other)* Please specify………			

D) Please tick (✓) in the appropriate place according to the number of years of experience:

• Less than one year		• From 1 year up to less than 5 years	
• From 5 years up to less than 10 years		• More than 15 years	
• From 10 years up to less than 15 years			

E) Please tick (✓) in the sector which your company belongs to:

• Banking sector		• Industrial sector	
• Insurance sector		• Service sector	

Section Two: Corporate Governance (CG)

Q1:	Please indicate to what extent you agree that the following Arabic terms are suitable translations for the English term *Corporate Governance* by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	Hawkamat Alsharekat	1	2	3	4	5
2	Aledarah Alrashedah	1	2	3	4	5
3	Edart Tandheem wa Murakabat Alsharekat	1	2	3	4	5
4	Alhakemia Almoassasatia	1	2	3	4	5

Q2:	**Definition of Corporate Governance (CG)** Please indicate to what extent you agree with the following definitions by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	CG is the system through which a company is directed and controlled.	1	2	3	4	5
2	CG is used to regulate the relationship between a company and its shareholders.	1	2	3	4	5
3	CG is used to regulate the relationship between a company and the different stakeholders who are affected by and affect the activities and decisions of the company.	1	2	3	4	5
4	CG is the monitoring and supervision of a company's management to ensure it is working in the interests of the shareholders.	1	2	3	4	5
5	CG is a set of regulations, rules, procedures and cultures that enable a company to perform successfully.	1	2	3	4	5

Q3:	**Importance and Awareness of Corporate Governance (CG)** Please indicate to what extent you agree with the following statements by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	CG is important for Libyan listed companies.	1	2	3	4	5
2	The implementation of CG gives confidence to shareholders.	1	2	3	4	5
3	There is sufficient awareness of CG issues in the Libyan environment.	1	2	3	4	5
4	Libyan listed companies follow the international developments in the area of CG.	1	2	3	4	5

Q4	Compliance with Corporate Governance (CG) Mechanisms					
Q4.1	**The Board of Directors Mechanism** Please indicate your level of agreement with the following statements concerning the duties, responsibilities and composition of the board of directors and its committees by choosing a score from (1) strongly disagree to (5) strongly agree.					
	▪ **Duties of the Board of Directors**					
1	The Board of Directors endorses the strategic direction and main objectives of the company and supervises their implementation.	1	2	3	4	5
2	The Board of Directors sets up and supervises systems of internal control.	1	2	3	4	5
3	The Board of Directors sets out specific and clear policies, standards and procedures for the membership of the Board of Directors.	1	2	3	4	5
4	The Board of Directors sets out a clear written policy governing the relations between stakeholders in order to protect their interests and preserve their rights.	1	2	3	4	5
5	The Board of Directors sets up policies and procedures to ensure that the company's rules and regulations, as well as its commitment to disclose essential information to shareholders, creditors and other stakeholders, are respected.	1	2	3	4	5
	▪ **Responsibilities of the Board of Directors**					
1	The Board of Directors has the full authority and power to monitor the operations of the company's management in general and monitor the executives in particular.	1	2	3	4	5
2	The Board of Directors carries out its duties seriously and attentively and ensures its decisions are based on adequate information from the executive departments.	1	2	3	4	5
3	The members of the Board of Directors represent the majority of the shareholders and are committed to serving the company's interests generally.	1	2	3	4	5
4	The Board of Directors determines the authority delegated to the executive management, the executive decision-making procedures and the authorisation period.	1	2	3	4	5
5	The Board of Directors takes into account the interests of stakeholders when making strategic decisions.	1	2	3	4	5
6	Board members devote enough time to undertake their responsibilities and to prepare for the meetings of the board.	1	2	3	4	5
	▪ **The Composition of the Board of Directors**					
1	Boards in Libyan listed companies have no fewer than three members and no more than eleven.	1	2	3	4	5
2	The general assemblies have criteria for appointing the board members in Libyan listed companies and the period for their appointment is no longer than three years.	1	2	3	4	5

3	The majority of board members in Libyan listed companies are non-executive members.	1	2	3	4	5
4	In Libyan listed companies, at least two board members or one third of the board (whichever is greater) are independent.	1	2	3	4	5
	▪ **The Board of Directors' Committees**					
1	Audit committees in Libyan listed companies are completely independent.	1	2	3	4	5
2	Audit committees in Libyan listed companies are formed from non-executive directors and have no fewer than three members.	1	2	3	4	5
3	The general assembly in a Libyan listed company determines the rules for selecting the members of the audit committee, the duration of their membership and the committee's method of working based on the suggestions of the Board of Directors.	1	2	3	4	5
4	*In practice, the functions and responsibilities of the audit committee in Libyan listed companies include the following:*					
	A. Directly supervising the internal audit of the company's management and verifying its effectiveness.	1	2	3	4	5
	B. Examining the internal control system of the company and producing a written report giving opinions and recommendations.	1	2	3	4	5
	C. Making recommendations to the Board of Directors regarding the appointment of the external auditor and sequestration, and the determining of fees.	1	2	3	4	5
	D. Checking the annual financial statements before referring them to the Board of Directors.	1	2	3	4	5
	E. Checking administrative and accounting policies and making recommendations where necessary to the Board of Directors.	1	2	3	4	5
5	The Board of Directors determines the functions of each committee, its period of operation and the powers granted to it.	1	2	3	4	5
6	The members of nomination and remuneration committees in Libyan listed companies are selected based on the suggestions of the Board of Directors.	1	2	3	4	5
7	*In practice, the duties and responsibilities of nomination and remuneration committees in Libyan listed companies include the following:*					
	A. Annually reviewing the skills required of board members.	1	2	3	4	5
	B. Identifying the strengths and weaknesses of the Board of Directors and taking steps to improve it in line with the company's interests.	1	2	3	4	5
	C. Recommending candidates to the Board of Directors in accordance with approved policies and standards.	1	2	3	4	5
	D. Setting clear policies for the compensation and remuneration of directors and senior executives.	1	2	3	4	5

Q4.1.1: Please indicate whether these committees exist in your organisation by choosing *Yes* or *No*. Then indicate to what extent you agree that they are important in Libyan listed companies by choosing a score from (1) strongly disagree to (5) strongly agree.							
Board Committee	**Does it exist?**		**Is it important?**				
	Yes	No	1	2	3	4	5
Audit committee							
Nomination committee							
Remuneration committee							
Risk committee							
Corporate governance (CG) committee							
Shariah committee							

Q4.2	**Disclosure and Transparency Mechanism** Please indicate your level of agreement with the following statements by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	Libyan listed companies have written disclosure policies, endorsed by the Board of Directors, to ensure that disclosure arrangements comply with the requirements of the regulatory authorities.	1	2	3	4	5
2	Directors in Libyan listed companies disclose any personal interest they may have in other companies and any transactions that might affect the company.	1	2	3	4	5
3	In their annual reports, Libyan listed companies disclose the meetings of the Board of Directors.	1	2	3	4	5
4	Libyan listed companies disclose the results of the annual audit assessing the efficiency and effectiveness of internal control procedures.	1	2	3	4	5
5	Libyan listed companies disclose both financial and of non-financial data in their annual reports.	1	2	3	4	5
6	Libyan listed companies disclose what has and what has not been applied in respect of the rules on CG.	1	2	3	4	5
7	Libyan listed companies disclose their policies and programmes concerning the local community and the environment.	1	2	3	4	5
8	Libyan listed companies use their websites to promote disclosure and transparency as well as to provide appropriate information for investors and others.	1	2	3	4	5

Q4.3	**Internal and External Audit Mechanisms** Please indicate your level of agreement with the following statements by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	Internal control systems in Libyan listed companies are effective.	1	2	3	4	5
2	Internal auditors provide a quarterly report to the Board of Directors and the audit committee describing the extent of the company's compliance with the laws and rules that regulate its activities.	1	2	3	4	5
3	The Board of Directors determines the objectives, functions and terms of reference of the internal audit in Libyan listed companies.	1	2	3	4	5
4	Listed companies choose an external auditor registered in the Libyan Stock Market (LSM) to review their financial statements.	1	2	3	4	5
5	The external auditor undertakes no additional work for the company under review (e.g. providing consulting or administrative services).	1	2	3	4	5

Q4.4	**Shareholders' Rights Mechanism** Please indicate your level of agreement with the following statements by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	The statutes of Libyan listed companies and their internal regulations contain the necessary procedures to ensure all shareholders' rights are upheld.	1	2	3	4	5
2	Shareholders in Libyan listed companies are entitled to attend the general assembly's meetings, participate in its deliberations and vote on its decisions.	1	2	3	4	5
3	Shareholders in Libyan listed companies have the right to ask for any information, as long as this does not breach financial regulations or damage the interests of the company.	1	2	3	4	5
4	Information is provided to shareholders without discrimination, regardless of whether they are majority or minority shareholders.	1	2	3	4	5
5	General assembly meeting agendas take into consideration the issues that shareholders want to discuss.	1	2	3	4	5
6	There is a clear policy from the Board of Directors regarding the distribution of dividends, and shareholders have the right to see this policy during the general assembly meeting.	1	2	3	4	5
7	Shareholders' legal rights are respected by Libyan listed companies.	1	2	3	4	5

Q5:	**Legal and Regulatory Framework of CG and Accountability** Please indicate your level of agreement with the following statements by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	The laws and regulations in Libya are effective and sufficient and provide a suitable environment for CG practices.	1	2	3	4	5
2	The laws and regulations in Libya are effective and sufficient and provide a suitable environment for accountability practices.	1	2	3	4	5
3	Legislative bodies and the LSMA play an effective role in the supervision and control of CG and accountability practices in Libyan listed companies.	1	2	3	4	5
4	Libyan listed companies adhere to the laws and regulations in force in the LSM.	1	2	3	4	5
5	The Libyan Corporate Governance Code (LCGC) should be mandatory for all Libyan listed companies.	1	2	3	4	5
6	There is an urgent need for the establishment of an independent body to oversee CG issues in Libya.	1	2	3	4	5
7	Libyan listed companies that do not comply with the LCGC should be de-listed.	1	2	3	4	5

Q6:	**Factors influencing the Practices of CG and Accountability** Please indicate your level of agreement with the following statements by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	There is administrative and financial corruption in some Libyan listed companies.	1	2	3	4	5
2	There is weakness in terms of the independence of the external auditor.	1	2	3	4	5
3	There are weaknesses in the administrative and legal environment for listed companies.	1	2	3	4	5
4	There is a lack of knowledge about CG in listed companies.	1	2	3	4	5
5	The mechanisms protecting the rights of stakeholders are weak.	1	2	3	4	5
6	There are limited training programmes for directors with respect to CG.	1	2	3	4	5
7	Accountability mechanisms in general are weak.	1	2	3	4	5
8	There is a weak investment climate in the LSM.	1	2	3	4	5
9	The Libyan Stock Market Authority (LSMA) is inefficient.	1	2	3	4	5
10	The principles of CG are incompatible with the interests of joint stock companies.	1	2	3	4	5

11	Boards of Directors in Libyan listed companies lack diversity.	1	2	3	4	5
12	The implementation of CG in listed companies takes a long time.	1	2	3	4	5
13	There is a limited number of listed companies in the LSM.	1	2	3	4	5
14	International accounting and auditing standards are not widely adopted.	1	2	3	4	5
15	There is political interference (government intervention) in the economic activities of Libyan listed companies.	1	2	3	4	5
16	The economic and political situation in Libya adversely affects CG practice.	1	2	3	4	5

Section Three: Accountability

Q7:	**Perception and Practice of Accountability** Please indicate your level of agreement with the following statements by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	Those in authority must be accountable and able to clarify and justify the actions taken on behalf of stakeholders.	1	2	3	4	5
2	Accountability is practised and discharged in all Libyan listed companies.	1	2	3	4	5
3	Libyan listed companies commit to accountability as one way of fulfilling their responsibilities towards Libyan society.	1	2	3	4	5
4	The existence of effective mechanisms of accountability in the LSM inspires confidence in investors and stakeholders alike.	1	2	3	4	5
5	All relevant parties (stakeholders) with Libyan listed companies practise accountability upon these companies.	1	2	3	4	5
6	Libyan listed companies' boards of directors, executive managers and employees are accountable for the consequences of their actions.	1	2	3	4	5
7	Adopting a good CG makes Libyan listed companies to discharge their accountability.	1	2	3	4	5

- Please feel free to make any other comments that you think are relevant to CG and accountability practices in Libyan listed companies:

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Appendix II: Questionnaire Survey – External Stakeholders (English)

An Investigation into Corporate Governance (CG) and Accountability Practices: Evidence from Libyan Listed Companies

Ismail Salem Elshahoubi
PhD Student
Henley Business School

Supervised by:

Professor Jill Atkins
Professor of Accounting
Director of Research for BISA
Henley Business School

2015

Section One: Demographic Information

A) Please indicate your job by ticking (✓) in the appropriate place (please choose one):

• External Auditor		• Academic Staff	
• Financial Analyst		• Broker	
• Financial Consultant		• Regulator	
• *(Other)* Please Specify…….			

B) Please tick (✓) in the appropriate place according to your level of academic qualification:

• PhD		• Master	
• First degree		• *(Other)* Please specify…................	

C) Please tick (✓) in the appropriate place according to the place where you studied

• Libya		• The US	
• Other Arab Countries		• The UK	
• *(Other)* Please specify………			

D) Please tick (✓) in the appropriate place according to the number of years of experience:

• Less than one year		• From 1 year up to less than 5 years	
• From 5 years up to less than 10 years		• From 5 years up to less than 10 years	
• From 10 years up to less than 15 years		• More than 15 years	

Section Two: Corporate Governance (CG)

Q1:	Please indicate to what extent you agree that the following Arabic terms are suitable translations for the English term *Corporate Governance* by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	Hawkamat Alsharekat	1	2	3	4	5
2	Aledarah Alrashedah	1	2	3	4	5
3	Edart Tandheem wa Murakabat Alsharekat	1	2	3	4	5
4	Alhakemia Almoassasatia	1	2	3	4	5

Q2:	**Definition of Corporate Governance (CG)** Please indicate to what extent you agree with the following definitions by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	CG is the system through which a company is directed and controlled.	1	2	3	4	5
2	CG is used to regulate the relationship between a company and its shareholders.	1	2	3	4	5
3	CG is used to regulate the relationship between a company and the different stakeholders who are affected by and affect the activities and decisions of the company.	1	2	3	4	5
4	CG is the monitoring and supervision of a company's management to ensure it is working in the interests of the shareholders.	1	2	3	4	5
5	CG is a set of regulations, rules, procedures and cultures that enable a company to perform successfully.	1	2	3	4	5

Q3:	**Importance and Awareness of Corporate Governance (CG)** Please indicate to what extent you agree with the following statements by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	CG is important for Libyan listed companies.	1	2	3	4	5
2	The implementation of CG gives confidence to shareholders.	1	2	3	4	5
3	There is sufficient awareness of CG issues in the Libyan environment.	1	2	3	4	5
4	Libyan listed companies follow the international developments in the area of CG.	1	2	3	4	5

Q4	Compliance with Corporate Governance (CG) Mechanisms					
Q4.1	**The Board of Directors Mechanism** Please indicate your level of agreement with the following statements concerning the duties, responsibilities and composition of the board of directors and its committees by choosing a score from (1) strongly disagree to (5) strongly agree.					
	▪ **Duties of the Board of Directors**					
1	The Board of Directors endorses the strategic direction and main objectives of the company and supervises their implementation.	1	2	3	4	5
2	The Board of Directors sets up and supervises systems of internal control.	1	2	3	4	5
3	The Board of Directors sets out specific and clear policies, standards and procedures for the membership of the Board of Directors.	1	2	3	4	5
4	The Board of Directors sets out a clear written policy governing the relations between stakeholders in order to protect their interests and preserve their rights.	1	2	3	4	5
5	The Board of Directors sets up policies and procedures to ensure that the company's rules and regulations, as well as its commitment to disclose essential information to shareholders, creditors and other stakeholders, are respected.	1	2	3	4	5
	▪ **Responsibilities of the Board of Directors**					
1	The Board of Directors has the full authority and power to monitor the operations of the company's management in general and monitor the executives in particular.	1	2	3	4	5
2	The Board of Directors carries out its duties seriously and attentively and ensures its decisions are based on adequate information from the executive departments.	1	2	3	4	5
3	The members of the Board of Directors represent the majority of the shareholders and are committed to serving the company's interests generally.	1	2	3	4	5
4	The Board of Directors determines the authority delegated to the executive management, the executive decision-making procedures and the authorisation period.	1	2	3	4	5
5	The Board of Directors takes into account the interests of stakeholders when making strategic decisions.	1	2	3	4	5
6	Board members devote enough time to undertake their responsibilities and to prepare for the meetings of the board.	1	2	3	4	5
	▪ **The Composition of the Board of Directors**					
1	Boards in Libyan listed companies have no fewer than three members and no more than eleven.	1	2	3	4	5
2	The general assemblies have criteria for appointing the board members in Libyan listed companies and the period for their appointment is no longer than three years.	1	2	3	4	5

3	The majority of board members in Libyan listed companies are non-executive members.	1	2	3	4	5
4	In Libyan listed companies, at least two board members or one third of the board (whichever is greater) are independent.	1	2	3	4	5
	▪ **The Board of Directors' Committees**					
1	Audit committees in Libyan listed companies are completely independent.	1	2	3	4	5
2	Audit committees in Libyan listed companies are formed from non-executive directors and have no fewer than three members.	1	2	3	4	5
3	The general assembly in a Libyan listed company determines the rules for selecting the members of the audit committee, the duration of their membership and the committee's method of working based on the suggestions of the Board of Directors.	1	2	3	4	5
4	*In practice, the functions and responsibilities of the audit committee in Libyan listed companies include the following:*					
	A. Directly supervising the internal audit of the company's management and verifying its effectiveness.	1	2	3	4	5
	B. Examining the internal control system of the company and producing a written report giving opinions and recommendations.	1	2	3	4	5
	C. Making recommendations to the Board of Directors regarding the appointment of the external auditor and sequestration, and the determining of fees.	1	2	3	4	5
	D. Checking the annual financial statements before referring them to the Board of Directors.	1	2	3	4	5
	E. Checking administrative and accounting policies and making recommendations where necessary to the Board of Directors.	1	2	3	4	5
5	The Board of Directors determines the functions of each committee, its period of operation and the powers granted to it.	1	2	3	4	5
6	The members of nomination and remuneration committees in Libyan listed companies are selected based on the suggestions of the Board of Directors.	1	2	3	4	5
7	*In practice, the duties and responsibilities of nomination and remuneration committees in Libyan listed companies include the following:*					
	A. Annually reviewing the skills required of board members.	1	2	3	4	5
	B. Identifying the strengths and weaknesses of the Board of Directors and taking steps to improve it in line with the company's interests.	1	2	3	4	5
	C. Recommending candidates to the Board of Directors in accordance with approved policies and standards.	1	2	3	4	5
	D. Setting clear policies for the compensation and remuneration of directors and senior executives.	1	2	3	4	5

Q4.1.1: Please indicate whether these committees exist in Libyan listed companies by choosing *Yes* or *No.* Then indicate to what extent you agree that they are important in these listed companies by choosing a score from (1) strongly disagree to (5) strongly agree.							
Board Committee	**Does it exist?**		**Is it important?**				
	Yes	No	1	2	3	4	5
Audit committee							
Nomination committee							
Remuneration committee							
Risk committee							
Corporate governance (CG) committee							
Shariah committee							

Q4.2	**Disclosure and Transparency Mechanism** Please indicate your level of agreement with the following statements by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	Libyan listed companies have written disclosure policies, endorsed by the Board of Directors, to ensure that disclosure arrangements comply with the requirements of the regulatory authorities.	1	2	3	4	5
2	Directors in Libyan listed companies disclose any personal interest they may have in other companies and any transactions that might affect the company.	1	2	3	4	5
3	In their annual reports, Libyan listed companies disclose the meetings of the Board of Directors.	1	2	3	4	5
4	Libyan listed companies disclose the results of the annual audit assessing the efficiency and effectiveness of internal control procedures.	1	2	3	4	5
5	Libyan listed companies disclose both financial and of non-financial data in their annual reports.	1	2	3	4	5
6	Libyan listed companies disclose what has and what has not been applied in respect of the rules on CG.	1	2	3	4	5
7	Libyan listed companies disclose their policies and programmes concerning the local community and the environment.	1	2	3	4	5
8	Libyan listed companies use their websites to promote disclosure and transparency as well as to provide appropriate information for investors and others.	1	2	3	4	5

Q4.3	**Internal and External Audit Mechanisms** Please indicate your level of agreement with the following statements by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	Internal control systems in Libyan listed companies are effective.	1	2	3	4	5
2	Internal auditors provide a quarterly report to the Board of Directors and the audit committee describing the extent of the company's compliance with the laws and rules that regulate its activities.	1	2	3	4	5
3	The Board of Directors determines the objectives, functions and terms of reference of the internal audit in Libyan listed companies.	1	2	3	4	5
4	Listed companies choose an external auditor registered in the Libyan Stock Market (LSM) to review their financial statements.	1	2	3	4	5
5	The external auditor undertakes no additional work for the company under review (e.g. providing consulting or administrative services).	1	2	3	4	5

Q4.4	**Shareholders' Rights Mechanism** Please indicate your level of agreement with the following statements by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	The statutes of Libyan listed companies and their internal regulations contain the necessary procedures to ensure all shareholders' rights are upheld.	1	2	3	4	5
2	Shareholders in Libyan listed companies are entitled to attend the general assembly's meetings, participate in its deliberations and vote on its decisions.	1	2	3	4	5
3	Shareholders in Libyan listed companies have the right to ask for any information, as long as this does not breach financial regulations or damage the interests of the company.	1	2	3	4	5
4	Information is provided to shareholders without discrimination, regardless of whether they are majority or minority shareholders.	1	2	3	4	5
5	General assembly meeting agendas take into consideration the issues that shareholders want to discuss.	1	2	3	4	5
6	There is a clear policy from the Board of Directors regarding the distribution of dividends, and shareholders have the right to see this policy during the general assembly meeting.	1	2	3	4	5
7	Shareholders' legal rights are respected by Libyan listed companies.	1	2	3	4	5

Q5:	**Legal and Regulatory Framework of CG and Accountability** Please indicate your level of agreement with the following statements by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	The laws and regulations in Libya are effective and sufficient and provide a suitable environment for CG practices.	1	2	3	4	5
2	The laws and regulations in Libya are effective and sufficient and provide a suitable environment for accountability practices.	1	2	3	4	5
3	Legislative bodies and the LSMA play an effective role in the supervision and control of CG and accountability practices in Libyan listed companies.	1	2	3	4	5
4	Libyan listed companies adhere to the laws and regulations in force in the LSM.	1	2	3	4	5
5	The Libyan Corporate Governance Code (LCGC) should be mandatory for all Libyan listed companies.	1	2	3	4	5
6	There is an urgent need for the establishment of an independent body to oversee CG issues in Libya.	1	2	3	4	5
7	Libyan listed companies that do not comply with the LCGC should be de-listed.	1	2	3	4	5

Q6:	**Factors influencing the Practices of CG and Accountability** Please indicate your level of agreement with the following statements by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	There is administrative and financial corruption in some Libyan listed companies.	1	2	3	4	5
2	There is weakness in terms of the independence of the external auditor.	1	2	3	4	5
3	There are weaknesses in the administrative and legal environment for listed companies.	1	2	3	4	5
4	There is a lack of knowledge about CG in listed companies.	1	2	3	4	5
5	The mechanisms protecting the rights of stakeholders are weak.	1	2	3	4	5
6	There are limited training programmes for directors with respect to CG.	1	2	3	4	5
7	Accountability mechanisms in general are weak.	1	2	3	4	5
8	There is a weak investment climate in the LSM.	1	2	3	4	5
9	The Libyan Stock Market Authority (LSMA) is inefficient.	1	2	3	4	5
10	The principles of CG are incompatible with the interests of joint stock companies.	1	2	3	4	5

11	Boards of Directors in Libyan listed companies lack diversity.	1	2	3	4	5
12	The implementation of CG in listed companies takes a long time.	1	2	3	4	5
13	There is a limited number of listed companies in the LSM.	1	2	3	4	5
14	International accounting and auditing standards are not widely adopted.	1	2	3	4	5
15	There is political interference (government intervention) in the economic activities of Libyan listed companies.	1	2	3	4	5
16	The economic and political situation in Libya adversely affects CG practice.	1	2	3	4	5

Section Three: Accountability

Q7:	**Perception and Practice of Accountability** Please indicate your level of agreement with the following statements by choosing a score from (1) strongly disagree to (5) strongly agree.					
1	Those in authority must be accountable and able to clarify and justify the actions taken on behalf of stakeholders.	1	2	3	4	5
2	Accountability is practised and discharged in all Libyan listed companies.	1	2	3	4	5
3	Libyan listed companies commit to accountability as one way of fulfilling their responsibilities towards Libyan society.	1	2	3	4	5
4	The existence of effective mechanisms of accountability in the LSM inspires confidence in investors and stakeholders alike.	1	2	3	4	5
5	All relevant parties (stakeholders) with Libyan listed companies practise accountability upon these companies.	1	2	3	4	5
6	Libyan listed companies' boards of directors, executive managers and employees are accountable for the consequences of their actions.	1	2	3	4	5
7	Adopting a good CG makes Libyan listed companies to discharge their accountability.	1	2	3	4	5

- Please feel free to make any other comments that you think are relevant to CG and accountability practices in Libyan listed companies:

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Appendix III: Questionnaire Survey – Internal Stakeholders (Arabic)

التحقق من ممارسات حوكمة الشركات والمساءلة في الشركات الليبية المدرجة

(إستمارة إستبيان – أصحاب المصالح الداخليين)

إسماعيل سالم الشهوبي
طالب دكتوراه
Henley Business School

Supervised by:

Professor Jill Atkins
Professor of Accounting
Director of Research for BISA
Henley Business School

2015

University of Reading

الأخ المحترم، ، ،

السلام عليكم ورحمة الله وبركاته

أفيدكم بأني أقوم حالياً بتحضير درجة الدكتوراه في جامعة ريدنق بالمملكة المتحدة وذلك عن ممارسات حوكمة الشركات والمساءلة Corporate Governance and Accountability في الشركات الليبية المدرجة في سوق المال الليبي، بإشراف الدكتورة إليزابيتا باروني والبروفيسور جيل أثكنس، وكجزء هام من الدراسة التطبيقية للبحث أقوم بمسح استبياني بهدف التعرف على آراء الأطراف ذات الصلة بالشركات الليبية المدرجة حول المواضيع المتعلقة بحوكمة الشركات والمساءلة وممارساتها في بيئة الأعمال الليبية.

ولعلمي التام بإيمانكم بأهمية ودعم وتشجيع البحث العلمي ودوره في تطوير الفرد والمجتمع، فإنني أرجو منكم التكرم بالإجابة على أسئلة الاستبيان المرفقة، كما لا يفوتني التنويه على أهمية عدم التردد في إظهار وجهة نظركم في مختلف القضايا المطروحة وذلك لأهمية التعرف على الواقع الفعلي لممارسات حوكمة الشركات والمساءلة في البيئة الليبية.

كما أؤكد لكم بأن إجاباتكم ستعامل بمنتهى السرية ولن تستخدم إلا لأغراض البحث العلمي فقط، وفي حال رغبتكم في الحصول على ملخص لنتائج الدراسة عند انتهائها فإنه يسرني إرساله إليكم بالطريقة التي تفضلونها. وأخيراً لا يسعني إلا أن أشكركم جزيل الشكر مقدراً حسن تعاونكم وإنفاق جزء من وقتكم الثمين للإجابة على أسئلة الاستبيان.

إسماعيل سالم الشهوبي

طالب دكتوراه – محاسبة

00218945655186

00447459673741

القسم الأول: معلومات ديموغرافية

- الرجاء وضع علامة (✓) أمام المكان المناسب طبقاً لوظيفتك (يرجى اختيار واحدة فقط)

▪ رئيس مجلس إدارة تنفيذي		▪ عضو مجلس إدارة تنفيذي	
▪ رئيس مجلس إدارة غير تنفيذي		▪ عضو مجلس إدارة غير تنفيذي	
▪ مدير تنفيذي		▪ موظف	
▪ مدير غير تنفيذي		▪ أخرى (رجاءاً حدد)	

- الرجاء وضع علامة (✓) أمام المكان المناسب وفقاً للمؤهل العلمي

▪ دكتوراه	
▪ ماجستير	
▪ بكالوريوس	
▪ أخرى (رجاءاً حدد)	

- الرجاء وضع علامة (✓) أمام المكان الذي درست فيه

▪ ليبيا		▪ الولايات المتحدة	
▪ دول عربية أخرى		▪ أخرى (رجاءاً حدد)	
▪ بريطانيا			

- الرجاء وضع علامة (✓) أمام المكان المناسب وفقاً لعدد سنوات الخبرة في مجال العمل

▪ أقل من سنة		▪ من 10 إلى أقل من 15 سنة	
▪ من سنة إلى أقل من 5 سنوات		▪ أكثر من 15 سنة	
▪ من 5 إلى أقل من 10 سنوات			

- الرجاء وضع علامة (✓) أمام القطاع الذي تنتمي إليه الشركة

▪ القطاع المصرفي		▪ القطاع الخدمي	
▪ القطاع الصناعي		▪ قطاع التأمين	

القسم الثاني: حوكمة الشركات وآلياتها

- الرجاء الإجابة على أسئلة الاستبيان التالية بوضع دائرة حول درجة الموافقة الملائمة حيث أن:

(1= غير موافق بشدة، 2= غير موافق، 3= غير متأكد، 4= موافق، 5 = موافق بشدة)

س1	يرجى الإشارة إلى أي مدى توافق على أن المصطلحات العربية التالية هي ترجمة مناسبة لحوكمة الشركات "Corporate Governance"					
1	حوكمة الشركات	1	2	3	4	5
2	الإدارة الرشيدة	1	2	3	4	5
3	إدارة تنظيم ومراقبة الشركات	1	2	3	4	5
4	الحاكمية المؤسساتية	1	2	3	4	5

(1= غير موافق بشدة، 2= غير موافق، 3= غير متأكد، 4= موافق، 5 = موافق بشدة)

س2	▪ **تعريف حوكمة الشركات** يرجى الإشارة إلى أي مدى توافق على أن مصطلح حوكمة الشركات "Corporate Governance" يشير إلى:					
1	النظام الذي يتم من خلاله توجيه ومراقبة الشركة	1	2	3	4	5
2	الإجراءات التي تستخدم لتنظيم العلاقة بين الشركة ومساهميها	1	2	3	4	5
3	النظام الذي يستخدم لتنظيم العلاقة بين الشركة وأصحاب المصالح الذين يتأثرون ويؤثرون على أنشطة وقرارات الشركة	1	2	3	4	5
4	المراقبة والإشراف على إدارة الشركة للتأكد من أنها تعمل لمصلحة المساهمين	1	2	3	4	5
5	مجموعة من الأنظمة والقواعد والإجراءات والثقافات التي تؤدي إلى نجاح عمليات الشركة	1	2	3	4	5

(1= غير موافق بشدة، 2= غير موافق، 3= غير متأكد، 4= موافق، 5 = موافق بشدة)

س3	▪ **أهمية وإدراك حوكمة الشركات** يرجى الإشارة إلى أي مدى تتفق مع العبارات التالية:					
1	حوكمة الشركات مهمة للشركات الليبية المدرجة في سوق المال الليبي	1	2	3	4	5
2	ممارسات حوكمة الشركات تعطي الثقة للمساهمين	1	2	3	4	5
3	هناك وعي وإدراك كاف بالقضايا المتعلقة بحوكمة الشركات في البيئة الليبية	1	2	3	4	5
4	الشركات الليبية المدرجة تتابع التطورات الدولية في مجال حوكمة الشركات	1	2	3	4	5

(1- غير موافق بشدة 2- غير موافق 3- غير متأكد 4- موافق 5 - موافق بشدة)

س4	**الإلتزام بآليات حوكمة الشركات** ▪ **آلية مجلس الإدارة** يرجى الإشارة إلى أي مدى توافق على العبارات التالية المتعلقة بواجبات، مسؤوليات، تكوين ولجان مجلس الإدارة					
	▪ **واجبات مجلس الإدارة**					
1	مجلس الإدارة يعتمد التوجهات الإستراتيجية والأهداف الرئيسية للشركة والإشراف على تنفيذها	1	2	3	4	5
2	مجلس الإدارة يقوم بوضع أنظمة الرقابة الداخلية والإشراف عليها	1	2	3	4	5
3	مجلس الإدارة يحدد سياسات ومعايير وإجراءات واضحة لعضوية مجلس الإدارة	1	2	3	4	5
4	مجلس الإدارة يضع سياسات مكتوبة واضحة تحكم العلاقات بين أصحاب المصالح من أجل حماية مصالحهم والحفاظ على حقوقهم	1	2	3	4	5
5	مجلس الإدارة يضع السياسات والإجراءات التي تضمن احترام الشركة للأنظمة واللوائح والتزامها بالإفصاح عن المعلومات الجوهرية للمساهمين وأصحاب المصالح	1	2	3	4	5
	▪ **مسؤوليات مجلس الإدارة**					
1	مجلس الإدارة لديه السلطة الكاملة والقدرة على مراقبة عمليات إدارة الشركة بشكل عام ومراقبة المديرين التنفيذيين على وجه الخصوص	1	2	3	4	5
2	مجلس الإدارة يؤدي مهامه على محمل الجد وبانتباه وكذلك قراراته مبنية على معلومات وافية من الإدارات التنفيذية	1	2	3	4	5
3	يمثل أعضاء مجلس الإدارة أغلبية المساهمين وملتزمين بخدمة مصالح الشركة عموماً	1	2	3	4	5
4	مجلس الإدارة يحدد الصلاحيات المخولة للإدارة التنفيذية وإجراءات اتخاذ القرارات التنفيذية وكذلك مدة التفويض	1	2	3	4	5
5	مجلس الإدارة يأخذ بعين الاعتبار مصالح أصحاب المصلحة عند اتخاذ القرارات الإستراتيجية	1	2	3	4	5
6	أعضاء مجلس الإدارة لديهم الوقت الكافي للقيام بمسؤولياتهم والتحضير لاجتماعات المجلس	1	2	3	4	5
	▪ **تركيبة (تشكيل) مجلس الإدارة**					
1	مجالس الإدارة في الشركات الليبية المدرجة لا يقل عن ثلاثة أعضاء ولا يزيد عن إحدى عشر عضو	1	2	3	4	5
2	الجمعيات العمومية لديها معايير لتعيين أعضاء مجالس الإدارة في الشركات الليبية المدرجة والمدة المنصوص عليها لتعيين أعضاء المجلس لا تتجاوز الثلاث سنوات	1	2	3	4	5
3	غالبية أعضاء مجلس الإدارة في الشركات الليبية المدرجة من الأعضاء غير التنفيذيين	1	2	3	4	5
4	في الشركات الليبية المدرجة لا يقل أعضاء مجلس الإدارة المستقلين عن عضوين أو ثلث أعضاء المجلس أيهما أكثر	1	2	3	4	5

	▪ **لجان مجلس الإدارة**					
1	لجان المراجعة في الشركات الليبية المدرجة مستقلة تماما	1	2	3	4	5
2	لجان المراجعة في الشركات الليبية المدرجة تتألف من الأعضاء غير التنفيذيين ولا يقل عددهم عن ثلاثة أعضاء	1	2	3	4	5
3	الجمعية العامة في الشركات الليبية المدرجة تحدد قواعد اختيار أعضاء لجنة المراجعة ومدة عضويتهم وأسلوب عمل اللجنة بناءا على إقتراح مجلس الإدارة	1	2	3	4	5
4	*في الممارسة العملية، مهام ومسؤوليات لجنة المراجعة في الشركات الليبية المدرجة تشمل ما يلي:*					
أ	الإشراف المباشر على إدارة المراجعة الداخلية بالشركة والتحقق من فعاليتها	1	2	3	4	5
ب	فحص نظام الرقابة الداخلية للشركة وإعداد تقرير كتابي يتضمن آراء وتوصيات	1	2	3	4	5
ج	تقديم توصيات لمجلس الإدارة فيما يتعلق بتعيين مراجع الحسابات الخارجي وعزله وتحديد أتعابه	1	2	3	4	5
د	فحص القوائم المالية السنوية قبل عرضها على مجلس إدارة الشركة	1	2	3	4	5
ه	فحص السياسات الإدارية والمحاسبية وتقديم التوصيات بشأنها عند الاقتضاء إلى مجلس الإدارة	1	2	3	4	5
5	مجلس الإدارة في الشركات الليبية المدرجة يحدد مهام كل لجنة، وفترة عملها والصلاحيات الممنوحة لها	1	2	3	4	5
6	يتم اختيار أعضاء لجان الترشيح والمكافآت في الشركات الليبية المدرجة بناء على اقتراحات مجلس الإدارة	1	2	3	4	5
7	*في الممارسة العملية، واجبات ومسؤوليات لجان الترشيح والمكافآت في الشركات الليبية المدرجة تشمل ما يلي:*					
أ	المراجعة السنوية للاحتياجات المطلوبة من المهارات المناسبة لعضوية مجلس الإدارة	1	2	3	4	5
ب	التعرف على نقاط القوة والضعف في مجلس الإدارة واتخاذ الخطوات اللازمة لتحسينه بما يتماشى مع مصالح الشركة	1	2	3	4	5
ج	توصية المرشحين لمجلس الإدارة وفقاً للسياسات والمعايير المعتمدة	1	2	3	4	5
د	وضع سياسات واضحة لتعويضات ومكافآت أعضاء مجلس الإدارة وكبار التنفيذيين	1	2	3	4	5

(1=غير هام جدا 2= غير هام 3= غير متأكد 4= هام 5 = هام جدا)

	▪ يرجى الإشارة إلى أي مدى تعتقد بأهمية وجود اللجان التالية في شركتك المدرجة؟ وما مدى وجود هذه اللجان؟							
	اللجنــــــة	**وجــود اللجنــة**		**أهمية وجود اللجنــة في الشركة**				
أ	لجنة المراجعة	نعم	لا	1	2	3	4	5
ب	لجنة الترشيحات	نعم	لا	1	2	3	4	5
ج	لجنة التعويضات أو المكافآت	نعم	لا	1	2	3	4	5
د	لجنة المخاطر	نعم	لا	1	2	3	4	5
ه	لجنة الحوكمة	نعم	لا	1	2	3	4	5
و	اللجنة الشرعية	نعم	لا	1	2	3	4	5

(1- غير موافق بشدة 2- غير موافق 3- غير متأكد 4- موافق 5 - موافق بشدة)

	▪ **آلية الإفصاح والشفافية** يرجى الإشارة إلى أي مدى توافق على العبارات التالية المتعلقة بآلية الإفصاح والشفافية					
1	الشركات الليبية المدرجة لها سياسات إفصاح مكتوبة معتمدة من مجلس الإدارة لضمان توافقها مع متطلبات الجهات الرقابية	1	2	3	4	5
2	المدراء في الشركات الليبية المدرجة يفصحون عن أي مصلحة شخصية قد تكون لديهم في شركات أخرى وأي المعاملات قد تؤثر على الشركة	1	2	3	4	5
3	الشركات الليبية المدرجة تفصح عن اجتماعات مجلس الإدارة في تقاريرها السنوية	1	2	3	4	5
4	الشركات الليبية المدرجة تفصح عن نتائج المراجعة السنوية لتقييم كفاءة وفعالية إجراءات الرقابة الداخلية	1	2	3	4	5
5	الشركات الليبية المدرجة تفصح عن كل من البيانات المالية وغير المالية في تقاريرها السنوية	1	2	3	4	5
6	الشركات الليبية المدرجة تفصح عن ما تم تطبيقه وما لم يطبق فيما يتعلق بقواعد وآليات حوكمة الشركات	1	2	3	4	5
7	الشركات الليبية المدرجة تفصح عن سياساتها وبرامجها فيما يتعلق بالمجتمع والبيئة	1	2	3	4	5
8	الشركات الليبية المدرجة تستخدم مواقعها على شبكة الإنترنت لتعزيز الإفصاح والشفافية، وكذلك لتوفير المعلومات المناسبة للمستثمرين وغيرهم	1	2	3	4	5

(1- غير موافق بشدة 2- غير موافق 3- غير متأكد 4- موافق 5 - موافق بشدة)

	▪ **آليات المراجعة الداخلية والخارجية** يرجى الإشارة إلى أي مدى توافق على العبارات التالية المتعلقة بآليات المراجعة الداخلية والخارجية					
1	نظم الرقابة الداخلية في الشركات الليبية المدرجة فعالة	1	2	3	4	5
2	يقدم المراجعين الداخليين بالشركات الليبية المدرجة تقرير ربع سنوي لمجلس الإدارة ولجنة المراجعة يصف مدى التزام الشركة بالقوانين والقواعد التي تنظم أنشطتها	1	2	3	4	5
3	مجلس الإدارة يحدد أهداف ومهام واختصاصات المراجعة الداخلية في الشركات الليبية المدرجة	1	2	3	4	5
4	الشركات الليبية المدرجة تختار المراجع الخارجي المعتمد في سوق المال الليبي لمراجعة قوائمها المالية	1	2	3	4	5
5	يتعهد المراجع الخارجي عن عدم مزاولة أي عمل إضافي للشركة قيد المراجعة (على سبيل المثال تقديم الاستشارات والخدمات الإدارية)	1	2	3	4	5

(1- **غير موافق بشدة** 2- **غير موافق** 3- **غير متأكد** 4- **موافق** 5 - **موافق بشدة**)

	▪ **آلية حقوق المساهمين** يرجى الإشارة إلى أي مدى توافق على العبارات التالية المتعلقة بآلية حقوق المساهمين					
1	النظام الأساسي للشركات الليبية المدرجة وأنظمتها الداخلية تتضمن الإجراءات اللازمة لضمان الحفاظ على حقوق جميع المساهمين	1	2	3	4	5
2	المساهمين في الشركات الليبية المدرجة يحق لهم لحضور اجتماعات الجمعية العمومية، والمشاركة في مداولاتها والتصويت على قراراتها	1	2	3	4	5
3	المساهمين في الشركات الليبية المدرجة لهم الحق في طلب أي معلومات لطالما لا يعارض اللوائح المالية أو الإضرار بمصالح الشركة	1	2	3	4	5
4	يتم توفير معلومات للمساهمين دون تمييز بغض النظر عما إذا كانت هناك أغلبية أو أقلية للمساهمين	1	2	3	4	5
5	جداول أعمال اجتماعات الجمعية العمومية في الشركات الليبية المدرجة تأخذ بعين الاعتبار القضايا التي يريد المساهمين مناقشتها	1	2	3	4	5
6	هناك سياسة واضحة من مجلس الإدارة بشأن توزيع أرباح الأسهم، والمساهمين لديها الحق في الاطلاع على هذه السياسة خلال اجتماع الجمعية العمومية	1	2	3	4	5
7	الحقوق القانونية للمساهمين محترمة من قبل الشركات الليبية المدرجة	1	2	3	4	5

(1- **غير موافق بشدة** 2- **غير موافق** 3- **غير متأكد** 4- **موافق** 5 - **موافق بشدة**)

س5	▪ **الإطار القانوني والتنظيمي لحوكمة الشركات والمساءلة** يرجى الإشارة إلى أي مدى توافق على العبارات التالية المتعلقة بالإطار القانوني والتنظيمي لحوكمة الشركات والمساءلة					
1	القوانين واللوائح في ليبيا فعالة وكافية وتوفر بيئة مناسبة لممارسات حوكمة الشركات	1	2	3	4	5
2	القوانين واللوائح في ليبيا فعالة وكافية وتوفر بيئة مناسبة لممارسات المساءلة	1	2	3	4	5
3	الهيئات التشريعية وهيئة سوق المال الليبي تلعب دوراً فعالا في الإشراف والرقابة على ممارسات حوكمة الشركات والمساءلة في الشركات الليبية المدرجة	1	2	3	4	5
4	الشركات الليبية المدرجة تلتزم بالقوانين والأنظمة المعمول بها في سوق المال الليبي	1	2	3	4	5
5	ينبغي أن يكون قانون حوكمة الشركات الليبي إلزامياً لجميع الشركات الليبية المدرجة	1	2	3	4	5
6	هناك حاجة ملحة لإنشاء هيئة مستقلة للإشراف على قضايا حوكمة الشركات في سوق المال الليبي	1	2	3	4	5
7	الشركات الليبية المدرجة التي لا تلتزم بتطبيق لائحة حوكمة الشركات يجب أن تشطب من قائمة الشركات المدرجة في سوف المال الليبي	1	2	3	4	5

(1- غير موافق بشدة 2- غير موافق 3- غير متأكد 4- موافق 5 - موافق بشدة)

س6	■ **العوائق (الحواجز) التي تحول دون تطبيق حوكمة الشركات والمساءلة** يرجى الإشارة إلى أي مدى توافق على العبارات التالية المتعلقة بالعوائق (الحواجز) التي تحول دون تطبيق حوكمة الشركات والمساءلة في الشركات الليبية المدرجة					
1	هناك فساد إداري ومالي في بعض الشركات الليبية المدرجة	1	2	3	4	5
2	هناك ضعف من حيث استقلالية مراجع الحسابات الخارجي	1	2	3	4	5
3	ضعف البيئة الإدارية والقانونية في الشركات الليبية المدرجة	1	2	3	4	5
4	عدم الإلمام (ضعف المعرفة) بحوكمة الشركات في الشركات الليبية المدرجة	1	2	3	4	5
5	آليات حماية حقوق أصحاب المصالح ضعيفة	1	2	3	4	5
6	محدودية البرامج التدريبية للمدراء فيما يتعلق بممارسات حوكمة الشركات	1	2	3	4	5
7	آليات المساءلة بشكل عام ضعيفة	1	2	3	4	5
8	ضعف المناخ الاستثماري في سوق المال الليبي	1	2	3	4	5
9	هيئة سوق المال الليبي غير فعالة	1	2	3	4	5
10	تعارض مبادئ حوكمة الشركات مع مصالح الشركات الليبية المدرجة	1	2	3	4	5
11	مجالس الإدارة في الشركات الليبية المدرجة تفتقر إلى التنوع	1	2	3	4	5
12	تنفيذ حوكمة الشركات في الشركات الليبية المدرجة يأخذ وقتاً طويلاً	1	2	3	4	5
13	محدودية الشركات الليبية المدرجة في سوق المال الليبي	1	2	3	4	5
14	عدم الاعتماد على معايير المحاسبة والمراجعة الدولية	1	2	3	4	5
15	التدخل الحكومي (السياسي) في الأنشطة الاقتصادية للشركات الليبية المدرجة	1	2	3	4	5
16	الوضع الاقتصادي والسياسي الليبي يؤثر سلبا على ممارسة حوكمة الشركات والمساءلة	1	2	3	4	5

القسم الثالث: المساءلة

(1- غير موافق بشدة 2- غير موافق 3- غير متأكد 4- موافق 5 - موافق بشدة)

س7	■ **مفهوم وممارسات المساءلة** يرجى الإشارة إلى أي مدى توافق على العبارات التالية المتعلقة بماهية المساءلة					
1	المساءلة هي مطلب من هم في موقع أعلى سلطة رقابية لممارسة المسؤولية لتبرير وتوضيح الإجراءات التي تتخذها نيابة عن أصحاب المصالح	1	2	3	4	5
2	المساءلة ممارسة في الشركات الليبية المدرجة	1	2	3	4	5
3	الشركات الليبية المدرجة تلتزم بالمساءلة كوسيلة للوفاء بمسؤولياتها تجاه المجتمع الليبي	1	2	3	4	5
4	وجود آليات فعالة للمساءلة في سوق المال الليبي يمنح الثقة للمستثمرين والمساهمين على حد سواء	1	2	3	4	5
5	جميع الأطراف ذات الصلة (أصحاب المصالح) مع الشركات الليبية المدرجة تمارس المساءلة على هذه الشركات	1	2	3	4	5

6	مجالس الإداراة، المديرون التنفيذيون والموظفون في الشركات الليبية المدرجة مساءلون عن نتائج تصرفاتهم	1	2	3	4	5
7	تبنى نظام جيد لحوكمة الشركات يجعل الشركات الليبية المدرجة تفي بالمساءلة أمام أصحاب المصالح	1	2	3	4	5

- الرجاء لا تتردد في إبداء أي تعليقات أخرى تعتقد أنها ذات صلة بممارسات حوكمة الشركات والمساءلة في الشركات الليبية المدرجة

كل الشكر والتقدير على حسن تعاونك

إذا رغبت في الحصول على ملخص لنتائج الدراسة يرجى كتابة بريدك الالكتروني

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University of Reading

Appendix IV: Questionnaire Survey – Internal Stakeholders (Arabic)

التحقق من ممارسات حوكمة الشركات والمساءلة في الشركات الليبية المدرجة

(إستمارة إستبيان – أصحاب المصالح الخارجين)

إسماعيل سالم الشهوبي
طالب دكتوراه
Henley Business School

Supervised by:

Professor Jill Atkins
Professor of Accounting
Director of Research for BISA
Henley Business School

2015

الأخ المحترم، ، ،

السلام عليكم ورحمة الله وبركاته

أفيدكم بأني أقوم حالياً بتحضير درجة الدكتوراه في جامعة ريدنق بالمملكة المتحدة وذلك عن ممارسات حوكمة الشركات والمساءلة Corporate Governance and Accountability في الشركات الليبية المدرجة في سوق المال الليبي، بإشراف الدكتورة إليزابيتا باروني والبروفيسور جيل أثكنس، وكجزء هام من الدراسة التطبيقية للبحث أقوم بمسح استبياني بهدف التعرف على آراء الأطراف ذات الصلة بالشركات الليبية المدرجة حول المواضيع المتعلقة بحوكمة الشركات والمساءلة وممارساتها في بيئة الأعمال الليبية.

ولعلمي التام بإيمانكم بأهمية ودعم وتشجيع البحث العلمي ودوره في تطوير الفرد والمجتمع، فإنني أرجو منكم التكرم بالإجابة على أسئلة الاستبيان المرفقة، كما لا يفوتني التنويه على أهمية عدم التردد في إظهار وجهة نظركم في مختلف القضايا المطروحة وذلك لأهمية التعرف على الواقع الفعلي لممارسات حوكمة الشركات والمساءلة في البيئة الليبية.

كما أؤكد لكم بأن إجاباتكم ستعامل بمنتهى السرية ولن تستخدم إلا لأغراض البحث العلمي فقط، وفي حال رغبتكم في الحصول على ملخص لنتائج الدراسة عند انتهائها فإنه يسرني إرساله إليكم بالطريقة التي تفضلونها. وأخيراً لا يسعني إلا أن أشكركم جزيل الشكر مقدراً حسن تعاونكم وإنفاق جزء من وقتكم الثمين للإجابة على أسئلة الاستبيان.

إسماعيل سالم الشهوبي

طالب دكتوراه – محاسبة

00218945655186

00447459673741

القسم الأول: معلومات ديموغرافيه

- الرجاء وضع علامة (✓) أمام المكان المناسب طبقاً لوظيفتك (يرجى اختيار واحدة فقط)

▪ مراجع حسابات خارجي		▪ شركة وساطة (سمسار)	
▪ عضو هيئة تدريس		▪ مستشار مالي	
▪ محلل مالي		▪ أخرى (رجاءاً حدد)	

- الرجاء وضع علامة (✓) أمام المكان المناسب وفقاً للمؤهل العلمي

▪ دكتوراه	
▪ ماجستير	
▪ بكالوريوس	
▪ أخرى (رجاءاً حدد)	

- الرجاء وضع علامة (✓) أمام المكان الذي درست فيه

▪ ليبيا		▪ الولايات المتحدة	
▪ دول عربية أخرى		▪ أخرى (رجاءاً حدد)	
▪ بريطانيا			

- الرجاء وضع علامة (✓) أمام المكان المناسب وفقاً لعدد سنوات الخبرة في مجال العمل

▪ أقل من سنة		▪ من 10 إلى أقل من 15 سنة	
▪ من سنة إلى أقل من 5 سنوات		▪ أكثر من 15 سنة	
▪ من 5 إلى أقل من 10 سنوات			

القسم الثاني: حوكمة الشركات وآلياتها

- الرجاء الإجابة على أسئلة الاستبيان التالية بوضع دائرة حول درجة الموافقة الملائمة حيث أن:

(1- **غير موافق بشدة**، 2- **غير موافق**، 3- **غير متأكد**، 4- **موافق**، 5 - **موافق بشدة**)

س1	يرجى الإشارة إلى أي مدى توافق على أن المصطلحات العربية التالية هي ترجمة مناسبة لحوكمة الشركات "Corporate Governance"					
1	حوكمة الشركات	1	2	3	4	5
2	الإدارة الرشيدة	1	2	3	4	5
3	إدارة تنظيم ومراقبة الشركات	1	2	3	4	5
4	الحاكمية المؤسساتية	1	2	3	4	5

(1- **غير موافق بشدة**، 2- **غير موافق**، 3- **غير متأكد**، 4- **موافق**، 5 - **موافق بشدة**)

س2	▪ **تعريف حوكمة الشركات** يرجى الإشارة إلى أي مدى توافق على أن مصطلح حوكمة الشركات "Corporate Governance" يشير إلى:					
1	النظام الذي يتم من خلاله توجيه ومراقبة الشركة	1	2	3	4	5
2	الإجراءات التي تستخدم لتنظيم العلاقة بين الشركة ومساهميها	1	2	3	4	5
3	النظام الذي يستخدم لتنظيم العلاقة بين الشركة وأصحاب المصالح الذين يتأثرون ويؤثرون على أنشطة وقرارات الشركة	1	2	3	4	5
4	المراقبة والإشراف على إدارة الشركة للتأكد من أنها تعمل لمصلحة المساهمين	1	2	3	4	5
5	مجموعة من الأنظمة والقواعد والإجراءات والثقافات التي تؤدي إلى نجاح عمليات الشركة	1	2	3	4	5

(1- **غير موافق بشدة**، 2- **غير موافق**، 3- **غير متأكد**، 4- **موافق**، 5 - **موافق بشدة**)

س3	▪ **أهمية وإدراك حوكمة الشركات** يرجى الإشارة إلى أي مدى تتفق مع العبارات التالية:					
1	حوكمة الشركات مهمة للشركات الليبية المدرجة في سوق المال الليبي	1	2	3	4	5
2	ممارسات حوكمة الشركات تعطي الثقة للمساهمين	1	2	3	4	5
3	هناك وعي وإدراك كاف بالقضايا المتعلقة بحوكمة الشركات في البيئة الليبية	1	2	3	4	5
4	الشركات الليبية المدرجة تتابع التطورات الدولية في مجال حوكمة الشركات	1	2	3	4	5

(1- غير موافق بشدة. 2- غير موافق. 3- غير متأكد. 4- موافق. 5 - موافق بشدة)

س4	**الإلتزام بآليات حوكمة الشركات** ▪ **آلية مجلس الإدارة** يرجى الإشارة إلى أي مدى توافق على العبارات التالية المتعلقة بواجبات، مسؤوليات، تكوين ولجان مجلس الإدارة					
	▪ **واجبات مجلس الإدارة**					
1	مجلس الإدارة يعتمد التوجهات الإستراتيجية والأهداف الرئيسية للشركة والإشراف على تنفيذها	1	2	3	4	5
2	مجلس الإدارة يقوم بوضع أنظمة الرقابة الداخلية والإشراف عليها	1	2	3	4	5
3	مجلس الإدارة يحدد سياسات ومعايير وإجراءات واضحة لعضوية مجلس الإدارة	1	2	3	4	5
4	مجلس الإدارة يضع سياسات مكتوبة واضحة تحكم العلاقات بين أصحاب المصالح من أجل حماية مصالحهم والحفاظ على حقوقهم	1	2	3	4	5
5	مجلس الإدارة يضع السياسات والإجراءات التي تضمن احترام الشركة للأنظمة واللوائح والتزامها بالإفصاح عن المعلومات الجوهرية للمساهمين وأصحاب المصالح	1	2	3	4	5
	▪ **مسؤوليات مجلس الإدارة**					
1	مجلس الإدارة لديه السلطة الكاملة والقدرة على مراقبة عمليات إدارة الشركة بشكل عام ومراقبة المديرين التنفيذيين على وجه الخصوص	1	2	3	4	5
2	مجلس الإدارة يؤدي مهامه على محمل الجد وبانتباه وكذلك قراراته مبنية على معلومات وافية من الإدارات التنفيذية	1	2	3	4	5
3	يمثل أعضاء مجلس الإدارة أغلبية المساهمين وملتزمين بخدمة مصالح الشركة عموماً	1	2	3	4	5
4	مجلس الإدارة يحدد الصلاحيات المخولة للإدارة التنفيذية وإجراءات اتخاذ القرارات التنفيذية وكذلك مدة التفويض	1	2	3	4	5
5	مجلس الإدارة يأخذ بعين الاعتبار مصالح أصحاب المصلحة عند اتخاذ القرارات الإستراتيجية	1	2	3	4	5
6	أعضاء مجلس الإدارة لديهم الوقت الكافي للقيام بمسؤولياتهم والتحضير لاجتماعات المجلس	1	2	3	4	5
	▪ **تركيبة (تشكيل) مجلس الإدارة**					
1	مجالس الإدارة في الشركات الليبية المدرجة لا يقل عن ثلاثة أعضاء ولا يزيد عن إحدى عشر عضو	1	2	3	4	5
2	الجمعيات العمومية لديها معايير لتعيين أعضاء مجالس الإدارة في الشركات الليبية المدرجة والمدة المنصوص عليها لتعيين أعضاء المجلس لا تتجاوز الثلاث سنوات	1	2	3	4	5
3	غالبية أعضاء مجلس الإدارة في الشركات الليبية المدرجة من الأعضاء غير التنفيذيين	1	2	3	4	5
4	في الشركات الليبية المدرجة لا يقل أعضاء مجلس الإدارة المستقلين عن عضوين أو ثلث أعضاء المجلس أيهما أكثر	1	2	3	4	5

	▪ لجان مجلس الإدارة					
1	لجان المراجعة في الشركات الليبية المدرجة مستقلة تماما	1	2	3	4	5
2	لجان المراجعة في الشركات الليبية المدرجة تتألف من الأعضاء غير التنفيذيين ولا يقل عددهم عن ثلاثة أعضاء	1	2	3	4	5
3	الجمعية العامة في الشركات الليبية المدرجة تحدد قواعد اختيار أعضاء لجنة المراجعة ومدة عضويتهم وأسلوب عمل اللجنة بناءا على إقتراح مجلس الإدارة	1	2	3	4	5
4	*في الممارسة العملية، مهام ومسؤوليات لجنة المراجعة في الشركات الليبية المدرجة تشمل ما يلي:*					
أ	الإشراف المباشر على إدارة المراجعة الداخلية بالشركة والتحقق من فعاليتها	1	2	3	4	5
ب	فحص نظام الرقابة الداخلية للشركة وإعداد تقرير كتابي يتضمن آراء وتوصيات	1	2	3	4	5
ج	تقديم توصيات لمجلس الإدارة فيما يتعلق بتعيين مراجع الحسابات الخارجي وعزله وتحديد أتعابه	1	2	3	4	5
د	فحص القوائم المالية السنوية قبل عرضها على مجلس إدارة الشركة	1	2	3	4	5
ه	فحص السياسات الإدارية والمحاسبية وتقديم التوصيات بشأنها عند الاقتضاء إلى مجلس الإدارة	1	2	3	4	5
5	مجلس الإدارة في الشركات الليبية المدرجة يحدد مهام كل لجنة، وفترة عملها والصلاحيات الممنوحة لها	1	2	3	4	5
6	يتم اختيار أعضاء لجان الترشيح والمكافآت في الشركات الليبية المدرجة بناء على اقتراحات مجلس الإدارة	1	2	3	4	5
7	*في الممارسة العملية، واجبات ومسؤوليات لجان الترشيح والمكافآت في الشركات الليبية المدرجة تشمل ما يلي:*					
أ	المراجعة السنوية للاحتياجات المطلوبة من المهارات المناسبة لعضوية مجلس الإدارة	1	2	3	4	5
ب	التعرف على نقاط القوة والضعف في مجلس الإدارة واتخاذ الخطوات اللازمة لتحسينه بما يتماشى مع مصالح الشركة	1	2	3	4	5
ج	توصية المرشحين لمجلس الإدارة وفقاً للسياسات والمعايير المعتمدة	1	2	3	4	5
د	وضع سياسات واضحة لتعويضات ومكافآت أعضاء مجلس الإدارة وكبار التنفيذيين	1	2	3	4	5

(1-غير هام جدا. 2- غير هام. 3- غير متأكد. 4- هام 5 - هام جدا)

	▪ يرجى الإشارة إلى أي مدى تعتقد بأهمية وجود اللجان التالية في الشركات الليبية المدرجة؟ وما مدى وجود هذه اللجان؟							
	اللجنـــــــة	**وجـــود اللجنـــة**		**أهمية وجود اللجنـــة في الشركة**				
أ	لجنة المراجعة	نعم	لا	1	2	3	4	5
ب	لجنة الترشيحات	نعم	لا	1	2	3	4	5
ج	لجنة التعويضات أو المكافآت	نعم	لا	1	2	3	4	5
د	لجنة المخاطر	نعم	لا	1	2	3	4	5
ه	لجنة الحوكمة	نعم	لا	1	2	3	4	5
و	اللجنة الشرعية	نعم	لا	1	2	3	4	5

(1- **غير موافق بشدة** 2- **غير موافق** 3- **غير متأكد** 4- **موافق** 5 - **موافق بشدة**)

	▪ **آلية الإفصاح والشفافية** يرجى الإشارة إلى أي مدى توافق على العبارات التالية المتعلقة بآلية الإفصاح والشفافية					
1	الشركات الليبية المدرجة لها سياسات إفصاح مكتوبة معتمدة من مجلس الإدارة لضمان توافقها مع متطلبات الجهات الرقابية	1	2	3	4	5
2	المدراء في الشركات الليبية المدرجة يفصحون عن أي مصلحة شخصية قد تكون لديهم في شركات أخرى وأي المعاملات قد تؤثر على الشركة	1	2	3	4	5
3	الشركات الليبية المدرجة تفصح عن اجتماعات مجلس الإدارة في تقاريرها السنوية	1	2	3	4	5
4	الشركات الليبية المدرجة تفصح عن نتائج المراجعة السنوية لتقييم كفاءة وفعالية إجراءات الرقابة الداخلية	1	2	3	4	5
5	الشركات الليبية المدرجة تفصح عن كل من البيانات المالية وغير المالية في تقاريرها السنوية	1	2	3	4	5
6	الشركات الليبية المدرجة تفصح عن ما تم تطبيقه وما لم يطبق فيما يتعلق بقواعد وآليات حوكمة الشركات	1	2	3	4	5
7	الشركات الليبية المدرجة تفصح عن سياساتها وبرامجها فيما يتعلق بالمجتمع والبيئة	1	2	3	4	5
8	الشركات الليبية المدرجة تستخدم مواقعها على شبكة الإنترنت لتعزيز الإفصاح والشفافية، وكذلك لتوفير المعلومات المناسبة للمستثمرين وغيرهم	1	2	3	4	5

(1- **غير موافق بشدة** 2- **غير موافق** 3- **غير متأكد** 4- **موافق** 5 - **موافق بشدة**)

	▪ **آليات المراجعة الداخلية والخارجية** يرجى الإشارة إلى أي مدى توافق على العبارات التالية المتعلقة بآليات المراجعة الداخلية والخارجية					
1	نظم الرقابة الداخلية في الشركات الليبية المدرجة فعالة	1	2	3	4	5
2	يقدم المراجعين الداخليين بالشركات الليبية المدرجة تقرير ربع سنوي لمجلس الإدارة ولجنة المراجعة يصف مدى التزام الشركة بالقوانين والقواعد التي تنظم أنشطتها	1	2	3	4	5
3	مجلس الإدارة يحدد أهداف ومهام واختصاصات المراجعة الداخلية في الشركات الليبية المدرجة	1	2	3	4	5
4	الشركات الليبية المدرجة تختار المراجع الخارجي المعتمد في سوق المال الليبي لمراجعة قوائمها المالية	1	2	3	4	5
5	يتعهد المراجع الخارجي عن عدم مزاولة أي عمل إضافي للشركة قيد المراجعة (على سبيل المثال تقديم الاستشارات والخدمات الإدارية)	1	2	3	4	5

(1- غير موافق بشدة 2- غير موافق 3- غير متأكد 4- موافق 5 - موافق بشدة)

	▪ **آلية حقوق المساهمين** يرجى الإشارة إلى أي مدى توافق على العبارات التالية المتعلقة بآلية حقوق المساهمين					
1	النظام الأساسي للشركات الليبية المدرجة وأنظمتها الداخلية تتضمن الإجراءات اللازمة لضمان الحفاظ على حقوق جميع المساهمين	1	2	3	4	5
2	المساهمين في الشركات الليبية المدرجة يحق لهم لحضور اجتماعات الجمعية العمومية، والمشاركة في مداولاتها والتصويت على قراراتها	1	2	3	4	5
3	المساهمين في الشركات الليبية المدرجة لهم الحق في طلب أي معلومات لطالما لا يعارض اللوائح المالية أو الإضرار بمصالح الشركة	1	2	3	4	5
4	يتم توفير معلومات للمساهمين دون تمييز بغض النظر عما إذا كانت هناك أغلبية أو أقلية للمساهمين	1	2	3	4	5
5	جداول أعمال اجتماعات الجمعية العمومية في الشركات الليبية المدرجة تأخذ بعين الاعتبار القضايا التي يريد المساهمين مناقشتها	1	2	3	4	5
6	هناك سياسة واضحة من مجلس الإدارة بشأن توزيع أرباح الأسهم، والمساهمين لديها الحق في الاطلاع على هذه السياسة خلال اجتماع الجمعية العمومية	1	2	3	4	5
7	الحقوق القانونية للمساهمين محترمة من قبل الشركات الليبية المدرجة	1	2	3	4	5

(1- غير موافق بشدة 2- غير موافق 3- غير متأكد 4- موافق 5 - موافق بشدة)

س5	▪ **الإطار القانوني والتنظيمي لحوكمة الشركات والمساءلة** يرجى الإشارة إلى أي مدى توافق على العبارات التالية المتعلقة بالإطار القانوني والتنظيمي لحوكمة الشركات والمساءلة					
1	القوانين واللوائح في ليبيا فعالة وكافية وتوفر بيئة مناسبة لممارسات حوكمة الشركات	1	2	3	4	5
2	القوانين واللوائح في ليبيا فعالة وكافية وتوفر بيئة مناسبة لممارسات المساءلة	1	2	3	4	5
3	الهيئات التشريعية وهيئة سوق المال الليبي تلعب دوراً فعالا في الإشراف والرقابة على ممارسات حوكمة الشركات والمساءلة في الشركات الليبية المدرجة	1	2	3	4	5
4	الشركات الليبية المدرجة تلتزم بالقوانين والأنظمة المعمول بها في سوق المال الليبي	1	2	3	4	5
5	ينبغي أن يكون قانون حوكمة الشركات الليبي إلزامياً لجميع الشركات الليبية المدرجة	1	2	3	4	5
6	هناك حاجة ملحة لإنشاء هيئة مستقلة للإشراف على قضايا حوكمة الشركات في سوق المال الليبي	1	2	3	4	5
7	الشركات الليبية المدرجة التي لا تلتزم بتطبيق لائحة حوكمة الشركات يجب أن تشطب من قائمة الشركات المدرجة في سوف المال الليبي	1	2	3	4	5

(1- غير موافق بشدة 2- غير موافق 3- غير متأكد 4- موافق 5 - موافق بشدة)

س6	▪ **العوائق (الحواجز) التي تحول دون تطبيق حوكمة الشركات والمساءلة** يرجى الإشارة إلى أي مدى توافق على العبارات التالية المتعلقة بالعوائق (الحواجز) التي تحول دون تطبيق حوكمة الشركات والمساءلة في الشركات الليبية المدرجة					
1	هناك فساد إداري ومالي في بعض الشركات الليبية المدرجة	1	2	3	4	5
2	هناك ضعف من حيث استقلالية مراجع الحسابات الخارجي	1	2	3	4	5
3	ضعف البيئة الإدارية والقانونية في الشركات الليبية المدرجة	1	2	3	4	5
4	عدم الإلمام (ضعف المعرفة) بحوكمة الشركات في الشركات الليبية المدرجة	1	2	3	4	5
5	آليات حماية حقوق أصحاب المصالح ضعيفة	1	2	3	4	5
6	محدودية البرامج التدريبية للمدراء فيما يتعلق بممارسات حوكمة الشركات	1	2	3	4	5
7	آليات المساءلة بشكل عام ضعيفة	1	2	3	4	5
8	ضعف المناخ الاستثماري في سوق المال الليبي	1	2	3	4	5
9	هيئة سوق المال الليبي غير فعالة	1	2	3	4	5
10	تعارض مبادئ حوكمة الشركات مع مصالح الشركات الليبية المدرجة	1	2	3	4	5
11	مجالس الإدارة في الشركات الليبية المدرجة تفتقر إلى التنوع	1	2	3	4	5
12	تنفيذ حوكمة الشركات في الشركات الليبية المدرجة يأخذ وقتاً طويلاً	1	2	3	4	5
13	محدودية الشركات الليبية المدرجة في سوق المال الليبي	1	2	3	4	5
14	عدم الاعتماد على معايير المحاسبة والمراجعة الدولية	1	2	3	4	5
15	التدخل الحكومي (السياسي) في الأنشطة الاقتصادية للشركات الليبية المدرجة	1	2	3	4	5
16	الوضع الاقتصادي والسياسي الليبي يؤثر سلبا على ممارسة حوكمة الشركات والمساءلة	1	2	3	4	5

القسم الثالث: المساءلـة

(1- غير موافق بشدة 2- غير موافق 3- غير متأكد 4- موافق 5 - موافق بشدة)

س7	▪ **مفهوم وممارسات المساءلـة** يرجى الإشارة إلى أي مدى توافق على العبارات التالية المتعلقة بماهية المساءلة					
1	المساءلة هي مطلب من هم في موقع أعلى سلطة رقابية لممارسة المسؤولية لتبرير وتوضيح الإجراءات التي تتخذها نيابة عن أصحاب المصالح	1	2	3	4	5
2	المساءلة ممارسة في الشركات الليبية المدرجة	1	2	3	4	5
3	الشركات الليبية المدرجة تلتزم بالمساءلة كوسيلة للوفاء بمسؤولياتها تجاه المجتمع الليبي	1	2	3	4	5
4	وجود آليات فعالة للمساءلة في سوق المال الليبي يمنح الثقة للمستثمرين والمساهمين على حد سواء	1	2	3	4	5
5	جميع الأطراف ذات الصلة (أصحاب المصالح) مع الشركات الليبية المدرجة تمارس المساءلة على هذه الشركات	1	2	3	4	5

6	مجالس الإداراة، المديرون التنفيذيون والموظفون في الشركات الليبية المدرجة مساءلون عن نتائج تصرفاتهم	1	2	3	4	5
7	تبنى نظام جيد لحوكمة الشركات يجعل الشركات الليبية المدرجة تفي بالمساءلة أمام أصحاب المصالح	1	2	3	4	5

- الرجاء لا تتردد في إبداء أي تعليقات أخرى تعتقد أنها ذات صلة بممارسات حوكمة الشركات والمساءلة في الشركات الليبية المدرجة

<u>كل الشكر والتقدير على حسن تعاونك</u>

إذا رغبت في الحصول على ملخص لنتائج الدراسة يرجى كتابة بريدك الالكتروني

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Appendix V: Semi-Structured Interview – Internal Stakeholders (English)

An Investigation into Corporate Governance (CG) and Accountability Practices: Evidence from Libyan Listed Companies

Ismail Salem Elshahoubi
PhD Student
Henley Business School

Supervised by:

Professor Jill Atkins
Professor of Accounting
Director of Research for BISA

2015

▪ **General Information**

• Participant's Name (optional)	……………………………………………
• Company Name	……………………………………………
• Sector	……………………………………………
• Participant's Position	……………………………………………
• Participant's Number of Years of Experience	……………………………………………

Q1: Understanding of Corporate Governance (CG)
1. What is your translation of the term CG?
2. What is your understanding of the concept of CG?
3. How important is CG in Libyan listed companies?

Q2: Compliance with CG Mechanisms
▪ **The Board of Directors Mechanism:** ***Composition, Duties and Responsibilities of the Board of Directors and Board Committees*** 1. How would you describe board composition in your company?
2. How are board members selected and appointed in your company?
3. Are the duties and responsibilities of the board of directors precisely defined and practised in your company? If so, please explain what these are?
4. Which sub-committees are found in your company? Which sub-committees are the most important?
5. How are the members of these committees selected in your company?
6. Are the duties and responsibilities of board committees precisely defined and practised in your company? If so, please explain what these are?
▪ **Disclosure and Transparency Mechanism** 1. Is there adequate disclosure and transparency in your company?
2. Do your company disclose its CG practices in its annual reports?
3. What steps, if any, is your company taking to develop a system for disclosure and transparency?
▪ **Internal and External Audit Mechanisms** 1. Are the duties and responsibilities of the internal audit accurately defined and practised in your company? If so, please explain how?

2. Is the internal control system in your company efficient?
3. What are the duties and responsibilities of the external auditors who review your listed company?
4. What are the criteria for selecting external auditors in your listed company?
▪ **Shareholders' Rights Mechanism** 1. To what extent are shareholders' voting rights, rights to attend GA meetings, share disposal rights and dividends protected in your company?

Q3: The Legal and Regulatory Framework of CG and Accountability
1. Are Libyan regulations and laws creating an environment that encourages the implementation of CG and accountability in your listed company?
2. Do you think that it is the job of the legislative bodies and the LSMA to monitor listed companies' compliance with CG principles?
3. How efficient and effective do you think Libya's legal and legislative bodies are?
4. Do you think the Libyan Corporate Governance Code (LCGC) should be compulsory rather than voluntary?

Q4: Factors Influencing the Practices of CG and Accountability
1. What are the main barriers limiting CG practice in your company?

Q5: The Perception and Current State of Accountability
1. What is your understanding of the term 'accountability'?
2. Do all the stakeholders of Libyan listed companies demand accountability from these companies?
3. Are your listed company and its boards of directors accountable for the consequences of their actions in the company? If so, to whom and how?
4. Do you think that accountability requires a good CG system? Please explain how?

Q6: Development of CG Practices and Accountability in the Libyan Environment
1. Do you have any suggestions and recommendations for the development of CG practice and accountability in Libyan listed companies? What mechanisms are needed to bring about this development?

Appendix VI: Semi-Structured Interview – External Stakeholders (English)

An Investigation into Corporate Governance (CG) and Accountability Practices: Evidence from Libyan Listed Companies

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Henley Business School

Supervised by:

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2015

- **General Information**

• Participant's Name (optional)	…………………………………………
• Company Name	…………………………………………
• Sector	…………………………………………
• Participant's Position	…………………………………………
• Participant's Number of Years of Experience	…………………………………………

Q1: Understanding of Corporate Governance (CG)
1. What is your translation of the term CG?
2. What is your understanding of the concept of CG?
3. How important is CG in Libyan listed companies?

Q2: Compliance with CG Mechanisms
▪ **The Board of Directors Mechanism:** ***Composition, Duties and Responsibilities of the Board of Directors and Board Committees*** 1. How would you describe board composition in Libyan listed companies?
2. How are board members selected and appointed in Libyan listed companies?
3. Are the duties and responsibilities of the board of directors precisely defined and practised in Libyan listed companies? If so, please explain what these are?
4. Which sub-committees are found in Libyan listed companies? Which sub-committees are the most important?
5. How are the members of these committees selected in Libyan listed companies?
6. Are the duties and responsibilities of board committees precisely defined and practised in Libyan listed companies? If so, please explain what these are?
▪ **Disclosure and Transparency Mechanism** 1. Is there adequate disclosure and transparency in Libyan listed companies?
2. Do Libyan listed companies disclose their CG practices in their annual reports?
3. What steps, if any, are Libyan listed companies taking to develop a system for disclosure and transparency?
▪ **Internal and External Audit Mechanisms** 1. Are the duties and responsibilities of the internal audit accurately defined and practised in Libyan listed companies? If so, please explain how?

2. Is the internal control system in Libyan listed companies efficient?

3. What are the duties and responsibilities of the external auditors who review Libyan listed companies?

4. What are the criteria for selecting external auditors in Libyan listed companies?

- **Shareholders' Rights Mechanism**

1. To what extent are shareholders' voting rights, rights to attend GA meetings, share disposal rights and dividends protected in Libyan listed companies?

Q3: The Legal and Regulatory Framework of CG and Accountability

1. Are Libyan regulations and laws creating an environment that encourages the implementation of CG and accountability in Libyan listed companies?

2. Do you think that it is the job of the legislative bodies and the LSMA to monitor listed companies' compliance with CG principles?

3. How efficient and effective do you think Libya's legal and legislative bodies are?

4. Do you think the Libyan Corporate Governance Code (LCGC) should be compulsory rather than voluntary?

Q4: Factors Influencing the Practices of CG and Accountability

1. What are the main barriers limiting CG practice in Libyan listed companies?

Q5: The Perception and Current State of Accountability

1. What is your understanding of the term 'accountability'?

2. Do all the stakeholders of Libyan listed companies demand accountability from these companies?

3. Are Libyan listed companies and their boards of directors accountable for the consequences of their actions? If so, to whom and how?

4. Do you think that accountability requires a good CG system? Please explain how?

Q6: Development of CG Practices and Accountability in the Libyan Environment

1. Do you have any suggestions and recommendations for the development of CG practice and accountability in Libyan listed companies? What mechanisms are needed to bring about this development?

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Appendix VII: Semi-Structured Interview – Internal Stakeholders (Arabic)

التحقق من ممارسات حوكمة الشركات والمساءلة في الشركات الليبية المدرجة

(أسئلة مقابلة – أصحاب المصالح الداخليين)

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(نموذج موافقة لإجراء مقابلة)

الأخ المحترم، ، ،

السلام عليكم ورحمة الله وبركاته

أفيدكم بأني أقوم حالياً بتحضير درجة الدكتوراه في جامعة ريدنق بالمملكة المتحدة وذلك عن ممارسات حوكمة الشركات والمساءلة Corporate Governance and Accountability في الشركات الليبية المدرجة في سوق المال الليبي، وكجزء هام من الدراسة التطبيقية للبحث أقوم بإجراء مقابلات بهدف التعرف عن آراء الأطراف ذات الصلة بالشركات الليبية المدرجة حول المواضيع المتعلقة بحوكمة الشركات والمساءلة وممارساتها في بيئة الأعمال الليبية.

عليه نأمل منكم الإذن بالموافقة على إجراء المقابلة والتسجيل الصوتي لها، كما أفيدكم لأنه لن يتم الإشارة إلى أسماؤكم وأسماء منظمتكم في هذه الدراسة. كما أعلمكم بأنه سوف يتم احترام خصوصيتكم في جميع أوقات المقابلة. كما أود أن أشير إلى أن مشاركتكم طوعية تماماً ولكم حق التوقف عن الإجابة في أي وقت خلال المقابلة.

- **<u>الموافقة:</u>**

أنا .... أفيد بأنه قد تم قراءة واستيعاب المعلومات الواردة بنموذج الموافقة، وأفيدكم بالموافقة على المشاركة في هذه الدراسة بمجرد التوقيع على هذا النموذج.

توقيع المشارك : .... التاريخ : ..../...../..........

توقيع الباحث : .... التاريخ : ..../...../..........

- **<u>التسجيل الصوتي:</u>**

أنا موافق على تسجيل المقابلة وذلك لضمان الدقة وأيضاً أنا مدرك بأنه لذي الفرصة لمراجعة نسخة التسجيل قبل استخدامها.

توقيع المشارك : .... التاريخ : ..../...../..........

توقيع الباحث : .... التاريخ : ..../...../.........

☒ معلومات عامة	
اسم المشارك (اختياري)	
اسم الشركة	
القطاع	
وظيفة المشارك	
عدد سنوات الخبرة	

☒ القسم الأول. أسئلة تتعلق بمفهوم حوكمة الشركات	
س1	ما هو ترجمتك لمصطلح حوكمة الشركات؟
س2	ما هو فهمك لمصطلح حوكمة الشركات؟
س3	ما مدى أهمية ممارسات حوكمة الشركات في الشركات الليبية المدرجة؟

☒ القسم الثاني. أسئلة تتعلق بآليات حوكمة الشركات ✓ آلية مجلس الإدارة	
س1	كيف تصف تركيبة مجلس الإدارة في شركتك؟
س2	كيف يتم اختيار وتعيين أعضاء مجلس الإدارة في شركتك؟
س3	هل واجبات ومسؤوليات مجلس الإدارة محددة بدقة ومطبقة في شركتك؟ إذا كان الأمر كذلك، يرجى توضيح ذلك؟
س4	ما هي اللجان الفرعية الموجودة في شركتك؟ أي هذه اللجان أكثر أهمية؟
س5	كيف يتم اختيار وتعيين أعضاء هذه اللجان في شركتك؟
س6	هل واجبات ومسؤوليات لجان المجلس محددة بدقة ومطبقة في شركتك؟ إذا كان الأمر كذلك، يرجى توضيح ذلك؟
✓ آلية الإفصاح والشفافية	
س1	هل الإفصاح والشفافية كاف وفعال في شركتك؟
س2	هل تفصح شركتك عن ممارسات حوكمة الشركات في تقاريرها المالي؟
س3	ما هي الخطوات، إن وجدت، التي أخذتها شركتك لتطوير الإفصاح والشفافية؟
✓ آلية المراجعة الداخلية والخارجية	
س1	هل واجبات ومسؤوليات المراجعة الداخلية محددة بدقة ومطبقة في شركتك؟ إذا كان الأمر كذلك، يرجى توضيح ذلك؟
س2	هل نظام الرقابة الداخلية فعال في شركتك المدرجة؟

س3	ما هي واجبات ومسؤوليات المراجعين الخارجيين الذين يقومون بمراجعة شركتك المدرجة؟
س4	ما هي معايير اختيار المراجعين الخارجيين في شركتك المدرجة؟
	✓ **آلية حقوق المساهمين**
س1	إلى أي مدى حقوق التصويت للمساهمين، وحقوق حضور اجتماعات الجمعية العمومية، وحقوق أرباح الأسهم محمية في شركتك؟

☒ **القسم الثالث. أسئلة تتعلق بالإطار القانوني والتنظيمي لحوكمة الشركات والمساءلة**	
س1	هل اللوائح والقوانين الليبية المعمول بها تتيح بيئة تشجع على تنفيذ ممارسات حوكمة الشركات والمساءلة في الشركات الليبية المدرجة؟
س2	هل تعتقد أن عمل الهيئات التشريعية وهيئة سوق المال الليبي هو مراقبة مدى امتثال الشركات الليبية المدرجة مع مبادئ حوكمة الشركات؟
س3	في رأيك ما مدى كفاءة وفعالية الهيئات القانونية والتشريعية في ليبيا؟
س4	هل تعتقد ضرورة أن يكون قانون حوكمة الشركات الليبي (لائحة حوكمة الشركات) إلزامي وليس اختياري على الشركات الليبية المدرجة؟

☒ **القسم الرابع. أسئلة تتعلق بمعوقات تطبيق حوكمة الشركات**	
س1	ما هي العوائق (الحواجز) الرئيسية التي تعتقد أنها تحد من ممارسة حوكمة الشركات في شركتك؟

☒ **القسم الخامس. أسئلة تتعلق بمفهوم وممارسات المساءلة**	
س1	ما هو فهمك لمصطلح المساءلة؟
س2	هل جميع أصحاب المصالح في الشركات الليبية المدرجة تطلب المساءلة من هذه الشركات؟
س3	هل شركتك المدرجة ومجلس إدارتها مسؤولة عن عواقب أفعالهم في الشركة؟ إذا كان الأمر كذلك، لمن وكيف؟
س4	هل تعتقد بأن المساءلة تتطلب وجود نظام جيد لحوكمة الشركات؟ يرجى التوضيح؟

☒ **القسم السادس. أسئلة تتعلق بتطوير ممارسات حوكمة الشركات والمساءلة**	
س1	هل لديك أي اقتراحات وتوصيات تعتقد أنها مهمة لتطوير ممارسات حوكمة الشركات في البيئة الليبية؟ من وجهة نظرك، ما هي الآليات اللازمة لإحداث هذا التطور؟

شكراً على حسن تعاونكم

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Appendix VIII: Semi-Structured Interview – External Stakeholders (Arabic)

التحقق من ممارسات حوكمة الشركات والمساءلة في الشركات الليبية المدرجة

(أسئلة مقابلة – أصحاب المصالح الخارجيين)

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University of Reading

(نموذج موافقة لإجراء مقابلة)

الأخ المحترم، ، ،

السلام عليكم ورحمة الله وبركاته

أفيدكم بأني أقوم حالياً بتحضير درجة الدكتوراه في جامعة ريدنق بالمملكة المتحدة وذلك عن ممارسات حوكمة الشركات والمساءلة Corporate Governance and Accountability في الشركات الليبية المدرجة في سوق المال الليبي، وكجزء هام من الدراسة التطبيقية للبحث أقوم بإجراء مقابلات بهدف التعرف عن آراء الأطراف ذات الصلة بالشركات الليبية المدرجة حول المواضيع المتعلقة بحوكمة الشركات والمساءلة وممارساتها في بيئة الأعمال الليبية.

عليه نأمل منكم الإذن بالموافقة على إجراء المقابلة والتسجيل الصوتي لها، كما أفيدكم لأنه لن يتم الإشارة إلى أسماؤكم وأسماء منظمتكم في هذه الدراسة. كما أعلمكم بأنه سوف يتم احترام خصوصيتكم في جميع أوقات المقابلة. كما أود أن أشير إلى أن مشاركتكم طوعية تماماً ولكم حق التوقف عن الإجابة في أي وقت خلال المقابلة.

- **الموافقة:**

أنا .... أفيد بأنه قد تم قراءة واستيعاب المعلومات الواردة بنموذج الموافقة، وأفيدكم بالموافقة على المشاركة في هذه الدراسة بمجرد التوقيع على هذا النموذج.

توقيع المشارك : .... التاريخ : ..../...../..........

توقيع الباحث : .... التاريخ : ..../...../..........

- **التسجيل الصوتي:**

أنا موافق على تسجيل المقابلة وذلك لضمان الدقة وأيضاً أنا مدرك بأنه لذي الفرصة لمراجعة نسخة التسجيل قبل استخدامها.

توقيع المشارك : .... التاريخ : ..../...../..........

توقيع الباحث : .... التاريخ : ..../...../.........

☒ معلومـات عامـة	
اسم المشارك (اختياري)	
اسم الشركة	
القطاع	
وظيفة المشارك	
عدد سنوات الخبرة	

☒ القسم الأول. أسئلة تتعلق بمفهوم حوكمة الشركات	
س1	ما هو ترجمتك لمصطلح حوكمة الشركات؟
س2	ما هو فهمك لمصطلح حوكمة الشركات؟
س3	ما مدى أهمية ممارسات حوكمة الشركات في الشركات الليبية المدرجة؟

☒ القسم الثاني. أسئلة تتعلق بآليات حوكمة الشركات ✓ آلية مجلس الإدارة	
س1	كيف تصف تركيبة مجلس الإدارة في الشركات الليبية المدرجة؟
س2	كيف يتم اختيار وتعيين أعضاء مجلس الإدارة في الشركات الليبية المدرجة؟
س3	هل واجبات ومسؤوليات مجلس الإدارة محددة بدقة ومطبقة في شركتك؟ إذا كان الأمر كذلك، يرجى توضيح ذلك؟
س4	ما هي اللجان الفرعية الموجودة في شركتك؟ أي هذه اللجان أكثر أهمية؟
س5	كيف يتم اختيار وتعيين أعضاء هذه اللجان في شركتك؟
س6	هل واجبات ومسؤوليات لجان المجلس محددة بدقة ومطبقة في شركتك؟ إذا كان الأمر كذلك، يرجى توضيح ذلك؟
✓ آلية الإفصاح والشفافية	
س1	هل الإفصاح والشفافية كاف وفعال في شركتك؟
س2	هل تفصح شركتك عن ممارسات حوكمة الشركات في تقاريرها المالي؟
س3	ما هي الخطوات، إن وجدت، التي أخذتها شركتك لتطوير الإفصاح والشفافية؟
✓ آلية المراجعة الداخلية والخارجية	
س1	هل واجبات ومسؤوليات المراجعة الداخلية محددة بدقة ومطبقة في شركتك؟ إذا كان الأمر كذلك، يرجى توضيح ذلك؟
س2	هل نظام الرقابة الداخلية فعال في الشركات الليبية المدرجة؟
س3	ما هي واجبات ومسؤوليات المراجعين الخارجيين الذين يقومون بمراجعة الشركات الليبية المدرجة؟

س4	ما هي معايير اختيار المراجعين الخارجيين في الشركات الليبية المدرجة؟
	✓ **آلية حقوق المساهمين**
س1	إلى أي مدى حقوق التصويت للمساهمين، وحقوق حضور اجتماعات الجمعية العمومية، وحقوق أرباح الأسهم محمية في الشركات الليبية المدرجة؟

	☒ **القسم الثالث. أسئلة تتعلق بالإطار القانوني والتنظيمي لحوكمة الشركات والمساءلة**
س1	هل اللوائح والقوانين الليبية المعمول بها تتيح بيئة تشجع على تنفيذ ممارسات حوكمة الشركات والمساءلة في الشركات الليبية المدرجة؟
س2	هل تعتقد أن عمل الهيئات التشريعية وهيئة سوق المال الليبي هو مراقبة مدى امتثال الشركات الليبية المدرجة مع مبادئ حوكمة الشركات؟
س3	في رأيك ما مدى كفاءة وفعالية الهيئات القانونية والتشريعية في ليبيا؟
س4	هل تعتقد ضرورة أن يكون قانون حوكمة الشركات الليبي (لائحة حوكمة الشركات) إلزامي وليس اختياري على الشركات الليبية المدرجة؟

	☒ **القسم الرابع. أسئلة تتعلق بمعوقات تطبيق حوكمة الشركات**
س1	ما هي العوائق (الحواجز) الرئيسية التي تعتقد أنها تحد من ممارسة حوكمة الشركات في الشركات الليبية المدرجة؟

	☒ **القسم الخامس. أسئلة تتعلق بمفهوم وممارسات المساءلة**
س1	ما هو فهمك لمصطلح المساءلة؟
س2	هل جميع أصحاب المصالح في الشركات الليبية المدرجة تطلب المساءلة من هذه الشركات؟
س3	هل الشركات الليبية المدرجة ومجالس إدارتها مسؤولة عن عواقب أفعالهم؟ إذا كان الأمر كذلك، لمن وكيف؟
س4	هل تعتقد بأن المساءلة تتطلب وجود نظام جيد لحوكمة الشركات؟ يرجى التوضيح؟

	☒ **القسم السادس. أسئلة تتعلق بتطوير ممارسات حوكمة الشركات والمساءلة**
س1	هل لديك أي اقتراحات وتوصيات تعتقد أنها مهمة لتطوير ممارسات حوكمة الشركات في البيئة الليبية؟ من وجهة نظرك، ما هي الآليات اللازمة لإحداث هذا التطور؟

شكراً على حسن تعاونكم