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Entitled

AN ASSESSMENT OF THE IMPACT OF CORPORATE GOVERNANCE MECHANISMS AND PRINCIPLES ON CORPORATE PERFORMANCE: THE CASE OF THE UAE

by

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Abstract

This research is concerned with investigating the effect of selected internal and external corporate governance mechanisms and principles on UAE corporate performance. The UAE started to apply uniform corporate governance standards in 2009 with the introduction of Resolution No. (518) of 2009 concerning Governance Rules and Corporate Discipline by the regulator SCA. Since then, there have been various rules implemented by the regulator in 2016 and 2020. Corporate governance has been in the spotlight of academic research, particularly in the United States and Europe, due to the vital role it plays in the overall health of economic systems. In the UAE, most existing research in this area predates the implementation of the Commercial Companies Act (2015), and the UAE Corporate Governance Code (Resolution No. (7 R.M) of 2016). Studies showed that the existing research conducted under the now-repealed law Ministerial Resolution No. 518 of 2009 failed to closely engage with the applicable legal principles. Therefore, there is a gap in corporate governance research in the UAE which makes this a valuable topic for this dissertation and for future research. This research explores corporate governance reforms in the UAE and their effect on listed companies' performance from 2017 to 2020. The sample firms are listed on either the Abu Dhabi Exchange (ADX) or the Dubai Financial Market (DFM). Regression analysis and a mixed linear effects model were employed to test the hypotheses of the study, and a survey and interviews were conducted to test the principles and mechanisms of corporate governance quantitatively and qualitatively.

The conceptual framework of this dissertation describes how corporate governance principles and mechanisms impact corporate performance. In the framework, corporate governance principles are based on the Organization of Economic Cooperation and Development (OECD) Principles of Corporate Governance. The corporate governance mechanisms are board member experience, gender, insider trading, auditor rotation, and internal controls. Corporate performance was assessed using return on assets, return on equity, and Tobin's Q. This dissertation uses both the agency and stakeholder theories to investigate how corporate governance can affect corporate performance in the UAE.

To accomplish the research objectives, a mixed methods research model was adopted using both quantitative methods (questionnaire and secondary data) and qualitative methods (interviews). Secondary data was obtained from the annual corporate governance reports of listed companies on the Dubai Financial Market (DFM) and the Abu Dhabi Securities Exchange (ADX). The data was analyzed using the Statistical Package for the Social Sciences (SPSS, Version 28) and STATA 17 statistical package. Qualitative results were analyzed using NVIVO12.

The results of the questionnaire show that corporate governance principles have been implemented in listed companies and board responsibilities, and shareholder rights have the highest scores indicating that board responsibilities are taken seriously, and shareholders' rights are protected. In the second model, auditor rotation and insider trading were statistically significant. The interviews revealed that the main priorities for the interviewees were market transparency and corporate performance.

This research will benefit listed organizations, regulators, securities lawyers, and academics. It is worth noting that the UAE has one of the most sophisticated corporate governance legal frameworks in the Middle East. Therefore, these research findings will also be beneficial to other Middle Eastern countries and their policymakers.

Keywords: Corporate Governance, listed companies in the UAE, corporate performance, legal principles.