Hebron University

Faculty of Graduate Studies

Business Administration

“To what extent do Palestinian Companies Working in Service Sector Comply with Corporate Governance Codes”

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This Thesis is Submitted in Partial Fulfilment of the Requirements for the Degree of Master of Business Administration, College of Graduate Studies & Academic Research, Hebron University

2017

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Palestine – Hebron 2017

Dedication

All praise and thanks be to God, the most Gracious, the most Merciful, for giving me the strength, patience and ability to pursue and complete this research.

My greatest gratitude and heartfelt thanks go to my family. To my **beloved Wife Shireen Al-Sleibi Anastas**, many thanks for her emotional support, encouragement, and patience throughout the long journey of this thesis, sincere appreciation for her understanding and patience throughout the course of this Endeavour. A special thanks also to my mother and all my family members for their moral support.

Thank you for Konrad-Adenauer-Stiftung in Palestine – Ramallah, for their financial support that helped me to continue this research and get my MBA degree.

Acknowledgment

It is my pleasure to dedicate this research to my supervisor;

Usamah Shahwan PhD.

For all his friendly supervision and encouragement

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Abstract

Corporate governance in Palestine has received much attention recently and it has been a growing topic for debate in public around the globe. This is due to the many financial scandals and failures that have occurred in many developed and developing countries. Good corporate governance with an adequate level of compliance is considered crucial for representing a company's best practices and regulating and enhancing their performance. However, corporate governance performance on Palestinian companies cannot be generalized onto other countries due to different cultural, economical and social factors. Therefore, current researches focus on investigating best models of corporate governance from the point of view of the stakeholders in the country itself.

The main objective of this research is to test to what extent do Palestinian companies working in services sector comply with Corporate Governance Code as stated in OECD with an in depth descriptive and analytical research procedures in order to provide a conclusion with a set of useful recommendations for implementation. Few studies have been conducted in Palestine on corporate governance compliance and the majority of researches covered to what extent list-companies comply with the CG Code. No study has provided or studied the plausible reasons behind non-compliance, barriers for good CG compliance and the proper model of CG by providing a Code with the best provisions that are applicable by the Palestinian companies based on the Organization for Economic Cooperation and Development (OECD) Principles of Corporate Governance.

The framework of this research describes all the good provisions of corporate governance. In this framework, CG provisions have been divided into different sections according to different stakeholder's perspectives (Board of Directors Duties and Responsibilities, Executive Manager Duties, Financial Reporting, Auditing and Disclosure and Shareholders Rights and Responsibilities). Company's general attributes including Age, ROA, Size and Leverage Ratio represented the independent variables of this research. The dependent variable of company's level of non-compliance was assessed by measuring its correlation at the significant level of 0.05 with change in the company general attribute.

This research used the mixed research method in collecting data (quantitative and qualitative) by using secondary data and designing surveys and analyzing quantitative data collected using Statistical Package for the Social Sciences (SPSS) and correlations testing tools. Quantitative data collected supposed to answer the first three research questions of this research. In-depth semi-structured interviews designed and then took place after the survey distribution and quantitative data collection has been completed. Qualitative data collected supposed to answer the last three research questions.

Selection of companies was limited to the ones working in Services Sector as the main aim of this research is to test in depth corporate governance compliance by selected companies. Four major Hypotheses were formulated based on the company's general attributes. ANOVA and T-test as testing tools have been used in order to find out the significant correlation. Result of these testing tools generally supported this research main Hypotheses.

Results of this research reveal that corporate governance compliance by Palestinian companies working in Services Sector is still weak. Otherwise, all respondents agreed that corporate governance in Palestine is important to all stakeholders and it is appropriate for implementation. Results reveal as well, there are set of barriers for good corporate governance in Palestine and there are set of plausible reasons for non-compliance that need to be considered by company's stakeholders (Regulatory Bodies, Company Executives, Board Members, Employees, and other stakeholders).

Findings of this research advise the implementation of Shareholder's theory which is in line with the stakeholder's theory that complies with the OECD principles of corporate governance. This research approves that good corporate governance can facilitate good relationship between management and stakeholders, thereby enhancing the company performance.

Finally, findings of this research are likely to prove useful to all stakeholders. The research provides theoretical and practical implications for listed Palestinian Companies. Based on the conclusion of this research and implications discussed, this research provides several recommendations for future research.

ملخص الدراسة

قد حظيت مؤخراً حوكمة الشركات في فلسطين باهتمام كبير ، فأصبحت موضوعاً مطروحاً للنقاش في جميع أنحاء العالم. ويعود ذلك إلى العديد من الفضائح والفشل المالي التي حدثت في العديد من البلدان المتقدمة والنامية. وتعتبر الحوكمة الجيدة للشركات ذات المستوى المناسب من الإلتزام أمرا حاسماً لتمثيل أفضل ممارسات الشركة وتنظيم أدائها وتحسينه. ومع ذلك، فإن أداء حوكمة الشركات على الشركات الفلسطينية لا يمكن تعميمه على البلدان الأخرى، و يمكن أن نرجع ذلك إلى وجود اختلافات عدة في النواحي الثقافية والاقتصادية والاجتماعية. ولذلك، تركز البحوث الحالية على التحقيق في أفضل نماذج الحوكمة المؤسسية من وجهة نظر أصحاب المصلحة في البلد نفسه .

والهدف الرئيسي من هذه ارسالة هو اختبار مدى التزام الشركات الفلسطينية العاملة في قطاع الخدمات، بقواعد حوكمة الشركات كما هو موضح في منظمة التعاون والتنمية في الميدان الاقتصادي OECD ، مع إجراءات بحثية وصفية وتحليلية متعمقة من أجل التوصل إلى استنتاج علمي يشتمل على مجموعة من التوصيات المفيدة للتنفيذ. وتلخصت بعض الدراسات التي أجريت في فلسطين في مجال الامتثال لحوكمة الشركات، اذ أن غالبية البحوث تنظر في مدى توافق الشركات المدرجة مع مدونة الحوكمة. لم تقدم أي دراسة الأسباب المعقولة وراء عدم الامتثال لبنود الحوكمة، او البحث في العوائق التي تعترض الامتثال الجيد للمبادئ التوجيهية، والنموذج السليم لحوكمة الشركات من خلال توفير مدونة أفضل الأحكام التي تطبقها الشركات الفلسطينية استنادا إلى مبادئ منظمة التعاون والتنمية في الميدان الاقتصادي (OECD) من حوكمة الشركات .

ويصف إطار هذه الدراسة جميع الأحكام الجيدة لحوكمة الشركات. وفي هذا الإطار ، تم تقسيم الأحكام المتعلقة ببنود الحوكمة إلى أقسام مختلفة وفقاً لوجهات نظر أصحاب المصالح المختلفة (واجبات ومسؤوليات مجلس الأدارة، واجبات المدير التنفيذي، التقارير المالية والإفصاح والتدقيق، وحقوق المساهمين ومسؤولياتهم). وتمثل السمات العامة للشركات (عمر الشركة من سنة التأسيس، نسبة العائد على اصول الشركة، حجم الشركة حسب عدد الموظفين، ونسبة الرافعة المالية للشركة) المتغيرات المستقلة لهذا البحث. وقد تم تقييم المتغير التابع والذي يمثل مستوى عدم التزام الشركات في بنود الحوكمة من خلال قياس ارتباطها عند مستوى معنوي 0.05 مع التغير في السمات العامة للشركة .

استخدمت هذه الدراسة طريقة البحث المختلط في جمع البيانات (الكمية والنوعية) وتم استخدام البيانات الثانوية وتصميم استمارات لتطبيق نموذج الدراسات الاستقصائية، وقام الباحث ايضا بتحليل البيانات الكمية التي تم جمعها باستخدام الحزمة الإحصائية للعلوم الاجتماعية (SPSS) وأدوات اختبار معامل الارتباط. البيانات الكمية التي تم جمعها من المفترض أن تجيب على أسئلة البحث الثلاث الأولى من هذه الدراسة. و قد تم إجراء مقابلات معمقة بعد عملية توزيع الاستمارات وجمع البيانات الكمية. البيانات النوعية التي تم جمعها من المفترض أن تجيب على أسئلة البحث الثلاثة الأخيرة .

وكان اختيار الشركات مقتصرا على العاملين في قطاع الخدمات، حيث أن الهدف الرئيسي من هذا البحث هو اختبار امتثال حوكمة الشركات بشكل متعمق من قبل شركات مختارة. وقد تم صياغة أربع فرضيات رئيسية استنادا إلى الخصائص العامة للشركة. و أيضاً تم استخدام ادوات الاختبار ANOVA و T-testمن أجل اختبار معامل الارتباط. حيث ان نتائج أدوات الاختبار دعمت الفرضيات الرئيسية للبحث .

وتبين نتائج هذه الدراسة أن امتثال الشركات الفلسطينية العاملة في قطاع الخدمات لبنود الحوكمة لا يزال ضعيفا. وبخلاف ذلك، هنالك توافق بالاجماع من عينة البحث على أن حوكمة الشركات في فلسطين مهمة لجميع أصحاب المصلحة، ومن المناسب تنفيذها من قبل الشركات الفلسطينية .وتكشف النتائج أيضا عن وجود مجموعة من العوائق تمنع تطبيق الحوكمة الجيدة للشركات في فلسطين، وهناك مجموعة من الأسباب الممكنة لعدم الامتثال لقواعد الحوكمة والتي يجب أن ينظر فيها أصحاب المصلحة في الشركة (الهيئات التنظيمية القانونية، والمديرين التنفيذيين، وأعضاء مجلس اإلدارة، والموظفين، وأصحاب المصلحة اآلخرين).

وأظهرت نتائج الدراسة أيضاً أن النموذج الامثل للتطبيق في فلسطين هو الذي يمثل حملة الاسهم، حيث ان النتائج ايضا أظهرت توافق مع أهداف ومصالح الأطراف المرتبطة بالشركة، وهي التي بدورها تتوافق مع مبادئ حوكمة الشركات الصادرة عن منظمة التعاون والتنمية في الميدان الاقتصاديOECD ، حيث ان الدراسة اثبتت أن الحوكمة الجيدة تقوي العلاقة الرابطة بين ادارة الشركة وأصحاب المصلحة، مما يعزز أداء الشركة.

وأخيرا، من المرجح أن تكون نتائج هذه الدراسة مفيدة لجميع أصحاب المصلحة. إذ تقدم الدراسة آثارا نظرية وعملية على الشركات الفلسطينية المدرجة وغير المدرجة. واستنادا إلى استنتاج هذه الورقة والآثار التي نوقشت، تقدم هذه الدراسة عدة توصيات للبحوث في المستقبل.

Abbreviations

AGM	Annual General Meeting
AC	Audit Committee
BOD	Board of Director
CA	Chartered Accountant
CC	Compensation Committee
CEO	Chief Executive Officer
CGI	Corporate Governance Index
CIPE	Center for international Private Enterprises
CSR	Corporate Social Responsibility
FDI	Foreign Direct Investment
FI	Financial Institutions
GC	Governance Committee
GS	Gaza Strip
ID	Independent Director
IFC	International Finance Corporation
IMF	International Monetary Fund
IPO	Initial Public Offering
ISA	International Standards on Auditing
J/V	Joint Venture
MD	Managing Director
MEPI	Middle East Partnership Initiative
MNC	Multinational Corporation
NAF	Non-Audit Fees

NED	Non-Executive Director
NFI	Non Financial Institution
NGO	Non-Governmental organization
NPCGC	National Palestinian Corporate Governance Committee
NSE	National Stock Exchange
OECD	Organization for Economic Co-operation and Development
PCMA	Palestinian Capital Market Authority
PGI	Palestine Governance Institute
PMA	Palestinian Monetary Authority
PSE	Palestine Stock Exchange
PSF	Professional Service Firms
ROA	Return on Asset
ROE	Return on Equity
SME	Small and Medium Enterprise
SOE	State Owned Enterprise
SOX	Sarbanes Oxley Act
SPSS	Statistical Package for the Social Sciences
The Code	Code of Corporate Governance for Palestine
WB	West Bank
WB	The World Bank

Chapter One:

1. Introduction

1.1 Introduction:

The spectacular collapses of former corporate stars like Enron, WorldCom and accounting giant Arthur Andersen have led to renewed interest in legislation and regulation because some stakeholders, including the purportedly dominant stakeholder, investors, have been badly hurt by these scandals (Jonathan P. Doh, 2005) Over the years, such collapses have affected employees and their pension funds negatively, with disruptive customer relationship and inaccurate financial reports which are called into question by several stakeholders whom are now asking for greater openness in corporate reporting with the demand of transparency and accountability.

While there is no single generally accepted definition for corporate governance, “a system by which a company is directed and controlled” (Cadbury, 1992) and (Hodges, 1996), appears to be the most common understanding proposed to describe corporate governance. The focus of previous studies was on controlling the role of corporate governance, as previous researches offered an explanation for the link between corporate governance and the “agency problem” which is attributed to the separation between managers and principals, the separation of levels of management, and the conflicts of interest between managers and equity and debt holders (Davidson, 2005) and (Fama, 1983). Corporate Governance definitions highlight the importance of interactions among governance mechanisms and the structure needed for effective governance.

(Gramling.A, 2004) Documented that there are four important mechanisms of corporate governance include management, boards of directors, internal audit function and external audit. Therefore, the roles played by these mechanisms are essential for the success of good governance. Good mechanisms such as an independent board of directors, effective audit committees and internal audit function, and others whom are needed to help management to control their companies.

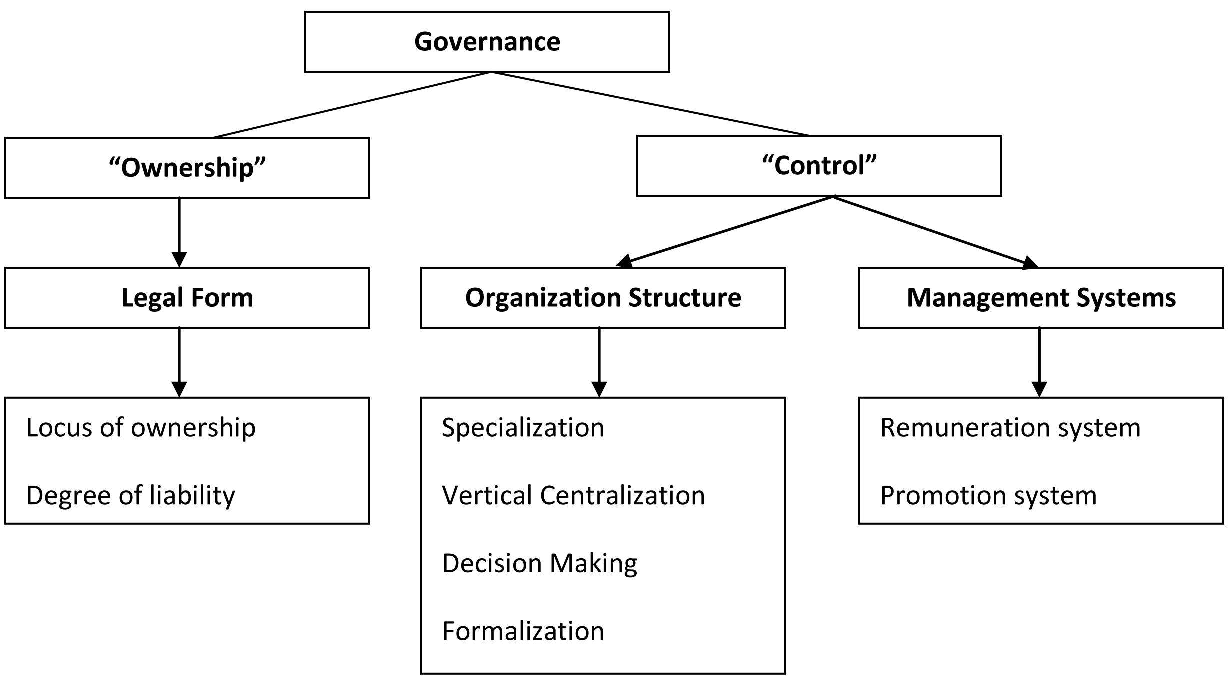
The board is one of the important components of a company whereby it should be efficient and provide maximum transparency of a company's performance. The board of directors also should maintain a sound system of internal control of the organizations. This component of a company needs other groups, such as the audit committee, internal audit function, and external audit to complete their effectiveness (Davidson.R, 1996). A good board of directors will ensure the external auditor performed good audit service in order to improve the financial reporting. In the meantime, the board needs effective audit committee and internal audit function to provide insights of the company performance. The current corporate governance around the world has recommended the organizations to have well balanced and effective board of directors in order to have good internal corporate governance system (Yasin.F, 2014).

The main purpose of corporate governance is to build an environment of trust, transparency and accountability that are necessary for fostering long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies (OECD, 2015). This is intended to help policy makers to evaluate and improve an institutional framework for corporate governance, with a view of supporting economic efficiency, sustainable growth and financial stability. Investors have the motive to invest and put their money in a company refers to the interest for getting good return out of their investment in that company which is working for the benefit of its stakeholders. From here we find out two conflicting theoretical perspectives namely with the narrower scope of corporate governance definition which is based on the shareholders theory perspective, while the broader one is the stakeholder theory perspective. As both theories compete to define the exact purpose of a corporation, and whose interest it should serve.

Setting up a structure of a firm, helps to define its strategy and vision and will help the firm to define where it's organizational life cycle. There is neither a correct structure nor a static end point. As Professional Service Firms mature over time, grow in scale and move into new generations of leadership, they often find it's useful to add independent directors to their board (Virginia J. Vanderslice, 2010). Corporate governance has become an important element in identifying company's strengths and functions (Norwani.N&Others, 2011).

Following previous research on PSF Professional Service Firms on governance (Reihlen, 2014) in his article considered both ownership and control as aspects of firm governance. While owners have a formal right to control the firm and appropriate the firm's profits, the effective control is actually exercised through organizational structures and systems. Firms have to address different groups of governance dimensions (see Fig 1.1). First, it has to specify different ownership types or legal forms of PSFs. Second, regarding the dispersion of the effective right to control throughout the organization, they have to incorporate the dimensions concerning the organization structure that determines who is in control and who is held accountable for specific actions. Third, the framework has to address the unique systems designed to manage professional's issues e.g. with regard to remuneration and promotion decisions are considered critical governance issues for PSFs that vitally affect the organization's future.

Figure (1.1): Design parameters of PSF governance: (Markus.R, 2014)



1.2 Problem Statement:

Investors, when investing funds in a company, aspire to get the best value for their investments and expect to receive certain rights in return for their capital. These rights include voting on: the board of directors; the charter and on charter capital changes; the approval of annual reports and financial statements and access to certain information about the company and its activities partaking to its profits.

Since the code of corporate governance in Palestine has been established by 2009 and implemented by 2012, there still a moderate low of improvement in listed-company's level of compliance especially in the service sector. (PSE, 2012) and (PSE, 2016) Only Banking sector showed a good level of compliance with the code which is a result of the direct and continuous supervision of the PMA over Palestinian Bank's operations; on the other hand, service sector was the least complied with the code. Up till now, there is no study showed the reasons behind non-compliance or partial compliance by listed-companies in Palestine.

To fill this gap and to find out what are the reasons behind non-compliance or what are the barriers there for not complying with the codes, this research hopefully will find out the answers for such questions and will try to help the reader to understand what is the appropriate model to be implemented in Palestine to ensure effective compliance by Palestinian listed-companies working in service sector.

This report will explore the factors related to compliance with the codes more in-depth by reviewing the relevant academic literature and other materials concerning this topic.

1.3 Importance of the Study:

This research derives its importance from the increased interest of the corporate governance subject and its effect onto the general economy especially with the increased interest only over the banking sector in Palestine.

Since corporate governance is still considered a new recent topic specially in Palestine, all researches conducted on this matter regarding the Palestinian companies have reviewed only positive and/or negative recommendations to what extent companies are complying with the codes, but none of the researches or studies have conducted an in depth analysis till today to review what are the reasons behind non-compliance or what are the solutions to make companies comply with the codes and what is the best appropriate corporate governance model that is applicable in Palestine.

The importance of this research is represented with its unique concentration on listed companies in Palestine which are representing up to 98% of the total number of commercial entities in Palestine are complying with the codes. As such, they are the biggest employer of labor force, as service sector represents 66.90% of the total employment ratio in Palestine (Faiz.G, 2015). With the steady growth of the service sector’s share of GDP in Palestine from 50% in 1995 to 60% in 2009; this confirms the fact that the Palestinian economy is a service economy, and that service sector will be playing a leading role in the Palestinian economy in the coming years (Faiz.G, 2015).

Recently the main concentration over this topic in Palestine was employed by the Palestinian Capital Market Authority – Corporate Governance Committee, through issuing research by 2012, research study of the key Features of Corporate Governance of Public Shareholding listed on the Palestine Stock Exchange (PSE, 2012) and another recent study issued that tests the development of the main features of the corporate governance of public companies listed on the Palestine Stock Exchange (PSE, 2016). Both researches mentioned above tests to what extent listed Palestinian companies comply with the codes as concluded up with set of recommendations related to ensuring better compliance by companies and some codes adjustments that fits with local market needs. Such studies confirm the existence of the research problem statement.

Compliance with corporate governance guidelines has its importance in Palestinian service firms and other sectors; as well it has its critical contribution in helping the Palestinian economy to achieve its sustainability. Looking in detail to the Palestinian corporate law, it still has weak internal and external controls and procedures which implies on us (researchers) to make a recommended baseline on this important subject that Palestinian firms can use as a testing tool for their performance and to end up with recommendations that may convince policy makers to make decisions or amendments by law that hopefully will motivate companies to interact and comply with the codes.

Importance of the research for the readers is represented as follows:

- **Management**: corporate governance ensures the careful management of an organization because there are various important decisions which could benefit any actor such as: shareholder, director, social welfare etc.
- **Investors**: stability of stock prices is one of the important factors for the investors to predict the future performance of a company or organization. Corporate governance has great impact on the efficiency of stock market. As the stock prices stability shows the level of risk for investment and investors will only invest if they undertake appropriate risk for their investment.
- **Directors**: it is very difficult for the organization to find the right people for the jobs, as they train them once they are selected as they come up with different experiences, expertise and qualifications. It is therefore important to train the directors so that they adhere to the good corporate governance practices. The company success or failure is dependent onto their decisions in the company; therefore proper governance, monitoring and training of directors is very important.
- **Stakeholders:** stakeholders of a company are important for the productivity and efficiency of the organizations. Involvement of company stakeholders (directors, employees, shareholders, customers, suppliers etc.) is important to improve the public image of a company and will build sustainable relationship between the organization and its stakeholders. But, the sharing of information with stakeholders is dependent and possible only through good corporate governance.

- **Shareholders**: improved shareholder's communication refers to their ability to vote their shares. Good compliance with corporate governance could be used as a tool for improving shareholders communication.

1.4 Research Objectives:

In accordance to the issues mentioned above, this research aims to systematically evaluate the overall acceptance of the Code in Palestinian service-sector firms in West Bank. It also aims to develop some policy recommendations to ensure governance guidelines to guide the companies in the best possible way to ensure good governance in Palestine. For the purpose of the research, the research statement above is broken down into six specific objectives as outlined below:

1. To determine the extent of compliance with good corporate governance practices among Palestinian companies working in service sector.
2. To find out whether the non-compliance level is different depending on the company general attributes (company age, company ROA, company size, and company leverage ratio)
3. To find out and discuss which are the corporate governance provisions that are the most and are the least complied with
4. To identify the barriers of good corporate governance in Palestinian firms
5. To identify the causes of non-compliance by Palestinian firms with the codes
6. To design the appropriate model of corporate governance in Palestine.

The researcher aims through this research to develop set of recommendations that will help to apply corporate governance practices in the corporate service sector in Palestine.

This research will help in finding a framework and updated information that helps readers (stakeholders, investors, policy makers and decision makers for all Palestinian companies mainly service sector) to use it for their future investment decisions and understand the company's board members and executive manager's roles, responsibilities and decisions in compliance with the codes. This research also intends to offer proposals for improving the code in light of the research findings.

1.5 Organization of the Study:

The research has been organized into **five chapters**. **Chapter 1** is the introductory part that showed research problem importance and the main research objectives. **Chapters 2** briefly explore the theoretical background of corporate governance and its models as well discuss the Code of Corporate Governance for Palestine. **Chapter 3** includes the research design method that the researcher followed up accordingly to define research variables and its hypothesis. **Chapter 4** reports the results of the quantitative (questionnaires) and qualitative (semi-structured interviews) data analysis covering the degree of compliance with the Code. Finally, **Chapter 5** summarizes the empirical findings and draws conclusions with a set of recommendations that help apply corporate governance practices in corporate service sector in Palestine.

Chapter Two

2. Theoretical Framework and Review of the Literature

Definition and Theoretical Perspective

2.1 What is Corporate Governance?

A survey of extant literature review shows that there is no specific definition of this term among firms worldwide.

Financial economists define corporate governance as ways in which investors assure themselves of getting a return on their investment (Shleifer, 1997) or as ways of ensuring corporate actions, assets and agents are directed to maximize shareholder wealth (Healy, 2003). Looking from the organizational side of corporate governance definition by the Organization for Economic Cooperation and Development (OECD) in a 2015 working paper, defined corporate governance as:

Corporate Governance involves as set of relationships between a company's management, its board, its 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. (OECD, 2015)

Other definitions include the (Cadbury, 1992) defines corporate governance as the system by which companies are directed and controlled. The New Zealand Securities Commission (Commission, 2003) defines corporate governance as the set of structures and behaviors upon which a company is directed and managed.

From the above definitions of corporate governance, any individual should be able to identify the role of governance and where the responsibility lies in corporations. As it is clear we can say that the role of governance in an organization is to ensure the effective usage of firm resources to achieve its objectives of the owners (shareholders), and to care of the interests of the company's other stakeholders. So, the responsibility for governance lies under the company board and management, whose relationship should be based on trust, integrity and mutual respect.

2.2 Theoretical Perspectives

From the above analysis, it should be easy for the reader to differentiate between the two differing theoretical perspectives as the narrower scope of corporate governance definition is based on the shareholders or Shareholders theory perspective, while the broader scope is based on the stakeholder theory perspective.

These two different models of corporate governance compete to define and determine the fundamental purpose of the corporation, whose interest should the corporate serve. The traditional shareholder theory which regards the corporations as an instrument for share owners to maximize their investment returns, on the rationale that theoretically Shareholders are residual risk bearers (Jesen, 1976).). But relatively the new stakeholder theory which argues that the corporation should maximize not only the interest of share owners, but also that of other stakeholders such as employees, creditors, suppliers, customers, and local communities (Evan, 1988) and (Blair, 1995). The stakeholder theory claims that these groups or individuals have a legitimate stake in the company, since their actions could affect organizational outcomes (Wang, 1992). Through such previous research papers we can analyze the following: the shareholder perspective is defined as maximization of the long-term market value of the firm, as represented by its stock price otherwise the stakeholder perspective is defined as maximization of the total value of the firm, as distributed among all stakeholders including shareholders, employees, customers, credit providers, and the local community in which the corporation resides (Jensen, 2002) and (Freeman, 1984).

Berle argues that since the managerial powers are derived from the shareholders, it is the fiduciary duty of the managers to maximize firm value for the sole benefits of its Shareholders (Berle A. , 1931). Dodd replies that public opinion on the role and responsibility of business entity would ultimately find its way into the law book (Dodd, 1932).

Comparing these two opposing schools of thought, (Jensen, 2002) states that value maximization as according to the shareholder theory demands: those managers should make all decisions so as to increase the total long-run market value of the firm. Total value is the sum of the values of all financial claims on the firm – including equity, debt, preferred stock, and warrants. Stakeholder theory, on the other hand, says that managers should make decisions so as to take account of the interests of all the stakeholders in a firm. Stakeholders include all individuals or groups who can substantially affect the welfare of the firm – not only the financial claimants, but also employees, customers, communities, and governmental officials, and under some interpretations the general overall all directly or indirectly related subsidies to the firm operations. Jensen thinks the stakeholder theory is currently popular because it serves the private interests of those who promote it, including outsiders and many insider managers and directors of firms.

(Jensen, 2002) Rather harsh criticism of (Freeman, 1984) as supported by (Sternberg, 1997) the broad definition of stakeholder defined as any group or individual who affects or is in any way affected by the actions of a corporation. (Evan, 1988) Defined stakeholder theory as – referring only to customers, suppliers, owners, employees, and local communities), critics of stakeholder theory increased from other researchers such as Jensen and Sternberg that opened the question of the motives (managerial self interests) and the accountability of boards and management which adopt the stakeholder perspective. (Hosmer, 1995) Argues to count as a stakeholder; as supported by the Delaware supreme court. He supposed to consider any person as a stakeholder for a company he/she can affect the achievement of the objectives of the firm.

Under the finance model of corporate governance, the objective function of a corporation, as entrusted to its board of directors, is to maximize the long-run market value of the firm, as reflected primarily in the company stock price (Jensen, 2002). However, (Charkham J. , 1994) points out that the fundamental flaw of the finance model of corporate governance system is its excessive focus with short-term market value. Company performance is closely monitored on a quarterly basis, thereby forcing otherwise diligent managers to concentrate solely on the current share price and ignoring the long-term value creation of the firm. To overcome this defect, (Jensen, 2002) recommends that corporate managers should be given:

… a structures that will help them resist the temptation to maximize the short-term financial performance (usually profits, or sometimes even more silly, earnings per share) of the organization. Such short-term profit maximization is a sure way to destroy value (p. 245).

On the other hand, (Collins, 1998)) empirically show that maximizing shareholder wealth or profit maximization has not been the dominant driving force or primary objective through the history of their visionary companies that make more money than the more profit-driven comparison companies. It could be argued that a firm's failure to perform its social responsibility role may undermine its shareholders' long-term interest.

Realizing that in order to maximize value, managers must not only satisfy but also enlist the support of customers, employees, suppliers, and local communities, (Jensen, 2002) proposes to meld together the two theoretical perspectives into what he calls "enlightened value maximization" or "enlightened stakeholder theory". Enlightened value maximization uses much of the structure of stakeholder theory; the latter becomes enlightened stakeholder theory when it accepts maximization of the long-run value of the firm as the criterion for making the requisite tradeoffs among its various stakeholders.

2.3 The Three Models of Corporate Governance:

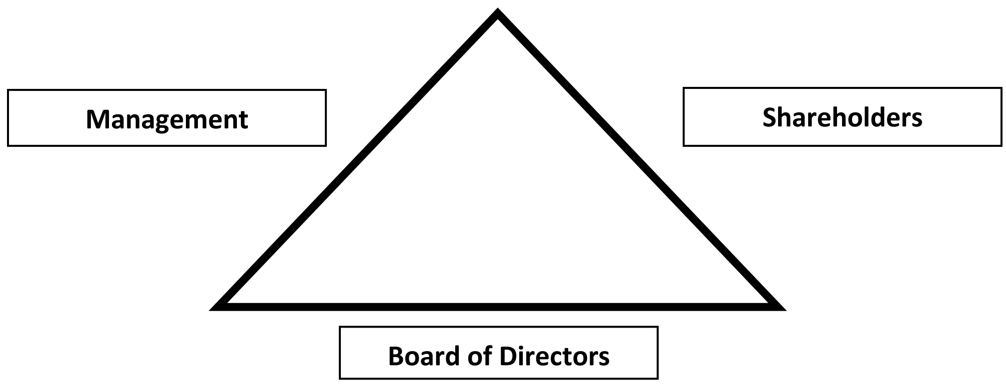
In each country, the corporate governance principles are intended to help policymakers evaluate and improve the legal, regulatory and institutional framework with a view to support economic efficiency, sustainable growth and financial stability. Governance structure has certain characteristics or constituent elements, which distinguish it from structures in other countries. Here comes the role of the government and regulatory bodies to assess the quality of corporate governance framework develop more detailed mandatory or voluntary provision that can take into account country specific economic, legal, and cultural differences.

Researchers have identified three models of corporate governance. These are the Anglo-US model, the Japanese model, and the German model. It is not possible to select a model and apply it to a given country as each model has been identified in regard to each country specific factors and conditions.

2.3.1 Anglo American Model:

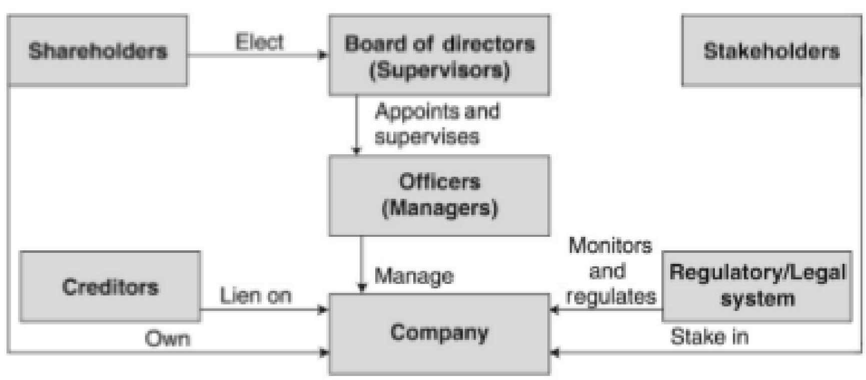
After defining corporate governance and the analysis of the two underlying theoretical perspectives, the discussion now proceeds to trace the origin and evolution of corporate governance in the context of the Anglo-American model as well known as the Anglo-Saxon Model and is used as the basis of corporate governance in USA, UK, Canada, Australia and some commonwealth countries, which is based on the shareholder value perspective which a well developed legal framework defining the rights and responsibilities of the three key players: management, directors and shareholders.

Figure (2.1): Rights and responsibilities of the three key players: management, directors and shareholders. (Deshpande, 2016)



In which shareholders appoint directors whom in turn appoint managers to manage the business that represents a separation of ownership and control through an effective communication between the three pillars with all important decisions taken after getting approvals of shareholders (voting).

Figure (2.2): Anglo American model. (Deshpande, 2016)



New Penguin English Dictionary defines the word ‘corporate’ as “relating to companies or the people who work in them”. The origin of the word ‘governance’ comes from the old French word ‘gouvernance’ which means control and the state of being governed. The etymology of “governance” comes from the Latin words ‘gubernare’ and ‘gubernator’, which respectively means steering a ship, and the captain of a ship (Farrar, 2005).

The Anglo-US model, developed within the context of the free market economy, assumes the separation of ownership and control in most publicly-held corporations. This important legal distinction serves valuable business and social purpose: investors contribute capital and maintain ownership in the enterprise, while generally avoiding legal liability for the acts of the corporation. Investors avoid legal liability by ceding to management control of the corporation, and paying management for acting as their agent by undertaking the affairs of the corporation. The cost of this separation of ownership and control is defined as “agency costs”.

The interests of shareholders and management may not always coincide. Laws governing corporations in countries using the Anglo-US model attempt to reconcile this conflict in several ways. Most importantly, they prescribe the election of a board of directors by shareholders and require that boards act as fiduciaries for shareholders’ interests by overseeing management on behalf of shareholders.

2.3.1.1 Separation of Ownership from Control:

The huge capital outlay needed to fund the modern business enterprises, and the managerial revolution both contributed to the phenomenon of the separation of ownership and control in corporations. As observed by (Chandler, 1977): Ownership and management soon separated. As well as the potential problems inherent in the separation of ownership and control in publicly traded companies were first observed in the 18th Century by Adam Smith (1776/1981). (Berle A. &., 1932/1968), which provided one of the earliest explanations to the relationship between shareholders and directors (managers) arising out of the separation of ownership and control (conflict of interest that may arise between the rights of ownership and the exercise of control) in modern (publicly traded) corporations. They posit that as countries industrialized and developed their markets, separation of ownership and control in corporations logically evolved. To reach economies of scale, firms need to tap vast pools of capital from the general public, and as investors diversify their portfolios, scattered ownership shifted control of modern corporations to managers. But, if ownership does not denote control, what do we mean by ownership? This is the paradox of the separation of ownership and control as famously highlighted by (Berle A. &., 1932/1968).

In contrast to the above somewhat pessimistic outlook for public (joint-stock) companies, (Alchian, 1972) and (Jesen, 1976) introduce the idea of the firm as a nexus of contracts among individual factors of production. The firm is perceived as a team whose members act from self-interest but with the realization that their fate depends to some extent on the survival of their team in competitions with other teams. (Fama, 1983) Remark that shareholders have the right to residual claims because they are the risk bearers. (Jesen, 1976) Conclude that on the basis of a complex set of contracting relationships which spell out clearly the rights of the parties involved, millions of investors are prepared to trust the managers of publicly traded companies to manage their money with only the promise and hope to reap reasonable return in the form of dividends and possibly capital gain.

The development of the contractual view of the firm marks an important milestone in the evolution of the Anglo-American corporate governance system, which is characterized by dispersed shareholders and concentrated management in large public corporations (Lubtakin, 2005). This contractual view of the firm is better known through its association with the agency theory (as popularized by the financial economists, such as (Jesen, 1976)), which identifies the agency relationship where the principal (shareholder) delegates work to the agent (manager).

Contrasting Approaches to Corporate Governance in the Anglo-US Model:

2.3.1.2 Agency Theory and Stewardship Theory

- Agency Theory: Control approach

The Anglo-American model of corporate governance is based on the agency theory perspective (Dalton D.R, 1998) and (Shleifer, 1997). Agency theory bottom line which is also considered the cornerstone of the Anglo American principal-agent model is that shareholders, through the board of directors (BOD), delegate the responsibility of managing the firms to the top executives, who are supposed to use their significant information advantage, specialized knowledge, expertise and the firms' resources to maximize returns for the shareholder. It assumes that separation of ownership and control in publicly listed corporations provides incentives for managers (agents) to act in a self-interested and opportunistic manner.

Agency theory is a theory of the firm that discusses the managerial incentive problems arising out of the separation of ownership and decision making, and defines the relationship between the managers and shareholders as a contract between agents and principals. It is to be noted that agency theory can trace its root to the ground-breaking work of (Berle A. &., 1932/1968), which famously pioneers the concept of the separation of ownership and control in the wider context of the theory of a firm.

(Arrow, 1985) Opines as well agency relationships are formed when the principals (shareholders) delegate authority to the agents (managers) and the welfare of the former is affected by the choices of the latter. But (Arrow, 1985) notes that there are two primary sources of agency problem: moral hazard (hidden actions including shirking) and adverse selection (hidden information). Moral hazard involves situations in which the agent's actions are typically either hidden from the principal or are too costly to observe. As a result, shareholders or even directors may find it prohibitively costly to fully monitor the behavior of their top management team, since effort and ability are difficult to observe. Adverse selection occurs when agent possesses information which is unobservable or costly for the principal to obtain; boards of directors typically are at an information disadvantage in their dealing with Chief Executive Officers (CEOs). Agency costs are incurred when attempts are made to reduce the agents' opportunistic behavior. (Jesen, 1976) Define agency costs as the sum of (1) the costs of creating and structuring contracts between the principal and the agent (Manager), (2) the monitoring expenditures by the principal (board) that occurs due to the observing managers performance and behavior in their work, (3) the bonding expenditures by the agent (Manager) that includes rewarding or penalizing the agent for his course of achievement, and (4) the residual loss that acknowledges that it is not easy at all for the board of director to ensure without incurring costs that Managers are making optimal decisions from the observer viewpoints.

- Stewardship Theory: Collaborative Approach

Grounded in organizational psychology and sociology, stewardship theory posits that managers as dutiful stewards are motivated to act in the best interest of the principals (Donaldson, 1991). Stewardship theory presumes that managers are seeking to maximize firm performance. This is because in doing so their utility functions are maximized too. The aim of corporate governance is to maximize firm value and not just minimizing agency cost as advocated by the agency theorists. Stewardship theorists focus on structures that facilitate and empower, as compared to agency theorists' emphasis on monitor and control. The focal point of contention between stewardship theorists and agency theorists is the structure of the chair of the board. While the former advocates duality of CEO-Chairman, the latter insists on the separation of the two positions.

The two contrasting approaches to corporate governance reflect the differing theoretical perspectives on the primary roles of the BOD. While the agency theory perspective advocates a control approach to corporate governance, the stakeholder theory perspective prefers a collaborative approach. While the agency theory is closely associated with the shareholder value maximization perspective of the Anglo American corporate governance model, the stewardship theory is more akin to the stakeholder orientated Germanic/Japanese model.

2.3.2 German Corporate Governance Model

This model characterized by its stakeholder oriented approach. Referring to the evidence from the German corporate law of 1937, German model places more importance on employees and the whole enterprise itself; which stipulated that the firm was to be managed for the good of the enterprise and its employees, the common benefit of the citizens, and the state (Fiss, 2004). As well as (Charkham J. , 1994) opines that the central to the German system is the good industrial relations and this model promotes cooperation and collaboration on the contrary as the Anglo American model that adopt confrontation approach.

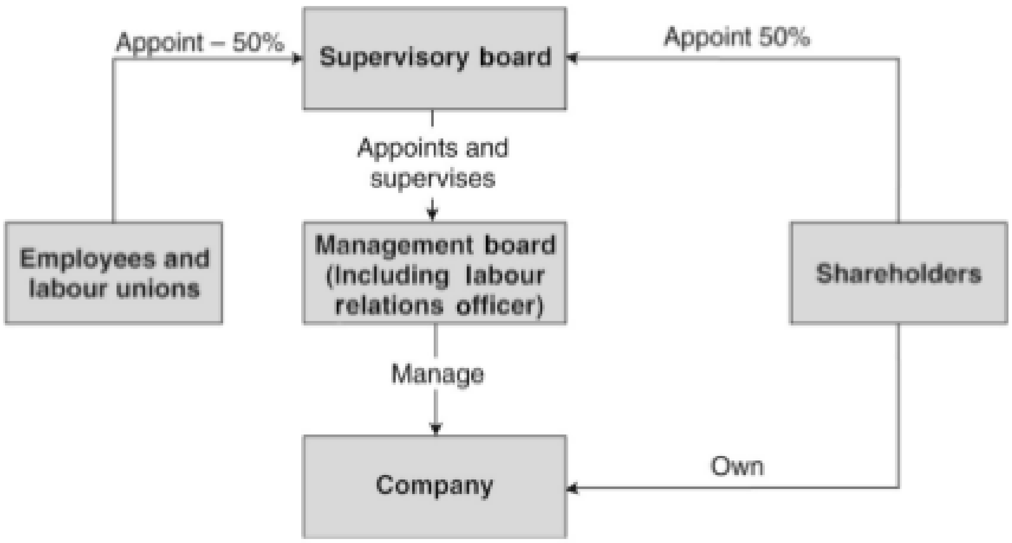
There are two unique elements of the German model that distinguish it from other models.

First, the German model prescribes two boards with separate members. German corporations have a two-tiered board structure consisting of a management board (composed entirely of insiders, that is, executives of the corporation) and a supervisory board (composed of labor/employee representatives and shareholder representatives). The two boards are completely distinct; no one may serve simultaneously on a corporation's management board and supervisory board. Second, the size of the supervisory board is set by law and cannot be changed by shareholders.

The mandatory inclusion of labor/employee representatives on larger German supervisory boards further distinguishes the German model from both the Anglo-US and Japanese models.

One of the main pillars of the German corporate governance model is the concept of co-determination, which "makes labor representation an integral part of the corporate governance system and reflects the German concern with the responsibility of the firm to its various stakeholders" (Fiss, 2004).

Figure (2.3): German corporate governance model. (Deshpande, 2016)



German corporate governance model reduces agency costs as well as minimizes conflicts of interest between creditors and shareholders, since they are the same people. Despite its perceived shortcomings, this German system seems to be working well as observed by (Monks, 2004). As well as observed by (Coffee, 1991), German banks monitoring of corporate management has been close and intensive, resulting in reductions of agency and information costs. Otherwise, (Shleifer, 1997) opines that the dual roles of the banks as financiers as well as investors in industrial corporations may also create conflicts of interest.

2.3.3 Japanese Corporate Governance Model

Like the German corporate governance model, the Japanese model can be characterized as stakeholder-oriented and concentrated ownership structure dominated by banks, as against the shareholder-oriented and dispersed ownership structure of the Anglo-American model. Despite the similarities between German model and Japanese model, but there are still some differences existing mainly due to the influences of the keiretsu-bank system and culture on corporate governance in Japan (Mallin, 2004) The three cultural concepts which greatly influence the Japanese approach to corporate governance are obligation, family, and consensus (Charkham J. , 1994)

Obligation is reflected in the Japanese feeling of obligation to family, company, and country; family is derived from the strong sense and feeling of being part of a ‘family’; and consensus, which emphasizes on agreement and values harmony rather than antagonism.

Japanese labor unions are organized around enterprise, as against the German system which is organized along industry or occupational lines (Jackson, 2005). As such, employees in Germany can be considered to have more influence than their Japanese counterparts in the running of companies. On the other hand, Japanese employees are perceived, and they consider themselves to be participants in their companies, and not just contracted labor (Learmont, 2002). (Demise, 2005), however, argues that the moral benefits of the Japanese employee oriented labor practice are not that clear cut, due to the problems of death from overwork (karoshi) and harassment of employees in the workplace.

Opposing the Anglo American system of maximizing the market value, (Kain, 2003) here argues that the objective of the keiretsu is to maximize the relationship values and financial performance of the keiretsu as a ‘family’ entity. As such, the grouping of keiretsu as a family entity ensures that individual firms are protected from hostile takeovers.

In the Japanese model, the four key players are: main bank (a major inside shareholder), affiliated company or keiretsu (a major inside shareholder), management and the government. Note that the interaction among these players serves to link relationships rather than balance powers, as in the case of the Anglo-US model. In contrast with the Anglo-US model, non-affiliated shareholders have little or no voice in Japanese governance. As a result, there are few truly independent directors, that is, directors representing outside shareholders.

The Japanese model may be diagrammed as an open-ended hexagon: (Deshpande, 2016)

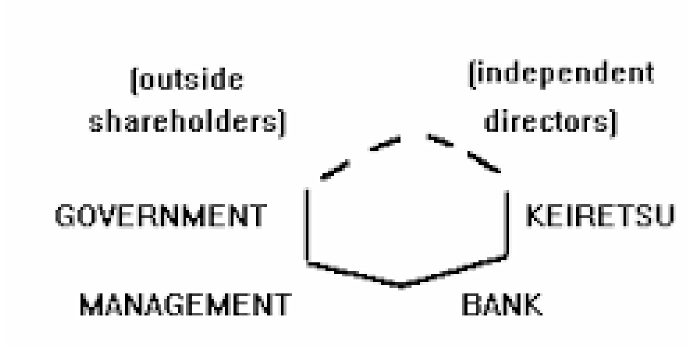


Figure (2.4): Japanese corporate governance model

The base of the figure, with four connecting lines, represents the linked interests of four key players: government, management, bank and keiretsu. The open lines at the top represent no linked interests of non-affiliated shareholders and outside directors, because these play an insignificant role.

The Japanese government also plays crucial role in the keiretsu-bank system of governance. Through its Central Bank, the Ministry of Finance, and other ministries, the government seems to be the monitor of monitors within the keiretsu through the creation of gyosei shido, an informal system of ‘administrative guidance’ for policy implementation by the keiretsu.

Another key difference between the German and Japanese models is board structure and board composition. As mentioned previously, Germany has a two-tier board structure with legal distinction between the roles of the supervisory board and the management board. Germany also has a long tradition of outside directors that represent the interests of the various stakeholders such as banks, block holders, and employees.

On the other hand, Japan has unitary board of directors dominated by insiders, with no clear roles for outside directors (Jackson, 2005) this is also indirect contrast to the composition of the American boards which have majority outside independent directors.

2.4 Service Sector in Palestine

2.4.1 Service Sector in Palestine

Services are diverse group of economic activities that include high technology, knowledge-intensive sub-sectors, as well as labor-intensive, low skill areas. In many aspects, service sectors exhibit marked differences from manufacturing – although these distinctions may be blurring (OECD., 2000).

Additional definition of services sector by OECD, "Services are outputs produced to order and which cannot be traded separately from their production. Services are not separate entities over which ownership rights can be established. They cannot be traded separately from their production. Services are heterogeneous outputs produced to order and typically consist of changes in the conditions of the consuming units realized by the activities of producers at the demand of the consumers. By the time their production is completed they must have been provided to the consumers.

Service sector typically involve the provision of human value added in the form of labor, advice, managerial skill, entertainment, training, intermediation and the like. They differ from other types of economic activities in number of ways. Many, for example, cannot be inventoried, never expired and must be consumed at the point of production with more customer interaction and participation in the process of some services delivered e.g. university lectures. This is in marked contrast with manufactured products, whose tangible character allows them to be stored, distributed widely and consumed without direct interaction with the entity that produced the good as well it can be expired in a specific day.

Table (2.1): The growth rate of service sub-sectors in Palestine between 1995 and 2009 measured in terms of number of firms. (Rabeh.Morrar, 2016)

Year	Sale and repair of motor vehicles	Wholesale trade	Retail trade, repair of personal goods	Hotels and res-taurant	Land transport	Supporting & auxiliary transport	Postal services and telecom-munication	Real estate activi-ties	Renting of machinery without operator	Computer and related activities	R&D	Other business activity
1996	-1%	3%	2%	-6%	-3%	8%	0%	16%	2%	0%	20%	1%
1997	10%	5%	22%	23%	-3%	79%	4967%	28%	-11%	32%	117%	10%
1998	66%	387%	-32%	15%	44%	-2%	-17%	49%	-1%	152%	162%	14%
1999	-32%	-76%	73%	6%	1%	2%	10%	-37%	5%	37%	-59%	6%
2000	3%	-4%	10%	6%	11%	8%	-17%	33%	10%	40%	-14%	4%
2001	2%	-4%	5%	5%	1%	2%	-3%	0%	5%	18%	-21%	2%
2002	4%	-15%	5%	5%	4%	3%	-8%	106%	7%	19%	5%	-2%
2003	2%	-9%	3%	5%	179%	3%	-4%	-35%	-25%	17%	-15%	7%
2004	-2%	-22%	-2%	7%	-60%	4%	-38%	4%	53%	17%	112%	0%
2005	12%	25%	12%	9%	25%	20%	249%	46%	7%	28%	8%	6%
2006	0%	-1%	0%	2%	0%	-3%	14%	-9%	2%	-1%	3%	2%
2007	1%	-5%	-2%	1%	2%	-2%	36%	35%	5%	31%	38%	-8%
2008	4%	26%	6%	8%	18%	12%	-2%	-1%	-6%	5%	-9%	11%
2009	5%	-18%	7%	6%	3%	1%	3%	-8%	5%	1%	-12%	4%
Average	5%	21%	8%	7%	16%	10%	371%	16%	4%	28%	24%	4%

Table (2.2): Intermediate consumption and value added in service sector in 2009. (Rabeh.Morrar, 2016)

Service sub-sectors	Value added (%)	Intermediate consumption (%)	Output (%)	Compensation of employees (%)	# Of employees (%)	# Of firms or institutions (%)
Sale and repair of motor vehicles	9.20	10.38	9.41	6.76	9.20	8.98
Wholesale trade	9.50	5.61	8.72	4.53	3.65	2.36
Retail trade, repair of personal goods	28.8	31.1	29.31	16.05	43.89	59.45
Hotels and restaurant	4.20	11.16	5.64	4.92	6.39	0.562
Land transport	1.60	4.08	2.13	2.90	1.57	0.52
Supporting & auxiliary transport	1	0.85	0.96	0.66	0.55	0.44
Postal services and telecommunication	23.6	8.72	20.67	11.20	2.22	0.38
Real estate activities	0.27	0.39	0.29	0.27	0.17	0.21
Renting of machinery without operator	0.32	0.29	0.31	0.18	0.40	0.43
Computer and related activities	0.34	0.51	0.38	0.47	0.48	0.62
R&D	0.36	0.19	0.32	0.93	0.19	0.05
Other business activity	2.59	4.32	2.94	4.31	3.61	3.59
Education	6.52	5.94	6.40	24.14	8.75	2.57
Health and social work	6.01	7.88	6.39	10.58	6.62	4.66
Sewage and refuse disposal	0.01	0.02	0.01	0.02	0.01	00
Membership organization activities	2.43	3.56	2.66	8.83	5.54	2.00
Recreational culture and sporting activities	1.31	1.63	1.37	1.63	2.50	2.08
Other service activity	1,78	3.37	2.10	1.63	4.25	6.02

The Palestinian economy faces many challenges as it is highly dependent on the Israeli economy – more than 73% of the Palestinian imports of goods and services originated in Israel (PCBS, 2012), as well as the restrictions imposed upon it by Israel impede the development of the viable Palestinian economy that took several forms e.g. control over raw materials, control over the borders of Palestinian areas and prevention of the construction of industrial zones (Faiz.G, 2015).

Recent studies has been published in regards to the service sector existence in Palestine; e.g. (El-Jafari.M, 2003) that analyzed the important role of the services sector in the development of the Palestinian Economy in terms of contribution to Gross domestic Product GDP, employment, investment, and the balance of trade. This research pointed out the important contribution of service sector to the Palestinian GDP that rose from 46.7% in the mid-1970 to 52.2% between 1995 and 2000 and more than 61% of the Palestinian labor forces were employed by this sector. As well it investigated the constraints impeding the development of Palestinian services and potential for improvements. This research ended with some valuable recommendations for all public and private sectors with specific suggestions represented to improve the performance of the Palestinian Banks “financial sectors”, PSE listed companies, and the Insurance companies.

(Faiz.G, 2015) Published other paper that discussed the service sector productivity in Palestine, were they addressed the main factors that are responsible for growth in productivity in the Palestinian service sector. As (Faiz.G, 2015), mentioned that Palestine has experienced a high increase in the significance of the service sector, in comparison with other productive sectors (manufacturing and agriculture). As the service sector’s share of GDP grew steadily from 50% in 1995 to 60% in 2009, as this shows the continuous improvement of service sector operations in Palestine and confirms the fact that the Palestinian economy is a service sector economy, and that service sectors will be playing leading role in the Palestinian economy in the coming years, strengthening its competitive power at both local and national levels. This research finalized with some recommendations to help service sector companies to overcome their limited abilities to improve their productivity growth, as suggested that new policies should be adopted as government should adopt an efficient plan aimed at absorbing the thousands of unskilled workers who lose their jobs inside Israel, and should be based not on expansion of the public sector but on the rehabilitation of these workers and employing them in the various economic sectors.

A diagnostic research conducted in Palestine by (PalTrade, 2013), to outline the findings of the study to understand and analyze the export readiness of potential services sectors in Palestine. This research in agree with previous researchs, noted the continuous remarkable growth in services sector contribution of the Palestinian GDP with almost 80% in 2012. Recommendations concluded several points to help service sector to improve its sustainable growth in an instable economy by conducting a strategic decisions as product development, policy reform and industry regulations, private sector support and capacity building and marketing and promotions.

Finally, (Al-Falah.B, 2013) aimed to discuss the reasons behind the expansion in the services sector and its growing role in terms of employment and contribution to the formation of the Gross Domestic Product. As he expressed the expansion of the role of the services sector in Palestinian economy is accompanied the embedded role and importance of the traditional service branches, such as trade, transportation and distribution services, while the modern service branches, which are linked to the information and communication sector, still has limited contribution, despite its remarkable growth in recent years. (Al-Falah.B, 2013), noted as the other researchers as above, that the Palestinian economy heavily relies on service activities. In 2012, the service sector made up 75% of the real GDP and 62% of total employment but the question rose onto this matter of company's ability to enhance economic growth, mainly in light of the decreasing contribution of other sectors, mainly manufacturing.

To conclude the above research papers, the reader can figure out the important role that services sectors in the Palestinian Economy has to contribute with its GDP as it was clear since the mid-1970 of its share in GDP by 46.7%, with its remarkable growth service sector is contributing up to 80% by the 2012 of the Palestinian GDP. Otherwise, researchers showed the constraints in which prohibiting these sectors from growing nowadays, but a set of valuable recommendations has been provided to help in fostering their capacities specially with the ICT Information and Communication Technology Sector.

2.4.2 Palestine and Corporate Governance

Several studies took place throughout the Palestinian companies for the purpose of defining codes of governance that are not contradicting with the Palestinian Laws and conducting deep analyses of the governance specifications for Palestinian firms performing under the PSE only e.g. (Abdelkarim, 2010), (Dergham.M, 2013), (PGI, 2015) and others. Recent research papers found that there has been an increase in the interest of the Palestinian community with recent governance issues by all sectors including NGOs, Publicly held firms and other forms of companies. Globalization spanned the vision of these societies which increased the interest for a competitive investments represented by the increase of the local and foreign investors in the region.

Since its inception in 1994, the Palestinian National Authority has witnessed material transformations in the social and ideological values prevailing in the Palestinian society, especially in the aftermath of its transition from an armed resistance movement in to a civilian and democratic regime governed by rules, regulations and accountability for all (PGI, Corporate Governance Manual for Palestinian Family Firms, 2014). These transformations have reflected significantly and progressively on all sectors, especially with regard to transparency and integrity in the legislative system, local elections, freedom of press, freedom of expression in conferences and workshops. The democratic environment has also reflected positively on the accessibility to form civil society institutions which are able to communicate directly with various international entities in order to acquire necessary funds to finance their activities.

By 2003 with the support from several countries worldwide to increase the tendency knowledge of corporate governance, a two years project took place in Palestine by CIPE Center for international Private Enterprises with the cooperation of MEPI Middle East Partnership Initiative that aims to reform the business sector in Palestine, which concentrated on corporate governance issue as considered the baseline for the success of the Palestinian institutional and private sector.

Palestine has been active in its educational programs with regard to corporate governance and its importance to both the private and public sectors. The code of corporate governance was drafted in 2008 by the Palestinian Capital Market Authority, the Palestinian Securities Exchange, and a number of related institutions, in addition to include some of the corporate governance term (especially those designed to protect price-sensitive information and minority shareholders) in the exchange regulations or even banking regulations.

Corporate Governance codes in Palestine and elsewhere around the world are based on the concept “Comply or Explain”. This states that companies has to comply with code’s provision, but if it does not do so, it has to state that it is not complying and should explain why it does not so. This concept helps in increasing the efficiency of the market as it helps shareholders and stakeholders of each firm to make an informed evaluation as to what extent the company is complying with the best practices and why it is not if so.

Globalization and the fast development in modern communication methods have led to create new competition on both local and international level for the working companies in Palestine. In the last years, the PNA Palestinian National Authorities has issued numbers of organized legislation for the private sector such as: Monetary Authority Law, Banking Law, Investment Promotion Law, Palestinian Market Authority Law, and the Financial Security Law, Auditing law, Insurance law, and Anti-Money laundering law, Companies Amendment Law for the year 2008. This legislation consists of number of texts within the rules of Governance that are applicable internationally. The Capital Market Authorities in the same direction and after the direct coordination with Palestinian Security Market and Monetary Authority and the IFC have set the rules of Corporate Governance in Palestine due to its importance to the Palestinian economy, particularity that this issue witnessed in the last year growing interest of different countries in the world and the International Associations (C.G.Committee, 2009).

(PSE, 2012) in Palestine showed that most of the Palestinian companies are not complying with corporate governance codes and guidelines there is 41% of Palestinian listed firms have a duality of the CEO position and the Board chairman, 6 board members in listed firms are members for four companies and more, out of 47 listed companies 21 firms only have Auditing committee, 10 firms have governance committee and only 2 firms have remuneration committee, about 26% of listed firms have no electronic websites, most of the Palestinian listed firms do not disclose its compensations for the board members and executive managers as long as this is not mandatory but it is considered as a good indicator for the company's compliance, sustainability and transparency.

The major role here comes into the relationship between the three pillars "Shareholders, Board of Directors and the Executive Managers", where each of them has their responsibilities to represent the firm with its best practices. Unfortunately, since the Palestinian political rift in 2007 most of the regulatory bodies in Palestine have been independent and not observed by law which caused the agency problem as some firms showed that the Board Chair is still the company CEO. PSE “Palestinian Stock Exchange” and PMA “Palestinian Monetary Authority” carried out some actions to observe the compliance with the codes by the listed companies that showed a serious move toward successful corporate governance practice, but the Comply and Explain concept caused that companies represented with their policy makers are not complying based on the reason as no sanctions implemented and even no serious body is controlling companies practices specially with the privately held firms in which they still consider themselves as a family owned business represented with more family members in the BOD Board of Directors, Chairman of the Board is the same owner of the company and board members are themselves beneficiaries “dealers, suppliers etc..” with the company operations.

In Palestine, recent research papers (PSE, 2012) showed that most of Shareholders are not considered major participatory in the board general meetings due to the reasons e.g. lack of awareness and knowledge of corporate governance importance over the company’s performance from one side and the whole economy from the other side, most Shareholders are considered as a marginalized body referred to the reason; (PSE, 2012) 95% from the overall Shareholders in service sector have less than 5000 stocks that decreased their votes effectiveness in board meetings with relative increase of the existence of some Shareholders whom are holding most of the company shares “Block holders”.

The preparation of the Corporate Governance Code governing companies listed on the Palestine Stock Exchange succeeded one year later by the preparation of the directory of rules and best practices. Since then, these codes have contributed significantly towards qualitative shift in the culture of governance. In practical terms however, these codes appear to have had no significant tangible impact on the level of compliance in codes of governance in companies and other targeted entities which are not listed on the Stock Exchange. The main reason for that is probably the unavailability of well defined package of regulations and instructions which would provide the owners and managers of these companies with the required actions to do or not to do for the purpose of modernizing governance practices in their organizations.

The codes of corporate governance in Palestine consist of three rules: (CGNC, 2009)

First: The rules that are based on explicit legislative texts. In this type the application by the companies is mandatory. The rules of the Code have been formulated using terminology in the imperative mood such as must, may not, not entitled to, committed and prohibited.

Second: The rules are in-compliance with international practices in the field of Corporate Governance, and do not conflict with any of the explicit legislative text or at least be one of the possibilities allowed by any legislative text. So the application will be voluntary by the companies according to the quotation "Compliance and non-compliance". And this code has been formulated using permissible advice and application terminology such as: favored, recommended, and may.

Third: The rules are in-compliance with the international practices in the field of Corporate Governance but are at variance with the explicit legislative texts. In this case, a recommendation has been given requesting the necessity for the amendment of the existing legislation to conform to the practices and rules.

Some internal and external limitations affected on the tendency degree of compliance with the codes of corporate governance in Palestine as represented below:

External limitations: Investment environment in Palestine is characterized with the high degree of economic and political instability (Qibaja.A, 2008), which resulted as)Alawneh.A(2009 ، opines:

- Weak regulatory bodies in Palestine to control business sectors
- Lack of awareness and knowledge of corporate governance importance
- Limited access of judicial and executive authorities the ability to possess and implement judicial decisions in most conditions
- Intense competition with strong economy in the neighboring and surrounding countries.
- Palestinian economy is considered dependent on the Israeli competitive economy
- Paris economic agreement
- The lack of unified Palestinian currency

Internal Limitations: Palestinian firms are characterized with its inherited family owned business ownership and controlled by the elder ones as sense of family respect (Qibaja.A, 2008), which resulted as (Alawneh.A, 2009)opines:

- The concentration of the ownership structure in the Palestinian companies
- The applicable law is the Jordanian commercial law for the year 1964 in the WB West Bank and the Egyptian law for the year 1929 in the GS Gaza Strip
- The presence of large block by family members that limits the free float of stocks
- Weak of the independence of the Board of directors
- Nonexistence of highly qualified executives

The importance of corporate governance codes application has been clear worldwide for all business sectors, and measuring the degree of compliance with the codes is considered crucial for finding out the company financial performance; to do so, it is very important to take part of the previous studies in corporate governance and look onto the several models represented in this matter with a close look onto the weak points and findings in it to be able to set out an applicable compulsory codes considering the Palestinian internal and external environment to ensure the highest degree of compliance.

2.5 Literature Review

Previous studies in Corporate Governance:

2.5.1 Previous Studies in Palestine

- (Haboush.M.J 2007): “To what extent do listed palestinian companies comply with corporate governance codes?” Mohamad Jamil Haboush is considered one of the first writers in corporate governance compliance in Palestine, based on the researcher viewpoint. In this research, Haboush used a questionnaire divided onto four sections, distributed onto board members of Palestinian companies and several internal and external stakeholders. Used SPSS research tool for the research sample of 81 questionnaires collected. Questionnaire covered topics in corporate governance based on previous studies. As this research took place before the codes of corporate governance has been implemented in Palestine came up with the findings that companies in Palestine has a partial compliance with the general codes and recommended that there should be a set of codes to be used as a guiding reference for Palestinian companies.

- (Qibaja.A, 2008)**:** "Strengthening corporate governance in Palestine", studied the effectiveness of compliance with corporate governance codes on the PSE listed companies financial performance. This research implemented over 28 listed companies using governance indicators used previously in other countries. This research took place before the implementation of the corporate governance codes in Palestine by 2009. Positive relationship result findings between effective compliance with the codes and the company financial performance based on each company's PE/Ratio, ROE, ROI, Tobin's Q and so on…, as one of the most important recommendations was to find out a quantitative scale to examine the corporate governance code application in Palestinian companies.
- (Darwish.A 2008): "Corporate governance effectiveness on Palestinian listed companies", Research questionnaire tested the extent of compliance with corporate governance codes as stated by the OECD and covered 5 principles only using Likert Scale testing tool. Research findings was that companies in Palestine are partially comply with the codes and recommended that there should a specific set of codes for Palestine in this regard as well as recommended with the important distribution of the tendency of knowledge with corporate governance benefits on companies performance.
- (CGNC 2011): "Corporate governance in Palestine and the extent of compliance of listed companies", field study conducted by forming a questionnaire based on the basic principles and codes, interviews with executives of 23 companies out of 46 listed firms to test the tendency of compliance. Research findings concluded with positive results, that there is an improvement with level compliance with the codes, but not enough to reflect the needed level of compliance referred to the lack of control and follow up in this regards from the related regulatory bodies and institutions in Palestine.
- (PSE 2012)**:** "The key features of corporate governance in Palestine listed firms", research tested the tendency existence of advance technological facilities as a process used by firms to communicate with its stakeholders "investors" e.g. Website. Testing factor used three indicators to measure: tendency of communication with beneficiaries,

company governance structure, and the tendency of updating company information of its financial disclosures and its internal system.

- (Abed.M 2013)**: "**Adherence of the working banks in Palestine to the requirements of advanced governance", which is considered as a one of new research aspects in modern accounting thinking. A survey for sampling of all banks working in Palestine and ruled by the PMA "Palestinian Monitory Authority" was carried out. Th sampling study consists of four main groups (member of management board, financial manager, head of department, and shareholder). This research study used descriptive analytical statistical techniques to analyze data and discuss results. Findings indicated that PMA moved seriously toward governance through issuing periodic and make meetings and lectures about governance concept and how can practice it in Palestinian environment. The study showed that banks were obliged by advanced governance required that was revealed through the adequate awareness of ownerships and members of management board for governance concept. Study recommended forcing Palestinian banks to disseminate governance information in their annual reports in a separate appendix.
- (PGI, 2015)**: "**Evaluate governance practices in Palestinian listed companies and find out: the extent of compliance with the codes, barriers of good compliance ", this paper conducted a field research study in cooperation with CIPE. The study achieved through conducting 33 interviews with executives, board members and general managers of listed firms improved with a questionnaire. Study showed that regulatory bodies played a crucial role in controlling company's procedures till 2007, otherwise during the 5 years after; there has been deterioration in the level of compliance due no-serious controlling procedures and no sanctions implemented by the regulatory bodies.
- (Abdelkarim, 2010)**:** "Evidence on corporate governance compliance by Palestine securities exchange listed companies". Research findings concluded that companies are not complying with the best practices of governance specifically represented the agency problem issue which discusses the separation between ownership and control (formalizing board members and definition of their independent roles) and weak commitment of companies' financial disclosure. The researcher referred this problem of non-compliance to the main problem as discussed earlier, that most of the companies in Palestine are owned and controlled by family members for long years.

- Several studies took place in Palestine working in the same methodology as previous studies did by using likert scale tool of questionnaires to measure corporate governance compliance e.g.)Thaer.A(2013 ، and)Dergham.M(2013 ،, concluded with the same positive results onto the relative relationship between the degree of corporate compliance with the codes and the other variables.

Reference to the previous studies conducted in Palestine, it is clear that this research aim is much close to the above studies e.g. (Abdelkarim, 2010), (PGI, 2015) and (Darwish.Abu, 2008) which concentrated on finding to what extent listed firms in the Palestine Stock Exchange are complying to the codes of governance and ended up with general recommendations and findings.

2.5.2 Previous Studies outside Palestine:

- (Cohen J. K., 2002)**:** "Corporate governance and the audit process", In his study examined the impact of corporate governance factors, such as board of director and audit committee on the audit process through conducting a semi structure interviews for 36 participant auditors composed of seniors, managers and partners for 5 big firms. Cohen found out that auditors view management as the primary drivers of corporate governance, as he recommended that corporate governance factors to be especially important in the client acceptance phase and in an international context, but Cohen noted that Audit Committees are in-effective and lack sufficient power to be strong governance mechanisms.
- (Roberts, 2005): "Beyond agency conceptions of the work of the nonexecutive director: Creating accountability in the boardroom ", Conducted a research to examine board effectiveness through the examination of the work and relationships of non-executive directors. Roberts used to do 40 in-depth interviews with company directors and he ended up with the findings that the traditional theoretical divisions between agency and stewardship theory, and control versus collaboration models of the board do not adequately reflect the lived experience of the non-executive directors and other directors on the board.
- (Turley, 2007)**:** "Audit committee effectiveness: informal processes and behavioral effects", Investigated the conditions and processes affecting the operation and potential effectiveness of audit committees (ACs), with particular focus on the interaction between

the AC, individuals from financial reporting and internal audit functions and the external auditors. Turley conducted a case study approach with direct engagement with participants in audit committee activities. Turley in his research findings showed the importance of informal processes around the AC, and he noted to the possibility that the AC‟s impact on governance may be greatest in non-routine situation, and finally he showed the audit committee influence on power relations between organizational participants.

- (Cohen J. K., 2010)**:** "Corporate governance in the Post-Sarbanes-Oxley Era: auditors‟ experiences", His study objectives were, to capture the experiences of auditors in their interactions with the audit committee, board, and internal auditors in the post-SOX (Sarbanes Oxley Act) environment and focus on how such interactions affect the audit process (e.g., risk assessments and resolution of contentious accounting issues) and the audit environment (e.g., appointment and termination of auditors) through conducting a semi-structured interviews with 30 experienced audit partners and mangers. As Cohen finalized with his research findings that audit committees are seen as having sufficient expertise and power to fulfill their responsibilities, and there is a strong positive shift post-SOX in the seriousness that audit committee members bring to their role as monitors of the quality of the financial reporting process.

- (Salleh, 2012)**:** "The impact of expertise on the mediating role of the audit committee", As well in his study concentrated on showing the important role the audit committee plays in corporate governance as (Cohen J. K., 2010) did. In his research papers Salleh intended to report the findings of semi-structured interviews with management, external auditors and audit committee members in Malaysia concerning the role of the audit committee in resolving auditor-client disagreements, through conducting an exploratory case study by making interviews. His research findings concluded as he noted that when the issue is very material, the audit committee plays a mediating role as a third-party intermediary who provides assistance to resolve the dispute; and the authority of the committee to act as a mediator comes from its oversight responsibilities, its understanding and awareness of possible issues and the members‟ accounting and business expertise, as their mediation techniques used include controlling the agenda, gathering information, advising and solving problems.

- (Soobaroyen, 2012)**:** "Do corporate governance codes improve board accountability? Evidence from an emerging economy", Examined whether the expectations and requirements contained within the corporate governance code have an impact on how accountability is perceived, understood and practiced by company board members in an emerging economy (Mauritius). The study did 24 semi-structured interviews of board members in listed companies and also analyses the accountability implications present in the local code of corporate governance and relevant reports. Results showed that there is a substantive change in the type of board accountability but it is one which privileges an individualizing form of board interactions. A move to a more empowered "maximalist" board is also noted.

- (Cohen J. R., 2013)**:** "The effectiveness of SOX regulation: An interview study of corporate directors", In his study in 2013, he tried to provide insights on the effectiveness of the Sarbanes-Oxley Act (U.S. House of Representatives 2002) in promoting high-quality financial reporting and good governance, by conducting interviews conducted with 22 experienced audit committee directors from U.S. firms. As his research study finished up with good results that SOX has positively impacted the monitoring role of the audit committee (board), which directors attributed to the financial expertise and internal control requirements and heightened substantive diligence.

Conclusion of previous studies:

From previous research papers and studies conducted recently, we can figure out that (Cohen J. K., 2002) pointed out the important role management plays as the primary drivers of corporate governance. (Cohen J. K., 2010), (Turley, 2007) and (Salleh, 2012) showed in their research papers the critical role that the audit committees play in regards to corporate governance practices, in which audit committees have influence on power relations between organizational participants, they have their important role as monitors of the quality of the financial reporting process and finally they help through providing mediation techniques used include controlling the agenda, gathering information, advising and solving problems.

Referring back to the literature, the corporate governance has grown rapidly in the past few decades. However, most of these studies are conducted using quantitative approach. Even though the qualitative studies in this area are growing, it is still understudied and there are various scopes that can be explore through qualitative studies. We observe that there is lack of publicly available data that would facilitate more quantitative research and accordingly, more qualitative research are needed in enhance understanding the impact of governance system and finding out in depth, why companies are not complying with the codes?

The qualitative studies are essential to complements the existing quantitative studies in this area by relying on the data derived from the case study, in-depth interviews, observations and other related methods.

This study is distinguished from previous ones as it will study in depth to what extent do Palestinian companies working in service sector comply with the codes by conducting a mixed research method using qualitative (questionnaires distribution) and quantitative (semi-structured interviews) design methods which will help the researcher to answer the questions that previous studies conducted in Palestine did provide a clarification to it.

This study will concentrate the efforts onto testing the level of company's compliance for listed-companies working in service sector only. Hopefully, the findings and recommendations of this study will help service industry to find out an appropriate solution that encourages a higher level of compliance.

Chapter Three:

3. Research Methodology

3.1 Research Questions:

This research seeks to answer the main question: To What Extent Do Palestinian Firms comply with Corporate Governance Guidelines as Spelled out in OECD?

Sub-questions that underpin the main research question:

1. To what extent do Palestinian companies working in service sector comply with the codes?
2. Does the company non-compliance level differ depending on its general attributes (company age, company ROA, company size, and company leverage ratio)?
3. Which of the corporate governance provisions as stated in OECD are the most and are the least complied with by Palestinian companies working in service sector?
4. What are the barriers to good corporate governance in Palestinian Companies?
5. What are the reasons behind the non-compliance by Palestinian firms?
6. What is the appropriate model of corporate governance in Palestine?

3.2 Research Variables:

Figure 3.1 shows the dependent and independent variables:

Dependent and Independent variables

Dependent Variable:

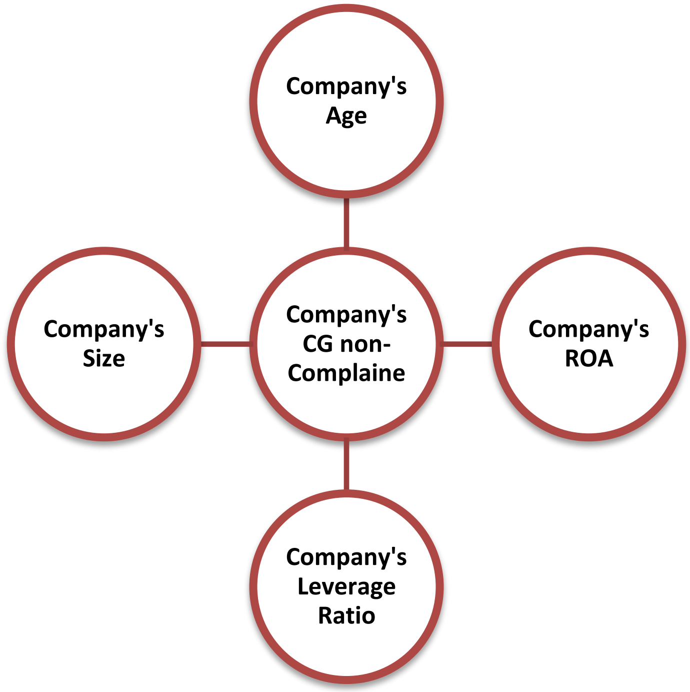
The overall compliance with a specific set of code provisions spelled out in OECD.

Independent variables are:

According to the second question mentioned above, independent variables are as follows:

1. Company Age
2. Return On Assets (ROA)
3. Company Size
4. Leverage Ratio

Figure (3.1) (Relationship between dependent and independent variables)



3.3 Research Hypothesis:

There is no compliance by the Palestinian service firms with the corporate governance guidelines. This hypothesis underpins other hypothesis:

1. There is **positive** Correlation at the significance level of 0.05 between company age and its level of non-compliance with the codes
2. There is **positive** Correlation at the significance level of 0.05 between company ROA (Return on Assets) and its level of non-compliance with the codes
3. There is **positive** Correlation at the significance level of 0.05 between company size and its level of non-compliance with the codes
4. There is **positive** Correlation at the significance level of 0.05 between company leverage ratio and its level of non-compliance with the codes

The following table shows in depth the relative relationship of the selected research hypothesis with its independent variables as supported with the findings of previous researches conducted outside Palestine, which insure the degree of importance to comply with corporate governance codes and provisions as tested onto companies worldwide.

Table (3.1): In depth the relative relationship of the selected research hypothesis with its independent variables

Research Variables	Hypothetical relation with the level of compliance with the codes	Supporting Evidence	Expected Sign
1. **Return on Assets (ROA)** – Return on assets shows how much profit a company is making on the assets used in the business. Therefore it is a key measure of a company's profitability. It is calculated as follows: [Net Income + Interest Expenses (1 – Corporate tax rate)/ (Total Assets – Outside Equity Interest)]. (Lama, 2012)	An increase in a company ROA performance positively affects on the level of company compliance with the codes.	(Lama, 2012) V. 6 Article. 5 Page: 72	**Positive**
2. **Firm Size –** The firm's total assets measured in dollar value. It is argued that bigger companies generally have a greater level of access to the resources needed to develop and maintain a higher level of corporate governance structure. Furthermore, additional compliance requirements fall disproportionately on smaller companies that can significantly affect their compliance as well as their performance level. The firm size is used to capture this effect. (Lama, 2012)	Firm size as measured by its total assets positively affects onto the company's level of compliance with corporate governance codes.	(Lama, 2012) V.6 Article.5 Page: 74	**Positive**
3. Company Age: the level of the company's compliance can be influenced by its age (its stage of development and growth as an example).	Three underlying reasons behind such assumptions. First, older companies are comparatively in a better competitive position to	Owusu-Ansah (1998) p. 605	**Positive**

	disclose certain information and comply with certain requirements which may not be that comfortable for younger companies. Second, compliance is expensive and thus younger companies may find it difficult to bear an additional cost. Finally, younger companies may lack a track record to rely on for public disclosure. The older the company age affects positively on its level of compliance with the codes.		
4. Company Leverage Ratio: describes the extent to which a company is using borrowed money. As a company with a high leverage is considered to be in a risk of bankruptcy if it is not able to pay its debts. It is calculated as: Total Debts / Total Equity	Company's leverage ratio positively affects onto the level of its compliance with the codes.	(Jesen, 1976)	**Positive**

Table (3.2):
Desired characteristics of board members: (Arnwine, 2002)

I. Knowledge

• Understands and subscribes to the organization's mission and values

• Understands the economics of health care and the plan and budgets required to achieve the organization's mission

• Knows the organization's current financial position

• Understands community demographics and needs

• Knows how to build partnerships with other community groups

• Understands the complexity of the organization's challenges

• Has a grasp of medical information, technology, trends, and consequences

• Knows the difference between governance and management

• Knows how to be a “team player”: when to listen and when to speak up

• Sees social/volunteer service as a responsibility of citizenship

• Understands real estate, physical facilities, and land development

II. Skills

• Can work to build consensus

• Can work with and be supportive of administrative and clinical staff

• Is adept at strategic and financial planning

• Has strong communication skills

• Can deal with diverse groups and ideas in a constructive way

• Can interpret financial information

• Has experience in a field or endeavor that contributes to the disciplines that affect the organization, i.e., insurance/managed care, medicine, law, finance/banking, real estate, marketing, information technology, public policy, corporate management, etc.

• Knows how to differentiate the important from the unimportant

III. Attitudes and personal characteristics

• Feels that collaboration is necessary for success

• Possesses openness and honesty

• Subscribes to and practices a high moral standard

• Is optimistic but realistic

• Values personal growth and learning, particularly covering matters confronting the board and the organization

• Sees self as a servant leader

• Accepts that the board has the authority and that individual board members have none (unless delegated by the board)

• Is personally challenged by what is best for the organization and the community

• Can be decisive and comfortable with large-scale decisions

• Accepts that change is our constant companion

3.4 Research Design Method:

This research has been conducted using a combination of quantitative and qualitative design methods:

3.4.1 Quantitative Design Method: this design method included the designation and distribution of a 3 Likert Scales questionnaires onto the sampling study referring to its advantages for every type of research (the researcher intended to use 3 points scale method other than 5 points scale method in order to measure to what extent companies are complying with the codes as stated in OECD which are considered critical for all company's major stakeholders (management investors, shareholders, Shareholders and other legislative and regulatory bodies), the researcher thinks there is no tendency for a company to partially comply with a code and partially ignore another code that makes the reason of the survey designation using 3 points scale other than Likert 5 points scale.

The main advantage of Likert Scale questions is that they use universal method of collecting data, which means it is easy to understand them. Working with quantitative data is as divers and extensive, it is easy to draw conclusions, reports, results and graphs from the responses that will help the reader (managers and non-managers) to understand research findings and results. Furthermore, because Likert Scale questions use a scale, people are not forced to express an either-or opinion, rather allowing them to be neutral should they so choose. Once all responses have been received, it is very easy to analyze them. Last but not least, it is very quick and easy to run this type of survey and it can be sent out through all modes of communication to reach out respondents in any geographical location.

As the first three research questions mentioned above will answer the level of compliance with the provisions, research questionnaire conducted to cover all the four components related to corporate governance provisions (Board issues, Executive Managers issues, Shareholders rights and responsibilities, Financial reporting, Auditing and Disclosure)

- To what extent do Palestinian companies working in service sector comply with the codes?
- Does the company non-compliance level differ depending on its general attributes (company age, company ROA, company size, and company leverage ratio)?

- Which of the corporate governance provisions as stated in OECD are the most and are the least complied with by Palestinian companies working in service sector?

All questionnaires were distributed for the purpose of colleting enough information from a sample of stakeholders who are considered key players in performing governance standards in the company (Shareholders, BOD and Executives) that hopefully will help to get clear picture of the stated problem and possibly identify methods for resolution.

Hence, a self-administered questionnaire was considered for data collection. However, to avoid the possibility of data distortion, questions were asked using clear and simple language as the researcher intended to write down questions of the questionnaire in reference to the codes of governance in Palestine as established and published in 2009. Bear in mind that most of the provisions that shows the best compliance with the international corporate governance are considered voluntary, which means the researcher expects there is a possibility to have a large non-compliance with the codes implemented by the Service – Sector Firms in Palestine.

3.4.2 Qualitative Design Method: The researcher designed a questionnaire that included questions to conduct in-depth interviews with specific group of people whom are able to help finding answers to any unclear or unjustified issues in corporate governance practices supported with secondary sources that will be used e.g. books, articles, journals, reports and websites. In-depth interviews will take place afterword the distribution process of the questionnaires as this research will be supported with an extensive and valuable knowledge and feedback to collect qualitative information by interviewing professional and experienced people whom are working in key positions in the selected companies.

In-depth questionnaires interview method has been chosen because that allows the researcher to explore problems in depth. In the absence of adequate research on the corporate governance issues in Palestine, the research questions needed to allow stakeholders to talk about the different problems they are facing in real life, which would not be possible with a structured interview method.

Qualitative information has been collected through conducting semi-structured interview guidelines in order to collect information in order to answer the last three research questions as follows:

- What are the barriers to good corporate governance in Palestinian Companies?
- What are the reasons behind the non-compliance by Palestinian firms?
- What is the appropriate model of corporate governance in Palestine?

Whilst interviewees' talking freely represented a positive side for the research, the issue is that the concept of corporate governance is relatively new in Palestine and sensitive in nature. Thus with an informal and unstructured conversation, it was very likely that the interviewees would fail to concentrate on some core issues while exploring all other possible aspects of governance relating to the research questions.

3.5 Sampling and Sample Characteristics:

For the purpose of achieving the research objectives the researcher chose a convenient sampling technique through distributing a questionnaire for a specific group of people working with the selected companies in service sector in Palestine / West Bank improved with in-depth semi-structured interviews that will be used for the purpose of collecting a qualitative data.

Sampling study consisted of the four main groups to cover **(member of management board, shareholder, executive employees, stockholders and other stakeholders).** The researcher is intended to cover up to 10 working large companies in Palestine and which are considered providing service operations as a sampling study (companies have been selected throughout West Bank) covering listed and not listed ones, and 10 questionnaires will be distributed onto each of the selected specific group in each company as the researcher thinks there is an equal probability for this set of population and they are sharing the same values, adding to the limited database of the available information in the field.

This research intended to use the descriptive analytical statistical techniques through conducting mixed method research by collecting data through designing survey questionnaires and semi-structured interview guidelines in order to analyze data and discuss the results with set of recommendations. Hence, the research explored the extent to which the companies working in service sector in Palestine are complying with the codes of corporate governance which is voluntary requirement as spelled out in OECD. For that reason the researcher choose companies working in service sector as classified in accordance with Services Sector definition as defined by the OECD as mentioned in Chapter 2 section 4 above.

Table (3.3): Industry class of the sample companies selected:

Company Name	Company Main Address	Industry Sector	Listed / Not-Listed	# of Questionnaires Distributed	% of Total Sampling Questionnaires	Number of Respondents	% of Total Sample
1. PALTEL	HQ Nablus	Mobile & Tele-communication	Listed	10	12.5%	9	90%
2. Wassel	HQ Ramallah	Palestinian Distribution & Logistics Services	Listed	10	12.5%	8	80%
3. Wataniya Tele-Communication	HQ Ramallah	Mobile & Tele-communication	Listed	10	12.5%	9	90%
4. GUI	HQ Nablus	Global United Insurance	Listed	10	12.5%	8	80%
5. BRAVO	HQ Ramallah	Arab Palestinians Shopping Centers	Listed	10	12.5%	8	80%
6. Al-Wataniah Towers	HQ Ramallah	Trading	Listed	10	12.5%	10	100%
7. PALAQAR	HQ Nablus	PALAQAR for Real Estate Dev. & Management	Listed	10	12.5%	8	80%
8. NHI	HQ Ramallah	National Health Insurance	Listed	10	12.5%	10	100%

3.6 Selection of the respondents:

Considering the nature of the study, research questions required exploring the perceptions of different stakeholder groups. Referring to the literature review of this research with understanding the roles of the corporate governance three pillars “Shareholders, Board Members and Executive Management”; there is no rule of thumb to identify or prioritize stakeholders. One company’s primary stakeholder may be the secondary for others. However, considering the theoretical definition of stakeholders and the nature of the research questions (which are related to the compliance issues of the Code or its appropriateness) the research decided to identify the groups of stakeholders who have direct influence over the Code in particular and companies in general. Following this strategy, several stakeholder groups were identified, and these are: companies (including board members, managers, and employees) and some Shareholders (small and large) of each company whom are considered a major factor in testing to what extent companies are complying with the guidelines as stated out by OECD / PGI Palestine Governance Institute.

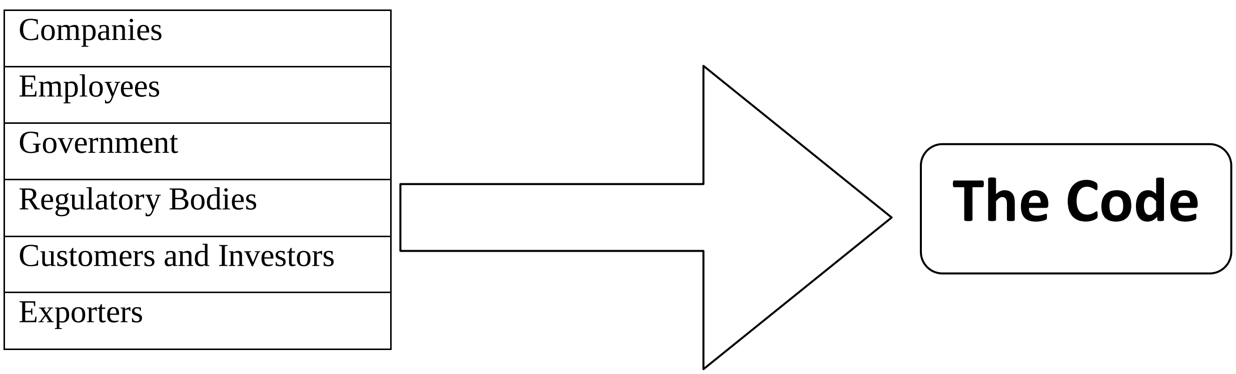
The researcher made an initial contact to prepare for an interview through phone calls with the key contact person to the requested respondent as was used in the case of questionnaire survey. Within the planned and limited timeframe for data collection, the researcher was able to arrange for 10 potential respondents which included people from the selected companies and some key decision makers e.g. governance initials and some regulatory bodies (Palestine Governance Institute, Palestine Stock Exchange Market, Governance committee in the PSE Market, Academics and some company’s decision makers. In each case, a letter was sent to the respondents through e-mails requesting interviews after the initial contact took place. In total, 4 respondents agreed for the interview out of targeted 10.

Table (3.4) provides the detailed of all the interviewees, whilst the Figure (3.2) below illustrates the relationship between the Corporate Governance Code and the other stakeholder groups. The researcher intended to select listed companies as they are considered the target users of the Code, as they are the prime stakeholders who are being affected by the Code and source of information for identifying the issues related to compliance and the quality of the Code.

Table (3.4): Stakeholders group selection as conducted through the data collection process: List of Interviewees.

No.	Stakeholder Group	Interview Code	Designation of the Interviewees	Company Selected
1	Company	A1	Managing Director	Wataniya Mobile
2	Company	A2	Managing Director	Wataniya Towers
3	Regulatory Body	A3	Managing Director	Palestine Stock Exchange
4	Regulatory Body	A4	Managing Director	Palestine Monitory Authority

Figure (3.2): The relationship between the Corporate Governance Code and the other stakeholder groups:



Clarification of Figure (3.2) above:

Companies:

- **Company Management**: corporate governance ensures the careful management of an organization because there are various important decisions which could benefit any actor such as: shareholder, director, social welfare etc.
- **Customers** and **Investors**: stability of stock prices is one of the important factors for the investors to predict the future performance of a company or organization. Corporate governance has great impact on the efficiency of stock market. As the stock prices stability shows the level of risk for investment and investors will only invest if they undertake appropriate risk for their investment.

- **Company Directors**: it is very difficult for the organization to find the right people for the jobs, as they train them once they are selected as they come up with different experiences, expertise and qualifications. It is therefore important to train the directors so that they adhere to the good corporate governance practices. The company success or failure is dependent on their decisions in the company; therefore proper governance, monitoring and training of directors is very important.
- **Company Stakeholders:** stakeholders of a company are important for the productivity and efficiency of the organizations. Involvement of company stakeholders (directors, employees, shareholders, customers, suppliers etc.) is important which will improve the public image of a company and will build sustainable relationship between the organization and its stakeholders. But, the sharing of information with stakeholders is dependent and possible only through good corporate governance.
- **Company Shareholders**: improved shareholder's communication refers to their ability to vote their shares. Good compliance with corporate governance could be used as a tool for improving the shareholders communication.

The exporters' group:

It is also considered to be one of the important stakeholders as the exporters' group is as a major source of information regarding the issues of ensuring compliance with an international standard of governance as their opinion is considered important for identifying company's challenges with finding the practical solutions for the companies in Palestine.

All the stakeholder groups listed above are playing major role as a source that reflects the importance of complying with corporate governance guidelines and codes on the micro and macro level in Palestine.

3.6.1 Interview Procedures:

In order to achieve the data interpretation strategy as in the figure 3.3 below, the researcher divided the corporate governance guidelines listed in the disturbed questionnaires onto several corporate governance attributes / risks that each underpins several interview questions to help in collecting related answers and achieve the data results merging process for better interpretation, comparison, providing supportive information and providing a clarified justification between the quantitative and qualitative data collected. Corporate governance attributes and risks used as adapted by the DFIs Working Group on Corporate Governance from the IFC Corporate Governance Methodology.

Corporate Governance Attributes and their Key Risks:

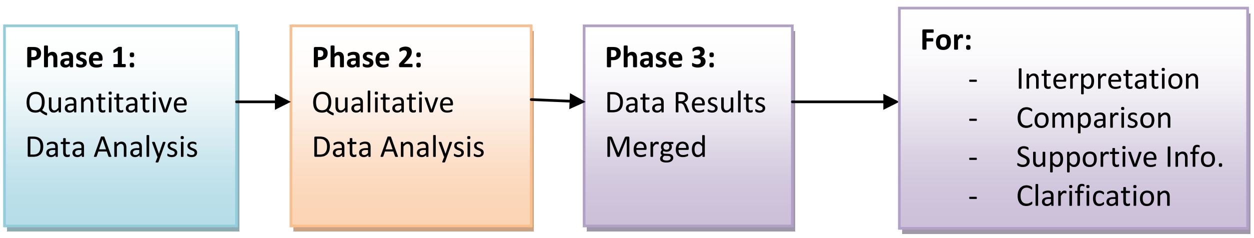
- **Commitment to Corporate Governance:** the company executives and its shareholders showed no commitment in implementing a high quality corporate governance policies and practices
- **Structure and Functioning of the Board of Directors:** the BOD is not up to the task of overseeing the strategy, management and performance of the company
- **General Control Environment and Processes:** the company's risk management and controls are not sufficient to ensure sound stewardship of the company's assets and compliance with relevant regulations
- **Transparency and Disclosure:** the company's financial disclosures are not a relevant, faithful. And timely representation of its economic transactions and resources
- **Rights of Minority Shareholders:** the company's minority shareholders rights are inadequate or abused.

Interview guidelines have been divided onto 4 sections: section one included questions that will address general knowledge of company's purposes and best options to address corporate governance problems in Palestine. Section two intended to collect information that shows the most and least possible barriers of good corporate governance in Palestine from the view point of the interviewees. Section three finds out the main major reasons behind non-compliance by Palestinian firms. Finally section four will help in providing the best possible enablers for the implementation of corporate governance by Palestinian companies form the view point of the interviewees in addition to addressing their best outlook of the best appropriate corporate governance model that is applicable in Palestine.

The researcher is intended to select interviewees in a way to make sure subjectivity is implemented in order to collect related needed information that helps the researcher to find out the reasons of non-compliance or any gaps from the data collected from the secondary sources and the distributed questionnaires to the respondents through merging data results of the quantitative and qualitative data for the purpose of providing effective data interpretation, comparison, providing supportive information and providing clear clarification for the reader as well as for future research improvement.

Figure (3.3): Describes the process through which data has been used for addressing the research questions:

Figure (3.3): Data Interpretation Strategy



As preferred by the interviewees, all interviews carried out at each candidate's company offices in Palestine. Interviews timeframe varied from 30 minutes to more than 45 minutes depending on the willingness of the interviewees. Most of the interviewees were busy and barely had they accepted to conduct the interviews.

The questionnaire surveys took more efforts in collecting them as some respondents took up to one month to return the questionnaire filled and some did not fill it at all, the interview experience was more comfortable in general, as the interviewees not easily accepted to be interviewed from the first glance otherwise they became more comfortable as the researcher intended to use open general questions to make the interviewee more confident of his/her answers as questions were not company specific. Since the interviewees have limited knowledge about the governance topic that has to contribute in the research topic, interviews started with a little start up explanation about the topic and the type of questions.

All the interviews ended up with a thank you note and a promise of anonymity that neither interviewees nor their respective organizations would be identified in the subsequent writing up of the interview data. However they allowed the researcher to use their company names as part of the overall analysis.

3.6.2 Limitations of Interview Methods:

(Bilal, 2004) Opines one of the major limitations of interview method is, bias problems, poor recall and poor or inaccurate articulation can be caused by the interviewees, which require from the interviewer to be able to ask general questions that help the interviewees feeling relaxed throughout answering the interview questions. Interviewees' opinions have the potential to be biased. While it is difficult to avoid such limitations by using the interview methods, some precautions were taken to minimize these risks. For instance, developing the interview guidelines, and following the protocols of sensitive interview methods as they are considered to lessen the risk of bias. Despite the existed of such limitations, face to face interview methods are still considered a popular research method especially when such an in-depth understanding is needed.

3.7 Scope of the study:

The scope of the research was limited in terms of three parameters: **location, unit of analysis, and the measurement of compliance**.

First, the research has been conducted in Palestine – West Bank only due to the difficulty to reach Gaza Strip. As a result, the research population for both qualitative and quantitative phase of the research will focus only on service sector companies in West Bank. The researcher intended to distribute the research questionnaires throughout the selected company's headquarters which are based in Ramallah and Nablus and to the company's branches throughout the West Bank.

Second, the unit of analysis in this research is the companies working in service sector in Palestine / West Bank. Listed companies and the privately held firms are a mixture of family-owned, state-owned, and foreign owned companies. Also, they represent almost all of business sectors of Palestine. Thus, the recommendations of this research may also be useful for all sectors for the companies that are operating in Palestine.

Third, by following previous studies' method (Abdelkarim, 2010), (Abed.M, 2013), (Dergham.M, 2013) and more, this research is intended to measure the degree of compliance for each of the sample companies working in service sector. In addition, in-depth interviews will also be undertaken with a wide range of stakeholders consisting of board members, employees, shareholders and other key stakeholders so as to measure their compliance.

3.8 Limitations of the Study

1. Considering the sample size of the survey analysis, caution must be applied as the findings may not be generalized, as this research mainly tests to what extent Palestinian companies working in service sector comply with corporate governance codes as stated in OECD as it does not test the overall corporate compliance in Palestine. Only 70 questionnaires were administered to identify the level of compliance over responded 8 listed companies out of 10 with the Code and **4 in depth semi-structured interviews** were conducted to capture the wider stakeholders' perceptions.

2. The sample bias is another limitation and thus further relates to the generalizability of the research findings. Since the random method did not work, the researcher used the snow-balling technique to reach an acceptable sample size that represents the Palestinian service sector. (e.g. the researcher has had a contact from bottom-up in order to set an appointment with the company's decision maker)

3. Due to the clear goal of this research which is to find out the overall compliance of Palestinian companies working in service sector with the codes today, the independent variables factors of this research have been calculated using one year's annual report, whereas the researcher thinks that the findings could be more robust if a trend compliance could be drawn by considering the annual reports for at least five to ten years.

4. Both questionnaire survey and semi-structured interviews could be illusory in some cases as the researcher thinks that the respondents by nature tend to reflect themselves and their companies as the ideal case or may not want to reveal their lack of knowledge or non-compliance with some of the voluntary codes.

5. None of the sampling companies of this research accepted to complete the survey questionnaires on the same day of distribution, as it took the researcher 2 to 4 weeks in order to collect distributed questionnaires. In this case, the researcher was not assure from the respondents by being impressionistic or subjective as most of the questions in the survey are considered sensitive in nature from the view point of the company managers, BOD etc. Moreover the qualitative data is also not reassuring the same way as well. To safeguard this research from such threat, the researcher tend to adopt triangulation strategy in which interview guidelines were built after the survey's results collected in order to integrate these results of the whole combined data with the available other resources from previous studies in Palestine.

6. The research has used only four variables to understand whether the level of compliance varies with different company attributes which are (Age, Leverage Ratio, Size and ROA). Some more variables like different other measures of profitability could enhance the improvement of the findings. Thus it gives future scope for future research to extend the understanding further.

7. Limited source of information. There is no updated publication about corporate governance in Palestine especially in the Palestine Governance Institute PGI, as the last publicized study in May 2016 tested the statistical improvement in the level of compliance with the code by Listed Palestinian companies.

8. Majority of the Palestinian company's officials (executives, board members and managers) were reluctant to give necessary information for the thesis research purposes. Such limitation has affected onto the research results negatively, where the researcher thinks it will robust the findings if more company's executives and decision makers were cooperative.

9. It was not possible for the researcher to conduct this research for all companies working in service sector in order to represent all cases in this matter for several barriers.

10. Corporate Governance topic is well improving in Palestine; otherwise it is considered huge area and requires related input from professional knowledge providers. The researcher was limited with the main source knowledge on publications and reports and the data available in the Palestine Governance Institute which is considered the main backup for the research purposes which was not helpful enough to make adequate recommendations that help to increase the level of Palestinian Company's compliance with the codes.

11. The researcher was obliged to re-schedule appointments with the respondents (executives and managers) as their time was considered occupied the whole time

12. The researcher used the survey questionnaires and conducted interviews as the main source of information due to the limited sources of reports and publications in Palestine.

13. Poor legal control over the compliance of Palestinian companies with the rules of governance, which resulted from the refusal of some companies to cooperate in data collection

14. The majority of the respondents of this research have never had any courses in corporate governance which increased the tendency of fault answers by respondents

15. The majority of the respondents finished their Bachelor or less degree, that shows there are few people with an adequate background with corporate governance.

Chapter Four:

4. Questionnaire Survey and Interview Guidelines Results and Findings

4.1Introduction:

This chapter presents the research findings derived from the questionnaires employed to answer the first three research questions of this research by using SPSS to analyze the survey data collected and to answer the last three research questions of this research which is employed through the designation of semi-structured interview guidelines for the purpose of collecting more in depth background and knowledge to fulfill any misrepresented data from survey results.

Two questionnaires were designed and distributed as follows: one questionnaire with all corporate governance codes as stated in the OECD as applicable in Palestine, distributed to the following groups (Managers / CEOs, executives and Board members). The other questionnaire designed with all shareholders rights and responsibilities related codes. This questionnaire distributes to the different shareholders groups.

4.2 Background of the Respondents:

This part presents information based on demographic characteristics collected from the survey administered for the Palestinian companies working in service sector. Background of the respondents will presented for each set of both groups as per different questionnaires (Board Members and Executives Group) in which 30 questionnaires were collected from this group, and (Shareholders Rights and Responsibilities Group) in which 40 questionnaires were collected from this group.

4.2.1 Board Members and Executives:

Age

Table 4.1 below illustrates the distribution of respondents based on their age. The results show that 26.7% of the surveyed respondents were less than 30 years old, while the rest of 73.3% of the respondents were between 31-40 years old. 100% of the respondents were at the age of 40 and less. These results are not consistent with expectations because people working at top management usually acquire their jobs after attaining many years of experience.

Table (4.1) Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less Than 30	8	26.7 %	26.7	26.7
	31-40	22	73.3 %	73.3	100.0
	41-50	0	0.0%	0.0	
	51-60	0	0.0%	0.0	
	More than 60	0	0.0%	0.0	
	Total	30	100.0	100.0	

Job Position

Table 4.2 shows the distribution of the respondents by job position. The lowest percentage represented by the CEO/GM and Board Members with 13.3% each out of the total respondents, followed by other executive positions in the company 73.3%. Generally speaking these results were consistent with expectations as most of the top managers and board members were reluctant to cooperate which obliged the researcher to use reach other executive positions in the companies.

Table (4.2) Job Position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	CFO	0	0.0%	0.0	
	CEO / GM	4	13.3 %	13.3	13.3
	Board Member	4	13.3 %	13.3	26.7
	Other Executive Position	22	73.3 %	73.3	100.0
	Total	30	100.0	100.0	

Qualification and Educational Level

Table 4.3 below presents the highest academic qualification for the several groups of respondents. The majority 66.7% of respondents had completed their Master's degree 20 out of 30 respondents. The remaining 33.3% of the respondents completed their Bachelor Degree while the other levels of qualifications remaining zero out of the whole respondents.

Table (4.3) Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than BA	0	0.0%	0.0	
	Bachelor Degree	10	33.3%	33.3	33.3
	Master Degree	20	66.7%	66.7	100.0
	Ph.D	0	0.0%		
	Total	30	100.0	100.0	

Years of Work Experience

Table 4.4 below shows that 6.7% of the respondents had less than 5 year of work experience in the field. Almost 60% of the respondents 18 out of 30, had work experience between 6-10 years. While 20% and 13.3% comprised of the sample that had work experience in the field 11-15 years and more than 15 years respectively. More than 90% percent of the respondents had work experience in the field over 10 years old.

Table (4.4) Years of work Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5	2	6.7 %	6.7	6.7
	6-10	18	60.0 %	60.0	66.7
	11-15	6	20.0 %	20.0	86.7
	More	4	13.3 %	13.3	100.0
	Total	30	100.0	100.0	

Number of Courses in Corporate Governance

Table 4.5 below illustrates that the majority 53.3% of the total respondents had never had any of the courses related to corporate governance in which this result was consistent with the expectations due to the lack of the role from the regulatory bodies and company side to provide capacity building for their staff working in the field. The remaining 46.7% of the respondents had 1-3 related courses and 4-6 related courses with 40% and 6.7% of the total respondents respectively.

Table (4.5) Number of courses attended related to governance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never Had	16	53.3 %	53.3	53.3
	1-3	12	40.0 %	40.0	93.3
	4-6	2	6.7 %	6.7	100.0
	7-9	0	0.0%	0.0	
	More than 9	0	0.0%	0.0	
	Total	30	100.0 %	100.0	

4.2.2 Shareholders:

Age

Table 4.6 below shows that 45% of the shareholders were less than 30 years old, while shareholders age 31-40 years old as well represents 45% of the respondents; otherwise only 10% represents only shareholders between 41-50 years old.

Table (4.6) Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less Than 30	18	45.0%	45.0	45.0
	31-40	18	45.0%	45.0	90.0
	41-50	4	10.0%	10.0	100.0
	51-60	0	0%	0.0	
	More than 60	0	0%	0.0	
	Total	40	100.0	100.0	

Qualification

Table 4.7 shows that the majority of the respondents 60% had completed their Bachelor Degree, while 15% and 25% had less than Bachelor Degree and the others had completed their Master's Degree respectively.

Table (4.7) Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than BA	6	15.0%	15.0	15.0
	Bachelor Degree	24	60.0%	60.0	75.0
	Master Degree	10	25.0%	25.0	100.0
	PhD	0	0.0%	0.0%	
	Total	40	100.0	100.0	

Scientific Specialization

Table 4.8 shows that most of the respondents from shareholders had background experience in Management, Public Administration and Accounting 40%, 15% and 15% respectively.

Table (4.8) Scientific Specialization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Management	16	40.0%	40.0	40.0
	Accounting	6	15.0%	15.0	55.0
	Public Relations	2	5.0%	5.0	60.0
	Public Administration	6	15.0%	15.0	75.0
	Marketing	2	5.0%	5.0	80.0
	International Relations	2	5.0%	5.0	85.0
	Banking	4	10.0%	10.0	95.0
	IT	2	5.0%	5.0	100.0
	Total	40	100.0	100.0	

Courses Related to Corporate Governance

Table 4.9 shows that 70% of the company's shareholders had no background knowledge in issues related to corporate governance, while the remaining 30% of the respondents attended only 1 to 3 courses related to corporate governance topics.

Table (4.9) Number of courses attended related to governance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never Had	28	70.0%	70.0	70.0
	1-3	12	30.0%	30.0	100.0
	4-6	0	0.0%	0.0	
	7-9	0	0.0%	0.0	
	More than 9	0	0.0%	0.0	
	Total	40	100.0	100.0	

4.3 Quantitative Data Analysis:

This section details results obtained from the distributed questionnaires in order to address and answer the following three research questions:

- To what extent Palestinian companies working in service sector comply with the codes?
- Does the company compliance level differ depending on its general attributes (company age, company ROA, company size, and company leverage ratio)?
- Which of the corporate governance provisions as stated in OECD are the most and are the least complied with by Palestinian companies working in service sector?

This section is divided into four sections as follows: Section 4.3.1 that details the results related to the overall compliance of the Palestinian companies working in service sector with the codes provisions. Section 4.3.2 that identifies if the level of compliance differs with the company general attributes. Section 4.3.3 details more in depth which are the most and the least codes that companies comply in each of the codes provisions as divided in different sections. Section 4.3.4 gives summary of the overall findings with conclusion of the survey.

4.3.1 Overall Compliance of the Palestinian Companies working in service sector with the codes:

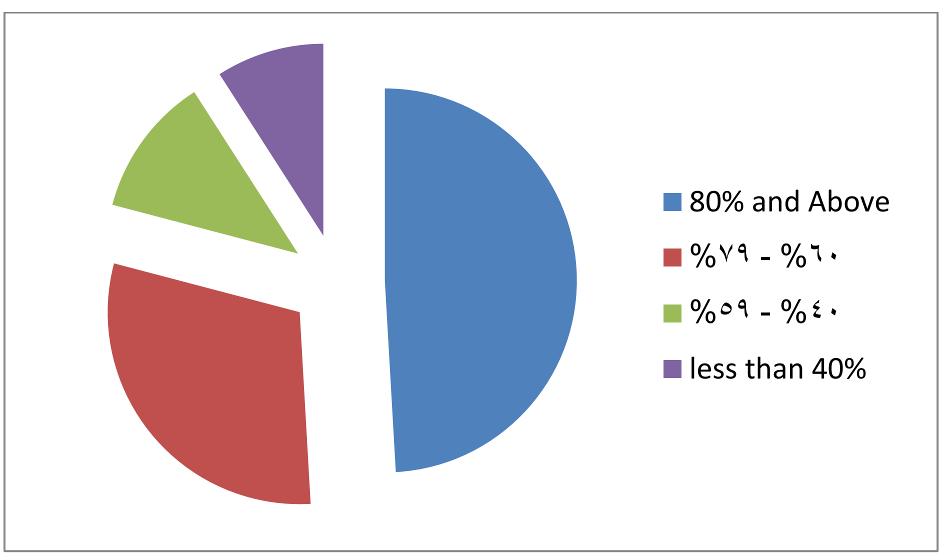
This part of the quantitative data analysis reports the findings that are related to the first three research questions which aim to find the overall compliance of the Palestinian companies working in service sector with the codes.

The researcher tended to use the following criteria that are based on previous studies in the same field of this research topic to define the level of compliance for each company. Previous studies such as (Samaha and Stapleton, 2008) as their sample companies' level of compliance are considered according to the following criteria:

Table (4.10) Criteria of companies' level of compliance:

Highly Compliance	Compliance Score 80% and above
Moderate Compliance	Compliance Score Between 60% - 79%
Low Compliance	Compliance Score Between 40% - 59%
Reflects a substantial gap between company compliance and the particular provisions	Compliance Score Below 40%

Figure (4.1) Criteria of companies' level of compliance distribution:



As the researcher distributed this part of the analysis in accordance to the survey structure onto 4 sections (Section1 includes related codes to Board of Directors, Section 2 includes related codes to Executive Managers, Section 3 includes related codes to Financial Reporting, Auditing and Disclosure and Section 4 includes related codes to the Shareholders Rights and Responsibilities).

Section 1: Tables 4.11 – 4.15

Table 4.11 below represents descriptive statistics of the percentage level of compliance with the codes for the sampling 8 companies as listed earlier on Table 4.3 from the Board Duties related provisions side which included 11 codes. Percentage in table 4.11 shows moderate level of compliance by companies 76% (23 out of 30 respondents). The 23% of the neutral answers is considered critical from the researcher point of view to have plausible reasons for this neutral opinion from this target group. Most of the respondents agreed with an 80% and above for most of the codes under this section upon their company compliance.

Table 4.11 Provisions Related to Board Duties

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	23	76.7%	76.7	76.7
	Neutral	7	23.3%	23.3	100.0
	Disagree	0	0.0%	0.0	
	Total	30	100.0%	100.0	

Table 4.12 below represents descriptive statistics of the percentage level of compliance with the codes for the sampling 8 companies as listed earlier on Table 4.3 from the Board Members Training related provisions side which included 5 codes. Percentage in table 4.12 reflects substantial gap between company compliance and the particular provisions by companies 26% (8 out of 30 respondents). The 53% of the neutral answers is considered critical from the researcher point of view to have plausible reasons for this neutral opinion from this target group. Generally all the codes under this section had low percentage that represents their disagreement with the company level of compliance with these codes.

Table 4.12 Provisions related to Board Members Training

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	8	26.7%	26.7	26.7
	Neutral	16	53.3%	53.3	80.0
	Disagree	6	20.0%	20.0	100.0
	Total	30	100.0%	100.0	

Table 4.13 below represents descriptive statistics of the percentage level of compliance with the codes for the sampling 8 companies as listed earlier on Table 4.3 from the Board Composition related provisions side which included 12 codes. Percentage in table 4.13 reflects moderate level of compliance by companies and the particular provisions by companies 73% (22 out of 30 respondents). Most of the respondents agreed with an 80% and above for most of the codes under this section upon their company compliance.

Table 4.13 Provisions related to Board Composition

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	22	73.3%	73.3	73.3
	Neutral	8	26.7%	26.7	100.0
	Disagree	0	0.0%	0.0	
	Total	30	100.0%	100.0	

Table 4.14 below represents descriptive statistics of the percentage level of compliance with the codes for the sampling 8 companies as listed earlier on Table 3.3 from the Board Agenda related provisions side which included 3 codes. Percentage in table 4.14 reflects substantial gap between company compliance and the particular provisions by companies 33% (10 out of 30 respondents). The 66.7% of the neutral answers is considered critical from the researcher point of view to have plausible reasons for this neutral opinion from this target group.

Table 4.14 Provisions related to Board Agenda

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	10	33.3%	33.3	33.3
	Neutral	20	66.7%	66.7	100.0
	Disagree	0	0.0%	0.0	
	Total	30	100.0%	100.0	

Table 4.15 below represents descriptive statistics of the percentage level of compliance with the codes for the sampling 8 companies as listed earlier on Table 3.3 from the Related Committees Derived from the Board of Directors provisions side which included 14 codes. Percentage in table 4.15 reflects high compliance level of by companies and the particular provisions by companies represented 80% (24 out of 30 respondents). Most of the respondents agreed with an 80% and above for most of the codes under this section upon their company compliance level.

Table 4.15 Provisions related to Committees Derived from the Board of Directors

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	24	80.0%	80.0	80.0
	Neutral	6	20.0%	20.0	100.0
	Disagree	0	0.0%	0.0	
	Total	30	100.0%	100.0	

Section 2: Table 4.16

Table 4.16 below represents descriptive statistics of the percentage level of compliance with the codes for the sampling 8 companies as listed earlier on Table 3.3 from the Executive Managers Related provisions side which included 15 codes. Percentage in table 4.16 reflects high compliance level of by companies and the particular provisions by companies represented 86.7% (26 out of 30 respondents). Most of the respondents agreed with an 80% and above for most of the codes under this section upon their company compliance level.

Table 4.16 Executive Managers Related Provisions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	26	86.7%	86.7	86.7
	Neutral	4	13.3%	13.3	100.0
	Disagree	0	0.0%	0.0	
	Total	30	100.0%	100.0	

Section 3: Tables 4.17 – 4.20

Tables 4.17 – 4.18 below represents descriptive statistics of the percentage level of compliance with the codes for the sampling 8 companies as listed earlier on Table 3.3 from the External Auditors Related provisions Internal Auditors related provisions side which included 6 codes. Percentage in tables 4.17 and 4.18 reflects high compliance level of by companies and the particular provisions by companies represented 80% (24 out of 30 respondents) and 93% (28 out of 30 respondents) respectively.

Table 4.17 Provisions Related to the External Auditors

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	24	80.0%	80.0	80.0
	Neutral	6	20.0%	20.0	100.0
	Disagree	0	0.0%	0.0	
	Total	30	100.0%	100.0	

Table 4.18 Provisions Related to the Internal Auditors

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	28	93.3%	93.3	93.3
	Neutral	0	0.0%	0.0	93.3
	Disagree	2	6.7%	6.7	100.0
	Total	30	100.0%	100.0	

Table 4.19 below represents descriptive statistics of the percentage level of compliance with the codes for the sampling 8 companies as listed earlier on Table 3.3 from the Company Disclosure Related provisions side which included 16 codes. Percentage in tale 4.19 reflects high compliance level of by companies and the particular provisions by companies represented 83% (25 out of 30 respondents). Most of the respondents agreed with an 80% and above for most of the codes under this section upon their company compliance level.

Table 4.19 Provisions Relating to Disclosure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	25	83.3%	83.3	83.3
	Neutral	5	16.7%	16.7	100.0
	Disagree	0	0.0%	0.0%	
	Total	30	100.0%	100.0	

Table 4.20 below represents descriptive statistics of the percentage level of compliance with the codes for the sampling 8 companies as listed earlier on Table 3.3 from the Company Website related provisions side which included 4 codes. Percentage in table 4.20 reflects low company compliance and the particular provisions by companies represent 40% (12 out of 30 respondents). The 53% of the neutral answers is considered critical from the researcher point of view to have plausible reasons for this neutral opinion from this target group.

Table 4.20 Provisions Related to the Company Website

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	12	40.0%	40.0	40.0
	Neutral	16	53.3%	53.3	93.3
	Disagree	2	6.7%	6.7	100.0
	Total	30	100.0%	100.0	

Section 4: Table 4.21

Table 4.21 below represents descriptive statistics of the percentage level of compliance with the codes for the sampling 8 companies as listed earlier on Table 3.3 from the Shareholders Rights and Responsibilities related provisions side which included 24 codes. Percentage in table 4.21 reflects moderate level of compliance by companies and the particular provisions by companies represents 67% (27 out of 40 respondents).

Table 4.21 Shareholders Rights and Responsibilities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	27	67.5%	67.5	67.5
	Neutral	13	32.5%	32.5	100.0
	Disagree	0	0.0%	0.0%	
	Total	40	100.0%	100.0	

None of the companies has been reported as having zero level of compliance, as well none of the companies can be categorized as being completely non-compliant, equally none of the companies can be claimed as being completely complied with the code provisions.

These findings reaffirm that the Palestinian companies working in service sector moderately comply with the voluntary codes and the bylaw stated codes. Otherwise, some major codes have significant low level of compliance by the companies. Such results reinforce the importance and usefulness of understanding the company level of compliance depending on its general attributes and finding out which codes are the most and the least complied with. The next part of this chapter will cover the data analysis related to answer these questions accordingly.

4.3.2 Level of non-Compliance with the Codes by companies' Different attributes (age, ROA, size, and leverage ratio)

This section finds out and addresses whether level of company non-compliance differs with its general attribute / characteristics (Age, Size, Leverage Ratio and ROA).

To examine whether company non-compliance level changes significantly based on the fluctuations that may occur in some of related variables (Independent variables) such as company age, company ROA, company size and company leverage ratio. The T-test and ANOVA techniques may employ in such case, where the T-test is used to detect the significance of difference in the level of company compliance amongst the two categories of ROA variable while ANOVA is used for the other three variables as it will be shown in the sequel.

The levels of independent variables are shown below in Table 4.22:

Table (4.22) Independent Variables

Company Age	*Less than 15 years*
	Between 15 to 20 years
	More than 20 years
Company Size (Headcount)	*Small (below 50)*
	Medium (50 - 250)
	High (More than 250)
ROA	*Negative*
	Positive
Leverage Ratio (LR)	$LR < 1$
	$1 \leq LR < 2$
	$2 \leq LR$

As the researcher distributed the survey into 4 sections in accordance to specific structure (Section1 includes related codes to Board of Directors, Section 2 includes related codes to Executive Managers, Section 3 includes related codes to Financial Reporting, Auditing and Disclosure and Section 4 includes related codes to the Shareholders Rights and Responsibilities).

The tests are conducted using 0.05 level of significance and the results are shown below:

Section One: Board of directors

The following table 4.23 shows the T-test results in order to test whether the difference in level of company non-compliance via board of directors is significant amongst the various ROA levels.

Table (4.23)Independent Samples Test ROA

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	T	Df	Sig. (2-tailed)
Compliance Level	Equal variances assumed	2.236	.146	.925	28	.363
	Equal variances not assumed			.912	24.527	.371

Table 4.23 above shows there is positive correlation at the significance level of 0.05 between company ROA (Return on Assets) and its level of non-compliance with the codes since the P-value (0.363) is greater than 0.05.

Results in table 4.23 above indicates that if other things remain the same then with the positively increase in the company's ROA it is expected to comply less with the codes than the companies with negative ROA from the point view of the board members from the selected respondents. These findings do contribute as a support for the hypothesis 2 from this research that expects p<0.05).

The tables below 4.24 – 4.25 – 4.26 show ANOVA results in order to test whether the difference in the level of company's non-compliance via board of directors is significant amongst the various categories of the variables company age, company size and leverage ratio respectively.

ANOVA

Table (4.24) Company non-Compliance Level through Age categories

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.676	2	.838	4.277	.024
Within Groups	5.290	27	.196		
Total	6.967	29			

Table 4.24 above shows there is negative correlation at the significance level of 0.05 between company Age (counted from the company years of establishment) and its level of non-compliance with the codes since the P-value (0.024) is less than 0.05.

Thus the findings above do not support research Hypothesis 1 that expects ($p>0.05$) from the point view of the Board Members.

ANOVA

Table (4.25) Company non-Compliance Level through Company Size categories

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.663	2	.832	4.233	.025
Within Groups	5.304	27	.196		
Total	6.967	29			

Table 4.25 above shows there is negative correlation at the significance level of 0.05 between company Size (counted by the company's number of headcounts) and its level of non-compliance with the codes since the P-value (0.025) is less than 0.05.

Thus the findings above do not support research Hypothesis 3 that expects ($p>0.05$) from the point view of the Board Members.

ANOVA

Table (4.26) Company non-Compliance Level through Leverage Ratio categories

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.125	2	.563	2.601	.093
Within Groups	5.841	27	.216		
Total	6.967	29			

Table 4.26 above shows there is a positive correlation at the significance level of 0.05 between company Leverage Ratio and its level of non-compliance with the codes since the P-value (0.093) is greater than 0.05.

Thus the findings above do support research Hypothesis 4 that expects ($p>0.05$) from the point view of the Board Members.

To conclude the Board Members point of view with the relative relationship between company's levels of non-compliance to their general attributes. Company's level of compliance is positively affected to its ROA and Leverage Ratio categories; on the other hand, company's level of non-compliance is negatively affected to its Age and Size categories. These findings could have contradiction from the point of view of the other respondents that should give suggestions for the researcher to find any variances.

Section Two: Executive Managers

The following table 4.27 shows the T-test results to test whether the difference in the level of company non-compliance via Executive Managers is significant amongst the various ROA levels.

Table (4.27) Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	T	df	Sig. (2-tailed)
Compliance Level	Equal variances Assumed	31.157	.000	-1.932	28	.064
	Equal variances not assumed			-2.219	16.000	.041

Table 4.27 above shows there is negative correlation at the significance level of 0.05 between company ROA and its level of non-compliance with the codes since the P-value (0.041) is less than 0.05.

Thus the findings above do not support research Hypothesis 2 that expects (p>0.05) from the point view of the Executive Managers out of the respondents.

The tables below 4.28 – 4.29 – 4.30 show ANOVA results to test whether the difference in the level of company non-compliance via board of directors is significant amongst the variables company age, size and leverage ratio categories respectively.

ANOVA

Table (4.28) Company non-Compliance Level through Age categories

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.610	2	.305	2.880	.073
Within Groups	2.857	27	.106		
Total	3.467	29			

Table 4.28 above shows there is positive correlation at the significance level of 0.05 between company Age and its level of non-compliance with the codes since the P-value (0.073) is greater than 0.05.

Thus the findings above do support research Hypothesis 1 that expects (p>0.05) from the point view of the Executive Managers out of the respondents.

ANOVA

Table (4.29) Company non-Compliance Level through Company Size categories

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.252	2	.126	1.060	.360
Within Groups	3.214	27	.119		
Total	3.467	29			

Table 4.29 above shows there is positive correlation at the significance level of 0.05 between company Size and its level of non-compliance with the codes since the P-value (0.360) is greater than 0.05.

Thus the findings above do support research Hypothesis 3 that expects (p>0.05) from the point view of the Executive Managers out of the respondents.

ANOVA

Table (4.30) Company non-Compliance Level through Leverage Ratio categories

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.197	2	.098	.813	.454
Within Groups	3.270	27	.121		
Total	3.467	29			

Table 4.29 above shows there is positive correlation at the significance level of 0.05 between company Leverage Ratio and its level of non-compliance with the codes since the P-value (0.454) is greater than 0.05.

Thus the findings above do support research Hypothesis 4 that expects (p>0.05) from the point view of the Executive Managers out of the respondents.

The results of tables above (4.28 – 4.29 – 4.30) show that there is significant difference in the company compliance level via executive managers based on the company age, size and leverage ratio since the P-values are all greater than 0.05. These findings show contradiction of the point of view between company's Board Members on previous tables and the same company's Executive Managers.

Section Three: Financial Reporting, Auditing and Disclosure

Table below 4.31 is the T-test results to test whether the difference in the level of company non-compliance via Financial Reporting, Auditing and Disclosure is significant amongst the two categories of ROA.

Table (4.31) Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	T	df	Sig. (2-tailed)
Compliance Level	Equal variances Assumed	1.224	.278	-.537	28	.596
	Equal variances not assumed			-.548	27.561	.588

Based on the T-test above, Table 4.31 shows there is positive correlation at the significance level of 0.05 between company ROA and its level of non-compliance with the codes since the P-value (0.596) is greater than 0.05.

Thus the findings above do support research Hypothesis 2 that expects (p>0.05) from the results collected out of provisions related to financial reporting, auditing and disclosure.

The tables below 4.32 – 4.33 – 4.34 show ANOVA results to test whether the difference in the level of company non-compliance via board of directors is significant amongst the variables company age, company size and leverage ratio categories respectively.

ANOVA

Table (4.32) Company non-Compliance Level through Age categories

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.610	2	.305	1.964	.160
Within Groups	4.190	27	.155		
Total	4.800	29			

Table 4.32 shows there is positive correlation at the significance level of 0.05 between company Age and its level of non-compliance with the codes since the P-value (0.160) is greater than 0.05.

Thus the findings above do support research Hypothesis 1 that expects (p>0.05) from the results collected out of provisions related to financial reporting, auditing and disclosure.

ANOVA

Table (4.33) Company non-Compliance Level through Company Size categories

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.568	2	.284	1.811	.183
Within Groups	4.232	27	.157		
Total	4.800	29			

Table 4.33 shows there is positive correlation at the significance level of 0.05 between company Size and its level of non-compliance with the codes since the P-value (0.183) is greater than 0.05.

Thus the findings above do support research Hypothesis 3 that expects (p>0.05) from the results collected out of provisions related to financial reporting, auditing and disclosure.

ANOVA

Table (4.34) Company non-Compliance Level through Leverage Ratio categories

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.387	2	.194	1.185	.321
Within Groups	4.413	27	.163		
Total	4.800	29			

Table 4.34 shows there is positive correlation at the significance level of 0.05 between company Leverage Ratio and its level of non-compliance with the codes since the P-value (0.321) is greater than 0.05.

Thus the findings above do support research Hypothesis 4 that expects (p>0.05) from the results collected out of provisions related to financial reporting, auditing and disclosure.

To conclude results on tables above from the provisions related to Financial reporting, Auditing and Disclosure, there is significant difference in the company non-compliance level via financial reporting, auditing and disclosure based on the company age, company size and leverage ratio since the P-values are all greater than 0.05.

General non-Compliance Level

The following table shows the T-test results in order to test whether the difference in the level of company non-compliance (in general) is significant amongst the various ROA levels.

Table (4.35) Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	T	df	Sig. (2-tailed)
Compliance Level	Equal variances assumed	4.162	.051	-.367	28	.716
	Equal variances not assumed			-.392	26.556	.698

Table 4.35 shows there is positive correlation at the significance level of 0.05 between company ROA and its level of non-compliance with the codes since the P-value (0.716) is greater than 0.05.

Thus the findings above do support research Hypothesis 2 that expects (p>0.05) from the general overall view out of respondents answers.

Tables 4.36 – 4.37 – 4.38 below show ANOVA results to test whether the difference in the level of company non-compliance is significant amongst the variables company age, company size and leverage ratio categories respectively.

ANOVA

Table (4.36) Company non-compliance Level through Age categories

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.461	2	.231	1.859	.175
Within Groups	3.350	27	.124		
Total	3.811	29			

Table 4.36 shows there is positive correlation at the significance level of 0.05 between company Age and its level of non-compliance with the codes since the P-value (0.175) is greater than 0.05. Thus the findings above do support research Hypothesis 1 that expects (p>0.05) from the general overall view out of respondents answers.

ANOVA

Table (4.37) Company non-Compliance Level through Company Size categories

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.716	2	.358	3.122	.060
Within Groups	3.095	27	.115		
Total	3.811	29			

Table 4.37 shows there is positive correlation at the significance level of 0.05 between company Size and its level of non-compliance with the codes since the P-value (0.060) is greater than 0.05.

Thus the findings above do support research Hypothesis 3 that expects (p>0.05) from the general overall view out of respondents answers.

ANOVA

Table (4.38) Company non-Compliance Level through Leverage Ratio categories

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.383	2	.191	1.506	.240
Within Groups	3.429	27	.127		
Total	3.811	29			

Table 4.38 shows there is positive correlation at the significance level of 0.05 between company Leverage Ratio and its level of non-compliance with the codes since the P-value (0.240) is greater than 0.05.

Thus the findings above do support research Hypothesis 4 that expects (p>0.05) from the general overall view out of respondents answers.

Section Four: Shareholders Rights and Responsibilities

The following table shows the T-test results in order to test whether the difference in the level of company non-compliance in view point of shareholders is significant amongst the various ROA levels.

Table (4.39) Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	T	df	Sig. (2-tailed)
Compliance Level	Equal variances assumed	9.686	.004	1.707	38	.096
	Equal variances not assumed			1.707	36.325	.096

Table 4.39 shows there is positive correlation at the significance level of 0.05 between company ROA and its level of non-compliance with the codes since the P-value (0.096) is greater than 0.05.

Thus the findings above do support research Hypothesis 2 that expects ($p>0.05$) from the point of view of the company's shareholders.

The tables below show ANOVA results to test whether the difference in the level of company non-compliance in view point of shareholders is significant amongst the variables company age, company size and leverage ratio categories respectively.

ANOVA

Table (4.40) Company non-Compliance Level through Age categories

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.308	2	.654	3.242	.049
Within Groups	7.467	37	.202		
Total	8.775	39			

Table 4.40 shows there is negative correlation at the significance level of 0.05 between company Age and its level of non-compliance with the codes since the P-value (0.049) is less than 0.05.

Thus the findings above do not support research Hypothesis 1 that expects ($p>0.05$) from the point of view of the company's shareholders.

ANOVA

Table (4.41) Company non-Compliance Level through Company size categories

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.322	2	.161	.704	.501
Within Groups	8.453	37	.228		
Total	8.775	39			

Table 4.41 shows there is positive correlation at the significance level of 0.05 between company Size and its level of non-compliance with the codes since the P-value (0.501) is greater than 0.05.

Thus the findings above do support research Hypothesis 3 that expects ($p>0.05$) from the point of view of the company's shareholders.

ANOVA

Table (4.42) Company non-Compliance Level through Leverage Ratio categories

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.825	2	.412	1.920	.161
Within Groups	7.950	37	.215		
Total	8.775	39			

Table 4.42 shows there is positive correlation at the significance level of 0.05 between company Leverage Ratio and its level of non-compliance with the codes since the P-value (0.161) is greater than 0.05.

Thus the findings above Tables: (4.39 – 4.42) do support research Hypothesis 4 that expects (p>0.05) from the point of view of the company's shareholders.

The results show that there is significant difference in the company non-compliance level in view point of shareholders based on the company size and leverage ratio while significant difference in the company compliance exist based on the Age of company since the P-value (0.049) which is less than 0.05.

4.3.3 Comparing the most complied and the least complied corporate governance code provisions as stated in OECD by Palestinian companies working in service sector

This section attempts to find out the most and the least complied codes provisions as this will help the reader to understand company's attributes and help the researcher to find any plausible issues from companies' non-compliance with any of the codes and what are the reasons that could have any significant influence onto those companies' level of compliance.

Table (4.43) below, shows that among the 110 codes under several provisions which were included in the questionnaire for evaluating the overall level of Palestinian Companies – Service Sector compliance with these codes. 17 (15% of 110 codes) were poorly complied with and received compliance score less than 50%. As shown in Table (4.43) below, mainly provisions to Board of Directors (Board Duties, Board Members Training, Board Composition, Board Agenda and Committees derived from the BOD). Only provisions related to the Company Website were considered with low compliance level by two codes and three codes represented low compliance level under the shareholders rights and responsibilities provisions.

Table (4.43) Corporate Governance Least Complied with by Palestinian Companies Working in Service Sector

1) Section One: Board of Directors

	Agree (%)	Neutral (%)	Disagree (%)
Provisions Related to Board Duties			
1. The BOD annually evaluates the performance of its members	**37%**	43%	20%
Provisions Related to Board Members Training			
2. The BOD defines the needed training for its members	**30%**	43%	27%
3. The BOD provides opportunity for directors' training	**20%**	53%	27%
4. The BOD provides fund for directors' training	**43%**	37%	20%
5. The BOD asks the new directors to be attending corporate governance training	**20%**	53%	27%
6. Training programs are linked to the strategic objectives of the company	**37%**	43%	20%
Provisions Related to Board Compositions			
7. BOD director or any BOD member may practice executive functions in the company	**47%**	7%	47%
8. The BOD have Nomination Committee or particular method to nominate qualified persons for directorship	**20%**	53%	27%
Provisions Related to the Board Agenda			
9. The Board Agenda approved solely by the Chairman	**33%**	47%	20%
10. Executive Director / GM determines the agenda of the Board of Directors of the General Assembly meeting	**47%**	27%	27%
Provisions related to the committees derived from the Board of Directors			
11. The Chairman of the BOD is a member in the GC	**33%**	53%	13%
12. The Chairman of the BOD is a member in another committees other than GC	**40%**	33%	27%

2) Section Three: Financial Reporting, Auditing and Disclosure

	Agree (%)	Neutral (%)	Disagree (%)
Provisions Related to the Company Website			
1. The company's website has a specific section dedicated to corporate governance	**43%**	37%	20%
2. In the company website, corporate governance section and the documents posted are available also in a foreign language	**40%**	27%	33%

3) Section Four: Shareholders

	Agree (%)	Neutral (%)	Disagree (%)
1. You have an opportunity to identify items for the AGM agenda	**45%**	50%	5%
2. You participate in the election process for the company's sub-committees	**35%**	50%	15%
3. A shareholder collectively elect new BOD members at the AGM	**38%**	58%	5%

Such non-compliance with the codes mainly related ones to the Board Members Issues, the researcher thinks there are definitely plausible reasons behind such level of compliance as the researcher intends to find out answers through conducting semi-structured interviews with company's decision makers and related corporate governance regulatory bodies in order to find out if there are any discrepancies to what extent the researcher can find out why most of the above codes are answered with neutral opinion by the respondents.

Whereas, Table (4.44) below that includes the 54 provisions of the corporate governance codes as stated in OECD, received high level of compliance score of 80% and above in which these codes matches with OECD principles and guidelines as well as matches with the codes as stated by the Palestine Corporate Governance Institute.

Table (4.44) Corporate Governance Mostly Complied with by Palestinian Companies Working in Service Sector

1) **Section One: Board of directors**

	Agree (%)	Neutral (%)	Disagree (%)
Provisions Related to Board Duties			
13. The BOD has code of conduct for Directors	**87%**	7%	7%
14. The BOD identifies and monitors the key risk areas	**87%**	13%	0%
15. The BOD identifies and monitors company's performance indicator	**80%**	20%	0%
16. The BOD collectively appoints the MD	**83%**	17%	0%
17. The BOD collectively appoints senior managers	**80%**	20%	0%
18. The BOD sets the performance criteria of the MD/CEO	**87%**	13%	0%
19. The BOD evaluates the performance of the MD/CEO	**87%**	13%	0%
Provisions Related to Board Compositions			
20. The chairman of the BOD and CEO are different persons	**97%**	3%	0%
21. The BOD comprises of 5 to 11 members	**97%**	3%	0%
22. The BOD comprises of mostly non-executive director	**90%**	10%	0%
23. The BOD member in office is elected every 4 years	**87%**	13%	0%
24. BOD members are re-elected for 3 consecutive terms as a maximum	**87%**	13%	0%
Provisions related to the committees derived from the Board of Directors			
25. The company have an Audit Committee (AC)	**100%**	0%	0%
26. The Audit Committee meets at least quarterly	**90%**	10%	0%
27. The Audit Committee prepare reports on all meetings for the BOD	**87%**	7%	7%
28. The committees (like Audit Committee) comprised of a majority of non-executive directors	**93%**	7%	0%

29. The Audit Committee Chairman is a non-executive or independent director	**87%**	7%	7%
30. The Audit Committee comprised of at least three members	**97%**	3%	0%
31. The chairman of the Audit Committee have professional qualification and relevant financial experience	**90%**	7%	3%
32. The company has a Board Remuneration Committee (RC)	**93%**	7%	0%
33. The company has a Risk Assessment Committee	**80%**	7%	13%

2) Section Two: Executive Managers

	Agree (%)	Neutral (%)	Disagree (%)
1. Employees in the company are consulted on certain management decisions by the Executive Managers	**87%**	7%	7%
2. The BOD provides you with the needed fund as part of your training	**100%**	0%	0%
3. The BOD provides the MD "Managing Director" with clear instructions regarding employee incentives	**87%**	7%	7%
4. The financial and administrative system is provided by the executive management	**87%**	13%	0%
5. The financial and administrative system is approved by the BOD	**90%**	10%	0%
6. The relationship with company stakeholders is subject to special contracts reached with them	**93%**	0%	7%
7. Administrative regulations of the company include clear sanctions applicable of any violations	**87%**	13%	0%
8. The company executives appointed collectively by the BOD	**93%**	7%	0%
9. The company bears responsibility for all actions of the manager (MD)	**90%**	3%	7%
10. BOD appraises the performance of the company executives annually	**87%**	7%	7%
11. The Managing Director is responsible to raise the reports to the BOD.	**97%**	3%	0%

3) Section Three: Financial Reporting, Auditing and Disclosure

	Agree (%)	Neutral (%)	Disagree (%)
Provisions Related to the External Auditors			
3. The company's external auditors are independent	**100%**	0%	0%
Provisions Related to the Internal Auditors			
4. The company has an internal audit function	**93%**	0%	7%
5. The company internal audit department independent from management	**90%**	3%	7%
6. The company's internal audit department have authority to propose initiatives and changes directly to the board	**80%**	13%	7%
Provisions Relating Disclosure			
7. The BOD present a balanced assessment of the company's position that may be understood by shareholders	**90%**	10%	0%
8. The company publicly disclose: quarterly un-audited results	**83%**	17%	0%
9. The company publicly disclose: Audited annual Balance Sheet	**97%**	3%	0%
10. The company publicly disclose: Annual Directors' Report	**90%**	3%	7%
11. The company publicly disclose: Statement of Corporate Social Responsibility	**93%**	7%	0%
12. The company publicly disclose: Ownership Structure	97%	3%	0%
13. The company publicly disclose: Material risk factors	90%	10%	0%
14. The company publicly disclose: Senior Management Structure	93%	7%	0%
15. The company publicly disclose: Directors' Remuneration	80%	13%	7%
16. The company publicly disclose: Details of Investment	**87%**	7%	7%
17. The company publicly disclose: Basis of estimates used in financial reporting	**87%**	7%	7%
Provisions Related to the Company Website			
18. The company maintains an electronic or internet page to publish its reports and documents	**93%**	7%	0%

4) Section Four: Shareholders

	Agree (%)	Neutral (%)	Disagree (%)
4. The company provides you with the its Handbook regularly	**95%**	5%	0%
5. You receive information about company's resolutions and decisions	**88%**	10%	3%
6. The AGM held in a convenient location in the vicinity of the company's registered office.	**90%**	10%	0%
7. The company's handbook is made available and accessible to all shareholders	**100%**	0%	0%
8. You have access to all information related to the company in accordance with the by-laws	**85%**	10%	5%
9. The company is subject to investigation into its treatment of shareholders	**90%**	8%	3%

Comparing the two Tables (4.43) and (4.44), the researcher finds that the level of compliance looks like to be higher when the code provisions matches with legal and regulatory requirements, on the other hand level of compliance with the codes likes to be lower with the more voluntary provisions.

4.3.4 Summary and Conclusion of Quantitative Data

To conclude this section that represents the respondent's answers as collected from the distributed surveys. Research results showed that there are provisions that Palestinian companies are highly complied with; on the other hand, there are provisions with very low level of compliance revealed which requires improvement and developing into this matter. It was clear that companies with good compliance are applying the codes that are controlled and obliged by the Palestinian company's law e.g. (provisions related to company financial reporting, auditing and disclosure, provisions related to board committee's composition and duties, provisions related to commitment with shareholders rights and other related compulsory provisions that are implemented by law). From the other hand, least complied provisions results showed companies need to improve their level of compliance in the provisions related to board training, provisions related to board agenda, composition of the board members in the company, provisions related to providing company website and other related provisions which are considered voluntary in nature as stated by the CG Code in Palestine as well as in OECD Code.

Research defined 4 independent variables which included company's Age, Size, ROA and Leverage Ratio. Table 4.45 below shows the results revealed from the ANOVA and T-test tools that are used to find out the correlation at a significant level between company non-compliance and a change in its general attributes.

Table (4.45) Summary of ANOVA and T-test Results

	Age	**ROA**	**Size**	**Leverage Ratio**
Board Of Director Perception – Pearson Correlation	**0.017**	**-0.172**	**-0.474**	**-0.013**
Executive Managers Perception – Pearson Correlation	0.392	0.343	**-0.269**	**-0.232**
Financial Reporting, Auditing and Disclosure Perception – Pearson Correlation	0.292	0.101	**-0.342**	**-0.177**
Shareholders Perception – Pearson Correlation	**-0.185**	**-0.267**	**-0.121**	0.151
General Overall Perception – Pearson Correlation	0.122	**-0.172**	**-0.068**	**-0.075**

Results explored that there is clear low level of compliance represented by the Palestinian companies with a general agreed negative correlation ($P < 0.05$) from all companies stakeholder's point of view. Otherwise, the different opinions of the company's level of compliance between the perspectives of the Board members and the executive managers will be discussed more in details in chapter 5.

Quantitative data collected concluded with high rates of neutral answers as represented by respondents. Table 4.46 shows the different degrees to which respondents answers were neutral.

Table (4.46) Respondent's Classification of the Neutral Answers

Stakeholder Classification	**Degree of Neutral Answer**
Table 4.11 Provisions Related to Board Duties	23.3%
Table 4.12 Provisions related to Board Members Training	53.3%
Table 4.13 Provisions related to Board Composition	26.7%
Table 4.14 Provisions related to Board Agenda	66.7%
Table 4.20 Provisions Related to the Company Website	53.3%
Table 4.21 Shareholders Rights and Responsibilities	32.5%

Such level of neutral answers by the respondents means there are some possible plausible reasons can be raised. Chapter six will discuss results above in more details.

<u>Research Hypothesis Correlation Conclusion</u>

There is no compliance by the Palestinian service firms with the corporate governance guidelines. This hypothesis underpins other hypothesis:

H1: There is positive Correlation at the significance level of 0.05 between company age and its level of non-compliance with the codes

Table (4.47) Hypotheses 1 Correlation Test

		Age
Board of Directors	Pearson Correlation	.017
	Sig. (2-tailed)	.928
	N	30
Executive Managers	Pearson Correlation	.392
	Sig. (2-tailed)	.032
	N	30
Financial Reporting	Pearson Correlation	.292
	Sig. (2-tailed)	.118
	N	30
General Compliance	**Pearson Correlation**	**.122**
	Sig. (2-tailed)	**.521**
	N	**30**
Shareholders	Pearson Correlation	-.185
	Sig. (2-tailed)	.253
	N	30

In general there is <u>positive correlation</u> (r > 0) between company non-compliance and the Age of company that does support the main research hypothesis as anticipated (P >0.05).

H2: There is positive Correlation at the significance level of 0.05 between company ROA (Return on Assets) and its level of non-compliance with the codes

Table (4.48) Hypotheses 2 Correlation Test

		ROA
Board of Directors	Pearson Correlation	-.172
	Sig. (2-tailed)	.363
	N	30
Executive Managers	Pearson Correlation	.343
	Sig. (2-tailed)	.064
	N	30
Financial Reporting	Pearson Correlation	.101
	Sig. (2-tailed)	.596
	N	30
General Compliance	**Pearson Correlation**	**-.068**
	Sig. (2-tailed)	**.722**
	N	**30**
Shareholders	Pearson Correlation	-.267
	Sig. (2-tailed)	.096
	N	30

In general there is negative correlation (r < 0) between company non-compliance and its ROA that does not support the main research hypothesis which anticipated (P >0.05).

H3: There is positive Correlation at the significance level of 0.05 between company size and its level of non-compliance with the codes

Table (4.49) Hypotheses 3 Correlation Test

		Company Size
Board of Directors	Pearson Correlation	-.474
	Sig. (2-tailed)	.008
	N	30
Executive Managers	Pearson Correlation	-.269
	Sig. (2-tailed)	.151
	N	30
Financial Reporting	Pearson Correlation	-.342
	Sig. (2-tailed)	.064
	N	30
General Compliance	**Pearson Correlation**	**-.469**
	Sig. (2-tailed)	**.009**
	N	**30**
Shareholders	Pearson Correlation	-0.121
	Sig. (2-tailed)	.457
	N	30

In general there is negative correlation ($r < 0$) between company non-compliance and its size that does not supports the main research hypothesis which anticipated ($P > 0.05$).

H4: There is positive Correlation at the significance level of 0.05 between company leverage ratio and its level of non-compliance with the codes

Table (4.50) Hypotheses 4 Correlation Test

		Leverage
Board of Directors	Pearson Correlation	-.013
	Sig. (2-tailed)	.946
	N	30
Executive Managers	Pearson Correlation	-.232
	Sig. (2-tailed)	.217
	N	30
Financial Reporting	Pearson Correlation	-.177
	Sig. (2-tailed)	.351
	N	30
General Compliance	**Pearson Correlation**	**-.075**
	Sig. (2-tailed)	**.693**
	N	**30**
Shareholders	Pearson Correlation	.151
	Sig. (2-tailed)	.352
	N	30

In general there is negative correlation ($r < 0$) between company non-compliance and its leverage ratio that does not support the main research hypothesis which anticipated ($P > 0.05$).

4.3.5 Reliability "Cronbach's Alpha"

Cronbach's alpha is the most common measure of internal consistency ("reliability"). It is most commonly used when we have multiple *Likert* questions in a survey/questionnaire that form a scale and we wish to determine if the scale is reliable. Cronbach's alpha ranges in value from 0 to 1. The higher the score, the more reliable the generated scale is.

1) **BOD**

Reliability Statistics

Cronbach's Alpha	N of Items
.4939	86

2) **Shareholders**

Reliability Statistics

Cronbach's Alpha	N of Items
.796	24

4.4 Qualitative Data Analysis (Interviews Analysis Review)

Interviews were prepared by conducting semi-structured interview guidelines which were later used in thematic analysis. According to the thematic analysis, four major themes were developed for analyzing the data: corporate governance problems in Palestine and its appropriate implementation, particular barriers of good corporate governance in Palestinian companies, particular reasons of non-compliance with the codes and the appropriate model of corporate governance in Palestine. Under each theme several questions were discussed with each interviewee. The final analysis was carried out following direct and indirect questions under each theme in the interviews.

This section addresses the last three research questions of the study. After collecting the data from the structured interviews, the following questions will be discussed and answered in details:

- What are the barriers to good corporate governance in Palestinian Companies?
- What are the reasons behind the non-compliance by Palestinian firms?
- What is the appropriate model of corporate governance in Palestine?

The groups of interviewees were identified in accordance to their relative important role as direct or indirect stakeholders of corporate governance in Palestine. These groups are representing the claimants on corporate governance practices, or those stakeholders whom are having direct influence on the corporate governance compliance and practices over Palestinian companies e.g. companies (Board Members, Executives and Managers), legal regulatory bodies (Palestine Governance Institute and Palestinian Stock Exchange Market Committee), Government and policy makers, company staff and more other stakeholders.

Interviews guidelines designed into several sections:

Section A: General Information

Section B: Barriers to good corporate governance in Palestinian Companies

Section C: Reasons behind the non-compliance by Palestinian Firms

Section D: Appropriate model of corporate governance in Palestine

Interviews started by collecting general information related to interviewees overview of company's purposes regarding its shareholders and its wider stakeholders in order to get a feedback how respondents with adequate related feedback with corporate governance issues in Palestine e.g. (regulatory bodies, academicians and company decision makers) consider the main goal of the company in general and to find out what are the best options to address corporate governance problems in Palestine as well as to what extent they believe compliance with the codes are useful for each company.

Interviewees generally showed a positive feedback into this matter taking into consideration interests of different stakeholder groups. For instance one of the interviewee from legal bodies confirms the following:

"The company main purpose regarding its shareholders should be maximizing their profits, because when they invest their money in the company investors expects a return on their investment otherwise they will decline from investing. And to other stakeholders is to be ethical and to comply with policies and instructions that control its business and other regulatory issues, because a company has to be a good citizen and to comply with the rules and regulation of the country otherwise the system of the country will collapse".

Supporting the above interviewee feedback in order to pin point onto the best options that addresses corporate governance problems in Palestine, the more detailed discussions in the interviews helped to extend such understanding by finding that there are several ways capable for implementation throughout addressing corporate governance issues. Some of the options provided by interviewees as follow:

- *Setting an evaluation system, that can grade company's compliance with Palestine CG codes. The system should be followed up by the regulatory body "PCMA" and grades of the evaluation should be announced to the public.*
- *Raising awareness among companies and investors on CG subject.*
- *Setting an incentive system by the ministry of National economy, the ministry of finance and the Palestine Capital Market Authority, incentives could be in Taxes percentages.*
- *Training courses in CG to show companies the perfect way to CG.*

Interviewees confirm there is still a gap in corporate governance compliance by Palestinian companies that are represented with the missing incentive system, missing regulatory bodies follow up role, and lack of experienced academicians in corporate governance etc.

Corporate Governance code has been adopted as stated in OECD which is considered the practice for companies worldwide, otherwise some provisions needed reforming to be applicable in Palestine, otherwise still there are always parts not covered which makes the non-compliance is not to its optimum level in the Palestinian economy.

Interviewees agreed all that companies in Palestine whom are complying with the code, come to know about corporate governance in Palestine through the PSE Palestine Stock Exchange – Corporate Governance National Committee. This explains how important the role of this committee in this field and its enforcing role over companies towards compliance, providing incentives, improve awareness throughout companies, provide specialized courses in this matter, provide pressure over companies for compliance with the support of the country's higher regulatory bodies and finally build relationship with the companies and their stakeholders in order to ensure subjectivity and professionalism are implemented towards transparency and disclosure.

One of the interviewees approved the high importance level of complying with the code by answering:

"Setting clear guidelines are making it easy for my company to know exactly its rights and obligations and to comply accordingly. Being a complied company with the codes will help me talk loudly about my governance practices which will increase trust in the management of the company and its capability to achieve the strategic goals, a way from conflict of interest, thus helps my company widen the shareholders base".

Another interview opines as a supportive perspective as well by answering:

"complying with the guidelines force the company to: 1. Disclose all the important information to the investors, 2. Protect the rights of the company stakeholders, and 3. Solve conflict of interests between the stakeholders and the company".

This section of the research is divided into four sections: 4.4.1 discusses of the barriers related to corporate governance in Palestine, Section 4.4.2 discusses the reasons behind non-compliance with the provisions of the CG Code, Section 4.4.3 identifies the related findings to define the appropriate model of corporate governance in Palestine, and Section 4.4.4 finally, summarizes the overall findings with a conclusion.

4.4.1 Barriers to good corporate governance in Palestinian Companies

Analyzing the stakeholders' perceptions, eight major problems that a company in Palestine faces in establishing corporate governance, as arranged below respectively from most important to least important according to the point of views as provided by the interviewees.

1 Most Important - 8 Least Important as per collected answers from interviewees:

1. Non-existing law enforcement (Weak Legal Controls)
2. Weak regulatory and legal systems that control company's activities
3. Lack of pressure over companies for good CG by Palestinian companies
4. Majority in Palestine are Family Owned Businesses
5. Non-existing corporate governance compliance culture in Palestinian companies
6. Good and Close relationship between the company and its external Auditor
7. The General Economy of Palestine: non-stable and risky economy is considered a serious factor in Palestine that affects on decreasing the tendency of compliance by Palestinian companies with the codes.
8. High costs of practicing good corporate governance: in which major expenses represented by generating auditing committees, conducting standardized procedures, internal control aspects and so on.

Interviewees showed general agreement that the first three points are considered the major barriers at most for good governance. This shows inefficiency of the legal and regulatory systems in Palestine could have several possible reasons represented by the increasing lack of legal professionals, inadequate legal provisions and lack of monitoring and evaluation over implementation activities.

Some recommendations for such an issue in order to increase efficiency of the legal and regulatory system in Palestine through:

- Improving more specialized individuals in corporate governance
- Revising the current CG guidelines and make adequate legal governance provisions
- Ensuring good corporate governance implantation by providing monitoring and evaluation

Practically speaking, one interviewee from the regulatory bodies approved the important role of regulatory bodies in Palestine but pin pointed that economy is not the major barrier of good governance. As long as the code includes mandatory provisions as stated by law as well, otherwise there are provisions which are optional that caused weak enforcement and weak legal control.

An answer by interviewee supports this by saying:

"From a practical point of view I think the general economic conditions of Palestine have nothing to do with barriers, CG is a requirement to address the quality of the management of the company which should work properly under all conditions. I think enforcement is the key word for CG in Palestine; CG should be within the rules of the exchange, PCMA and the company's controller to make companies comply. The draft of the new company law should contain the main guidelines of CG to make compulsory articles not optional".

Some family – owned companies in Palestine are rapidly developing a corporate culture, becoming as a corporate entity, whilst most of them are still owner-driven and still have the mentality to manage their own business by themselves. That is the reason Agency problem is more existing in Palestinian companies which is considered one of the major barriers for no good governance.

The other remaining barriers are considered critical and have an affect onto applying governance in Palestine. The weak CG culture towards the Palestinian society, the close relationship of the external auditors in general with the companies decision makers that affects on company's quality of financial reporting and disclosure with less transparency or the actual company's practices, and finally the general economy which is considered risky for the majority of the local companies and the high costs of practicing good governance are the least considered as barriers but not neglected.

4.4.2 Reasons behind non-compliance with the provisions of the CG Code

Referring to the data collected from the distributed research questionnaires, significant non-compliance has been raised for the codes of several corporate governance provisions. As provided through the open discussions with interviewees, several reasons and causes raised from such non-compliance from the point of view of regulatory bodies and other stakeholders with an adequate feedback and background in CG; these causes includes:

- Lack of legal power
- Communication Gap
- Lack of Culture in CG
- Lack knowledge in CG
- Lack of motivation for compliance

Communication gap between the code and its targeted group of users is a major cause behind non-compliance. Interviewees assured and considered the voluntary nature of the code and confirmed that the PSE – Corporate Governance National Committee should have conducted continuous awareness building programs which could educate company' decision makers about the benefit from their compliance with the CG codes.

Interviewees pin point onto the existence of CG culture in Palestine, as the lack of such culture is one of the main reasons behind non-compliance. The overall discussion showed that there are certain aspects of the CG culture in Palestine which influence people compliance decision. For instance, one of the points revealed that people in Palestine are not clear enough with the code of ethics and they have the culture to violate rules which might be the reason behind the existing level of non-compliance with the codes. Adding to this, interviewees think people usually are not easily welcoming the change. Since the year 2009 in which CG Code in Palestine has been established as stated in OECD Code, during all the 8 years till this day there was low tolerance degree which was clear from the low level of compliance represented in previous studies in Palestine is believed to have made companies more resistant to consider the CG Code in Palestine as their guideline for the good practices.

As in the previous section one of the interviewees mentioned the importance level of providing awareness programs in CG topics, they think as well if companies were well aware of the necessity and benefit out of their compliance with the compulsory and selective provisions for their company, then they will not wait for any kind of legal pressure to comply and act accordingly. Otherwise, they will be self driven and self obliged for better compliance for their company's benefit.

One of the major problems raised out of the interviews discussions, company's internal stakeholders faces problems when they tend to convince the general director for the need of better governance which in turn kills the motivation for the implementation of better corporate governance guidelines. The reason behind such issue could be due to the lack of scholarly article or work in defining why compliance with corporate governance guidelines and provisions standards is important for a better company performance.

4.4.3 Appropriate model of corporate governance in Palestine

According the previous studies conducted, there are two perceptions relating to the appropriate model of corporate governance in Palestine. It was clear from the beginning in the interview procedures that interviewees discussed the appropriate different models of shareholder and stakeholder. There was general agreement that strict one model of both will not be applicable, otherwise the best appropriate model suggested for good governance in Palestine is the one that underlines the major characteristics for good governance related different groups of provisions (shareholders rights and responsibilities, board of directors duties and composition and financial reporting and disclosure).

As shareholders are considered the major investors in the company, their rights cannot be neglected, as according to the shareholders CG model it is meant to maximize their profits as they invest their money in the company for this main purpose otherwise they will decline from investing. This model has been supported by one of the interviewees from the regulatory body agreeing that Shareholder Model should be implemented as confirmed by his answer to the first question of the interview guidelines that shows the main purpose of company from his/her point of view.

Following the interviews guidelines, the last question of the interview tested the best enablers for the implementation of corporate governance by Palestinian companies in which this will help the researcher to have clearer image with the best model that will be applicable for implementation in Palestine and increases the tendency level of the company's compliance accordingly.

As provided by interviewees, below list of the best enablers that describes them from 1 – the most important up to 7 the least important from the point of view of the interviewees.

1. Training of the decision makers (CEOs, Directors and Board Members) in corporate governance related subjects
2. Ensure participation by companies in corporate governance related meetings and conferences
3. Reviewing successful corporate governance models applied by neighboring countries for possible implementation
4. Establishing corporate governance programs in the Universities curriculum
5. Encourage research in corporate governance in Palestine
6. Ensure regional corporate governance partnership with international organizations e.g. OECD
7. Having an incentive system by regulatory bodies

In relation to the primary enablers mentioned above, all selected interviewees agreed on the importance of existing of such points for ensuring corporate governance implementation in Palestine as considered part of good model. As shown above it was agreed that training and awareness programs through conferences and learning from others are major enablers that should be addressed, in addition to include corporate governance topic in universities curriculum which are not yet implemented in all universities up till this day.

Chapter 5

5. Summary, Findings and Conclusions

5.1 Introduction

In previous chapter 4 reported the results of the analysis that revealed level of compliance by Palestinian companies working in service sector with CG code, which are the most and least provisions Palestinian companies comply with and it examined whether company non-compliance level changes significantly based on the fluctuations that may occur in some of related variables (Independent variables) such as company age, company ROA, company size and company leverage ratio using T-test and ANOVA techniques.

This chapter will discuss the results of the data collected and interpreted using surveys and secondary data analysis according to the research objectives supported with an in depth semi-structured interview guidelines. Research hypothesis will be discussed as reviewed in chapter 3 using statistical techniques as in chapter 4. Statistical techniques analyze corporate governance provisions according to the CG Code submitted by the National committee of corporate governance in Palestine as stated and derived from OECD Code.

Good corporate governance in Palestine could assist companies and investors to build confident relationship through developing the company performance. As improving company performance is considered among the most important benefit of any company. Major goal of this research to fill the gaps of the above results in chapter 4 and to find the most adequate answers to this research questions in order to end up with the best quality of recommendations that helps companies use them for improvement in their performance as the main goal and for the whole economy as whole. To achieve this aim, this research had several objectives:

1. To determine the extent of compliance with good corporate governance practices among Palestinian companies working in service sector.
2. To find out whether the non-compliance level is different depending on the company general attributes (company age, company ROA, company size, and company leverage ratio)

3. To find out and discuss which are the corporate governance provisions that are the most and are the least complied with
4. To identify the barriers of good corporate governance in Palestinian firms
5. To identify the causes of non-compliance by Palestinian firms with the codes
6. To design the appropriate model of corporate governance in Palestine.

The researcher aims through this research to develop set of recommendations that will help to apply corporate governance practices in the corporate service sector in Palestine.

This Chapter will review the whole research conducted in order to provide general clear overview for the reader. It also reviews the analytical statistics of the questionnaire and descriptive analysis of the secondary data and the data derived from the semi-structured conducted interviews. It acknowledges as well some research limitations, and makes some recommendations for improving corporate governance in Palestine.

In order to test the relative change in company's level of compliance with the codes based on its general attributes including company's Age, ROA, Size and Leverage Ratio, the following Hypothesis have been developed:

- H1: There is **positive** Correlation at the significance level of 0.05 between company age and its level of non-compliance with the codes
- H2: There is **positive** Correlation at the significance level of 0.05 between company ROA (Return on Assets) and its level of non-compliance with the codes
- H3: There is **positive** Correlation at the significance level of 0.05 between company size and its level of non-compliance with the codes
- H4: There is **positive** Correlation at the significance level of 0.05 between company leverage ratio and its level of non-compliance with the codes

This chapter will present the implications of the results in the following sections. Section 5.2 current corporate governance compliance, Section 5.3: Possible barriers to the implementation of corporate governance, Section 5.4: Possible enablers to the implementation of corporate governance, Sections 5.5 and 5.6 will review the summary of the results of the questionnaires and the interviews, and finally section 5.7 will review conclusions of the whole study.

5.2 Current Corporate Governance Compliance

This section will present the current status of the implementation of corporate governance code provisions by Palestinian companies working in service sector based on several stakeholders' perceptions. These provisions include four sections as divided in the designed and distributed questionnaires: shareholders rights and responsibilities, Board Members, Executive Managers and Financial reporting, auditing and disclosure.

Analysis of the results collected

Board of Directors

The assessment of the board of director's related provisions from the company Board Members perception revealed the following: the research findings show that respondents mostly agreed with their company compliance under provisions related to Board Duties 76.7%, provisions related to board duties 73.3% and provisions related to the committees derived from the board of directors with 80% agreement out of the total respondents. This followed with high degree of neutral answers from the respondents under provisions related to all Board members provisions mainly provisions related to Board Trainings 53.3% and provisions related to Board Agenda 66.7% which is high and shows there are plausible reasons for this neutral opinion from this target group.

Testing level of compliance from related company attributes using ANOVA and T-Test techniques, findings showed that from the Board of Director's perception there is negative correlation between company level of compliance and its Age 0.017, ROA -0.172, Size -0.474 and Leverage Ratio -0.013.

Executive Manager

Assessing executive manager related provisions from the company executive managers' perception reveals that: respondents mostly agreed of their company compliance with the provisions related to Executive Managers 86.7%.

Testing level of compliance with its related attributes using ANOVA and T-Test tools, company executive managers revealed their company's level of compliance is negatively correlated with its size -0.269 and its leverage ratio -0.232 at significance level of 0.05. Otherwise, results showed there is positive correlation between company level of non-compliance and its Age 0.392 and ROA 0.343. These findings show that older companies in age and more profitable companies are more following governance guidelines as company size and leverage ratio have no affect onto this matter from their executive managers perception.

Financial Reporting, Auditing and Disclosure

Results and findings from the data collected that are related to company financial reporting, auditing and disclosure reveals the following: respondents mostly agreed of their company compliance with the provisions related to External Auditors 80%, provisions related to internal auditors 93.3% and provisions related to company disclosure 83.3%. Majority of respondents with 53% were neutral in their answers to the provisions related to Company website, in which company website is considered a very important tool that is recommended to be available for every company for more appropriate communication and for increasing the ease of access to company reports and information.

Testing level of non-compliance from related company attributes using ANOVA and T-Test techniques, findings showed that from the financial reporting, auditing and disclosure related provisions, company's level of compliance is negatively correlated with the level of compliance at significance level of 0.05 with its size -0.342 and leverage ratio -0.177. On the other hand, results showed positive correlation with the company level of compliance with its age and ROA. Such findings show that older companies in age and more profitable companies are more following governance guidelines as company size and leverage ratio have no affect onto this matter.

Shareholders Rights and Responsibilities

Assessment of the shareholders perception to test company level of compliance accordingly, findings showed the following: majority of shareholder 67.5% agreed that the companies, in which they are investing their money in, are complying with the corporate governance related provisions to the Shareholders Rights and Responsibilities. Otherwise, 32.5% of the respondents answered with neutral which is considered high rate in nature, which means there are possible and plausible reasons behind such result referred to lack of knowledge in CG, lack of communication between the company and its stakeholders and more other reasons.

In accordance to the shareholders perception, testing level of company's compliance with its related attributes using ANOVA and T-Test tools, there is negative correlation to the significant level of 0.05 between company compliance and its age -0.185, ROA -0.267 and size -0.121. There is positive correlation between company compliance and its leverage ratio from the shareholders point of view 0.151.

Results show that companies older in age with a higher profitability from its available assets and larger in size are more complying with the CG codes.

General Overall Compliance

Comparing results above from the several perceptions of different stakeholders, findings reveal that companies that are older in age which can be expressed as more experienced in its industry operations are more complying with corporate governance provisions 0.122 > 0.05. On the other hand, companies with a higher ROA that represents its profitability ratio relative to its total assets, bigger size as per company head counts and higher leverage ratio which represents company's debts relative to its total available assets are less complying with the provisions.

Generally speaking, testing level of compliance with each company general attributes using ANOVA and T-Test tools, there was general agreement between the respondents whom are representing general company stakeholders that there is negative correlation to the significant level at 0.05 between company levels of compliance and its size and leverage ratio. Only Shareholders showed that company age is negatively correlated with its level of compliance with the provisions. 2 stakeholders out of four showed a higher rate of the negative correlation at the significant level between company's level of compliance and its ROA.

Neutral Answers in chapter 4 Table 4.46 above revealed that there is high degree of the respondent's answers were Neutral to their company level of compliance from each stakeholder's perspective. The researcher thinks that such result could be raised up due to several reasons:

1. Communication Problem between the company and its related stakeholders:
2. Limited access to company reports:
3. Lack of professionals with an adequate knowledge in corporate governance:
4. Non-existing or very limited training for the company board members in corporate governance

5.3: Possible barriers to the implementation of corporate governance

This section presents the possible barriers to the implementation of corporate governance code as discussed into details through the semi-structured interviews which took place with several stakeholders including company's decision makers and regulatory bodies. These barriers represented with: Non-existing law enforcement (Weak Legal Controls), Weak regulatory and legal systems that control company's activities, Lack of pressure over companies for good CG by Palestinian companies, Agency problem / Majority in Palestine are Family Owned Businesses, Non-existing corporate governance compliance culture in Palestinian companies, Good and Close relationship between the company and its external Auditor, The General Economy of Palestine and the High costs of practicing good corporate governance. Results showed that all interviewees agreed that these barriers are considered possible causes for not conducting corporate governance in Palestinian companies as arranged from most important to least important from the interviewees' point of view as discussed in chapter 4.

Results showed that interviewees ranked non-existing law enforcement (weak legal controls) as the most possible obstacle to the implementation of corporate governance by companies in Palestine, followed by weak regulatory and legal systems that control company's activities. Then lack of pressure over companies for good CG by Palestinian companies. Agency problem has been selected as the fourth barrier as respondents believe the majority in Palestine are family owned businesses. Non-existing corporate governance compliance culture in Palestinian companies, Good and Close relationship between the company and its external Auditor, The General Economy of Palestine and the High costs of practicing good corporate governance are considered the least barriers for the implementation of corporate governance but not neglected according to the interviewees point of view.

These findings suggest that policymakers and regulators should focus more on dealing with the possible barriers that could affect negatively onto the implementation of corporate governance in companies in Palestine.

5.4: Possible enablers to the implementation of corporate governance

This section presents the possible enablers to the implementation of corporate governance in Palestinian companies. As examined and mentioned in chapter 4, enablers as discussed in the semi-structured interviews include: Training of the decision makers (CEOs, Directors and Board Members) in corporate governance related subjects, Ensuring participation by companies in corporate governance related meetings and conferences, Reviewing successful corporate governance models applied by neighboring countries for possible implementation, Establishing corporate governance programs in the Universities curriculum, Encouraging research in corporate governance in Palestine, Ensuring regional corporate governance partnership with international organizations e.g. OECD, and having an incentive system by regulatory bodies.

Results as described in previous chapter to these enablers with the interviewees showed that training decision makers is considered the most important enabler. Decision makers in companies play the major role in motivating and enhancing the implementation of corporate governance Code. Training managers and executives in corporate governance related topics gives them the confidence and the clear understanding of the benefits from CG compliance for their company. The second mostly agreed point is ensuring company's participation in corporate governance related meetings and conferences. Learning from other successful models of implemented CG Code as applied by neighboring countries. Provide CG topic as part of the universities curriculum which will help increasing knowledge in the field and improve research areas in CG in Palestine and so on.

The results suggest that these enablers should be considered crucial to the development of corporate governance practice in companies in Palestine because they could enhance good corporate governance practice, which is expected for the political, economic, social and cultural development of a country.

5.5 Summary of the results of questionnaire

Survey questionnaires were used at first by conducting descriptive statistical analysis to define the general characteristics of respondents of the research (demographic feedback of participants), in which results showed that the majority of participants had never had courses in corporate governance. The second part of the questionnaire as designed into two separate forms: first questionnaire distributed into three sections in accordance to several stakeholders perspectives, and the other form designed with all related provision to the perspectives of the Shareholders Rights and Responsibilities. This part of the survey showed that there are a set of provisions companies are mostly comply with, on the other hand there were set of provisions that companies are the least complying with. Results from surveys revealed that companies in Palestine still have low degree of their compliance level with the CG Code in Palestine which closely consistent with the view of new research areas by the (PCMA, 2015).

In accordance to the results collected to test research Hypothesis 2, it was particularly clear that CG compliance and level of disclosure is higher in larger firms in size and firms with lower leverage ratio. As supported by (Erik.B, 2015), Information is more available in larger firms, firms with lower leverage, higher market-to-book ratios, and more concentrated ownership.

Results collected from distributed questionnaires were analyzed and described in order to answer the first three research questions of this research. Results showed that the general overall compliance is negatively correlated to the significant level of 0.05 with the company general attributes.

Neutral Answers represented from the data collected by distributed surveys in which this revealed a high degree of the respondent's answers that were Neutral to their company level of compliance from each stakeholder's perspective. Possible reasons behind non-compliance from the researcher point of view as a result from the research data collected:

1. Communication Problem between the company and its related stakeholders
2. Limited access to company reports
3. Lack of professionals with an adequate knowledge in corporate governance
4. Non-existing or very limited training for the company board members in corporate governance

5. Limited knowledge in corporate governance attributes by company's internal stakeholders (employees, decision makers, related committees and executives)

To conclude this section, corporate governance compliance is serious topic that every company listed in Palestine should take into consideration for the company benefit and for the regional economic improvement; otherwise, less foreign investors will be attracted to invest in Palestinian companies due to the higher risk and uncertainty and local investors will be more attracted onto investing their money in foreign companies outside Palestine. This reviewed and supported by (IFC, 2015) "Markets with poor corporate governance practices are less attractive to investors because of a heightened risk. The majority of companies in the Middle East and North Africa are family businesses. For those companies to thrive, they need to adopt better corporate governance practices, to create businesses that perform well, employ more people, and contribute to the overall good of each nation's economy". "Mouayad Makhlouf, Regional Director"

5.6 Summary of the results of interviews

Semi-structured in depth interviews designed and took place with different stakeholders after the survey distribution and collection process finished. Questions in the interviews started with little start up explanation about the topic and the type of questions. Results showed that interviewees are all agreeing with the shareholder's corporate governance model as the applicable one in Palestine. Interviewees included regulatory bodies and company executive managers in order to collect set of different point of views that will help in merging different opinions. Results revealed the most plausible barriers of good corporate governance in Palestine and the most possible enablers for good corporate governance implementation in Palestine. Interviews ended up with a set of recommendations and opinions which need to be available for the good corporate governance model in Palestine e.g. providing training for decision makers, ensuring participation with the CG related meetings, learning from success stories in neighboring regions, using CG in the university educational programs and improve and encourage research in related topics to CG.

5.7 Conclusions

This research has been able to achieve its 6 main objectives. As well it has been able to answer all research questions. More specifically speaking, it has been able to identify, investigate and provide an updated review of the level of corporate governance compliance by Palestinian companies working service sector. It has been able to help in defining the weaknesses and strengths from several stakeholders' perspectives that exists in the Palestine Corporate Governance Code (PGI) in which adopted from the OECD Code. This research also has been able to provide the possible barriers of good corporate governance and the plausible reasons behind non-compliance with the Code in Palestine. It also identified and revised the best provisions applicable for the appropriate CG Model in Palestine. Essentially, this research used different techniques for the data collection and analysis included using mixed method research procedures: secondary data collection and review, designed survey questionnaires for the target group of respondents and in-depth semi-structured interviews. Data has been collected from different groups of company internal and external stakeholders, and data collected has been merged for the purpose of providing a set of recommendations.

Findings in this research are in agreement with the literature review as provided from different research studies conducted in Palestine from 2007 till this day: (PGI, 2015), (Abdelkarim, 2010), (Darwish.Abu, 2008) and (CGNC, 2011). There has been a continuous improvement in the compliance level conducted by Palestinian companies in Palestine but not to a level to be considered as successful model for the region. The results of the correlation analysis testing indicated to what significant company level of compliance is affected by change in its general attributes. This research supports the research main Hypothesis that relatively expected there is no compliance by the Palestinian companies working in services sector with the CG Code as stated in OECD. Overall, merging collected results of quantitative and qualitative data was useful in setting valuable recommendations for the immediate use CG stakeholders (companies, regulatory bodies and any other related stakeholder).

In addition to the studies conducted in Corporate Governance inside and outside Palestine, this research will add to the literature on corporate governance practices from the perspective of different stakeholders in Palestine, it will contribute in to the development of corporate governance in Palestine with best options for implementation of good corporate governance compliance with the policy implications for the CG code of the best practices and the applicable model in Palestine (Shareholders Model), with regards to consider the other stakeholder's interests and rights.

The researcher wishes that through this research it will be able to use this research for further exploration onto the related issues mentioned, testing the tendency change or implementation in accordance to the recommendations provided as well and finally to provide future research studies that discuss the above limitations and the possibilities of future research studies.

5.8 Recommendations for improving corporate governance in Palestine

1. Encourage the use of corporate governance balance scorecard in Palestine as a tool for assessing companies' corporate governance practices. This helps companies to measure their observance of corporate governance codes which in turn encourage better governance practices without the intervention of any legislative body. The presence of such a tool is catalyst for companies to strengthen their position and status obtained under this tool. The implementation of such a tool increases the competitive sense among Palestinian companies to reach the highest level of compliance with the listed items.

2. Create methodology that underpins an assessment for listed companies of their implementation of the principles that will achieve the ultimate purpose of identifying the nature of each company strengths and weaknesses in corporate governance.

3. Despite the fact that the concept of governance in Palestine has evolved significantly, there is an urgent need to convince decision makers of the importance of adherence to the guidelines of governance and the extent of their positive impact, which is in the interest of the company itself.

4. There is an urgent need to consider the legal and regulatory framework for governance principles as provided through the Corporate Governance National Committee in 2009. In addition to recreate the codes to make it mandatory in nature for decision makers of listed companies in Palestine as considered the basic rules of governance.

5. Corporate governance related guidelines should be updated and modified in terms of the provisions and it should be enhanced as mandatory elements established as part of governance law in Palestine.

6. Identify priorities in addressing weaknesses and focus on and strengthen strengths in order to motivate companies to comply with governance guidelines (especially to focus on company executive related duties, company disclosure and transparency).

7. Provide the largest possible number of training tools in the field of governance for all regulatory and non-regulatory groups in coordination with the Palestinian National Committee for Governance as an essential part of the nature of work of listed Palestinian companies, which helps to involve as many employees (decision makers and non-decision makers) as possible in the company to contribute to the implementation of the governance system In Palestine.

8. Recommend the inclusion of governance topics as an integral part of the educational curriculum in Palestinian universities which will contribute to increasing the orientation of new graduates in the field of business administration to work intensively to implement broader and more comprehensive studies on corporate governance in Palestine and the ways to develop it

9. Encourage the regulatory bodies working in Palestine e.g. Palestinian National Committee for Governance to create a Platform in the country that helps to improve the communication process with governance related issues between Palestinian companies and their stakeholders

10. Conduct courses and workshops on the importance of the codes of corporate governance and the positive results of their application to all listed Palestinian companies. Workshops and courses to be addressed mainly for direct related target group e.g. Board Members, company's sub-committees, company's auditors, company's executives and more other related indirect targeted stakeholders

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HEBRON
UNIVERSITY

جامعة الخليل

Ref. الرقم :

Date التاريخ :
2016/10/31

لمن يهمه الامر

تحية طيبة وبعد،،،

<u>الموضوع / بحث دراسات عليا</u>

يفيد برنامج الماجستير في ادارة الاعمال في جامعة الخليل بأن الطالب **جوني نبيل السطاس** ورقمه الجامعي (21419033) هو احد طلاب برنامج الماجستير في ادارة الاعمال (MBA) وهو في طور جمع المعلومات لبحثه بعنوان **(درجة التزام الشركات الفلسطينية العاملة في قطاع الخدمات بمعايير الحوكمه)**.

يرجى مساعدته في تسهيل مهمته لإعداد الرسالة.

مع الاحترام و التقدير،،،

د. سمير ابو زنيد
د. سمير ابوزنيد
عميد كلية التمويل والإدارة
رئيس لجنة الدراسات العليا

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Appendices: **Page**

I. List of the Thesis Arbitration Committee:

Name		Education	Position	University
1	Dr. Sameer Abu-Znaid	Doctorate	Dean of the College of Finance & Management & Lecturer	Hebron University
2	Dr. Mohamad Al-Ja'bary	Doctorate	Dr. lecturer at the Faculty of Administration and Finance	Hebron University
3	Dr. Mohammad Awad	Doctorate	Dr. lecturer at the Faculty of Administration and Finance	Hebron University & Al-Quds University
4	Dr. Usamah Shahwan	PhD	Professor lecturer at the Faculty of Administration and Finance	Hebron University
5	Dr. Fadi Kattan	PhD	Chairperson of Accounting Department	Bethlehem University

II. Questionnaire for BOD & Executives:

The researcher prepares a study for a master's degree in management and finance entitled:

“To what extent Palestinian Companies Working in Service Sector Comply with Corporate Governance Codes”

This questionnaire is one of the important aspects of the thesis study and is designed to study the views of stakeholders in the company that represents Board of Directors of companies, and company executive managers, and the company shareholders to measure the extent of the commitment of the Palestinian companies operating in the service sector to comply with the codes of governance.

Corporate governance "is the system that is guiding the organization through its operations and be monitored at the highest level in order to achieve its goals and meet the necessary standards of responsibility, integrity and transparency with international standards."

We draw the attention of Your Excellency that your opinions are described in this list will be kept confidential, and will not be used for any purpose other than scientific research only.

Sincere thanks and appreciation to your help in the completion of this research.

Johny N S Anastas

Student for Post-Graduate

Faculty of Graduate Studies

Hebron University

Supervisor: Phd. Usamah Shahwan

General Questions:

Qualification:

☐ Less than BA ☐ Bachelor Degree ☐ Master Degree ☐ PhD

Scientific Specialization:

____

Job Position:

☐ Finance Manager / CFO ☐ CEO / GM ☐ Board Member ☐ Other Executive Position

Years of Experience in the Company "The Field":

☐ 1-5 ☐ 6-10 ☐ 11-15 ☐ More

Age:

☐ Less than 30 ☐ 31-40 ☐ 41-50 ☐ 51-60 ☐ More

Sex:

☐ Male ☐ Female

Number of courses attended related to governance:

☐ Never Had ☐ 1-3 ☐ 4-6 ☐ 7-9 ☐ More

Company Address "Head Quarter":

____

Company Year of Establishment:

____

Company ☐ Listed ☐ Not-Listed

Please read each point carefully and marks the most appropriate response considering the situation of your company:

Section One: Board of Directors

	Agree	Neutral	Disagree
Provisions Related to Board Duties			
34. The BOD has code of conduct for Directors			
35. The BOD identifies and monitors the key risk areas			
36. The BOD identifies and monitors company's performance indicator			
37. The BOD collectively appoints the MD			
38. The BOD collectively appoints senior managers			
39. The BOD sets the performance criteria of the MD/CEO			
40. The BOD evaluates the performance of the MD/CEO			
41. The BOD annually evaluates the performance of its members			
42. The BOD has succession plan for senior managers and CEO			
43. The BOD reviews internal control mechanism			
44. The BOD reviews the risk management system			
Provisions Related to Board Members Training			
45. The BOD defines the needed training for its members			
46. The BOD provides opportunity for directors' training			
47. The BOD provides fund for directors' training			
48. The BOD asks the new directors to be attending corporate governance training			
49. Training programs are linked to the strategic objectives of the company			
Provisions Related to Board Compositions			
50. The vacancies in the BOD normally filled at the Annual General Assembly (AGM)			
51. The chairman of the BOD and CEO are different persons			

52. The BOD comprises of 5 to 11 members			
53. The BOD comprises of mostly non-executive director			
54. The BOD member in office is elected every 4 years			
55. BOD members are re-elected for 3 consecutive terms as a maximum			
56. The company is using the cumulative voting at the BOD polling station			
57. When forming the BOD, new members are included (fresh blood)			
58. BOD director or any BOD member may practice executive functions in the company			
59. There is no family relationship between the MD/CEO and any BOD member in the company			
60. The BOD members meet regularly (quarterly) to discuss company businesses			
61. The BOD have Nomination Committee or particular method to nominate qualified persons for directorship			
Provisions Related to the Board Agenda			
62. The BOD meeting agenda is circulated to directors enough in advance of that meeting			
63. The Board Agenda approved solely by the Chairman			
64. Executive Director / GM determines the agenda of the Board of Directors of the General Assembly meeting			
Provisions related to the committees derived from the Board of Directors			
65. The company have an Audit Committee (AC)			
66. The Audit Committee exclude the Chairman of the Board from being a member of the Committee			
67. The Audit Committee meets at least quarterly			
68. The Audit Committee prepare reports on all meetings for the BOD.			

69. The committees (like Audit Committee) comprised of a majority of non-executive directors			
70. The committees (like Audit Committee) is headed by a non-executive director			
71. The Audit Committee Chairman is a non-executive or independent director			
72. The Audit Committee comprised of at least three members			
73. The chairman of the Audit Committee have professional qualification and relevant financial experience			
74. The company has a Board Remuneration Committee (RC)			
75. The company has a Governance Committee (GC)			
76. The Chairman of the BOD is a member in the GC			
77. The Chairman of the BOD is a member in another committees other than GC			
78. The company has a Risk Assessment Committee			

Section Two: Executive Managers

	Agree	Neutral	Disagree
12. Employees in the company are consulted on certain management decisions by the Executive Managers			
13. BOD members of the company consider stakeholders interests as part of their duties			
14. The BOD provides you with the required training as part of your job			
15. The BOD provides you with the needed fund as part of your training			
16. As an executive, you are a member in one of the BOD sub-committees (AD,GC,RC)			
17. As an executive, you provide every new BOD members with all the information, data, and relevant documents			

18. The BOD provides the MD “Managing Director” with clear instructions regarding employee incentives			
19. The financial and administrative system is provided by the executive management			
20. The financial and administrative system is approved by the BOD			
21. The relationship with company stakeholders is subject to special contracts reached with them			
22. Administrative regulations of the company include clear sanctions applicable of any violations			
23. The company executives appointed collectively by the BOD			
24. The company bears responsibility for all actions of the manager (MD)			
25. BOD appraises the performance of the company executives annually			
26. The Managing Director is responsible to raise the reports to the BOD.			

Section Three: Financial Reporting, Auditing & Disclosure

	Agree	**Neutral**	**Disagree**
Provisions Related to the External Auditors			
19. The company’s external auditors are independent			
20. The company’s external auditors are appointed by the shareholders			
21. The audit firms or partners involved in the company’s audit rotated every five years			
Provisions Related to the Internal Auditors			
22. The company has an internal audit function			
23. The company internal audit department independent from management			
24. The company’s internal audit department have authority to propose initiatives and changes directly to the board			

Provisions Relating Disclosure			
25. The BOD present a balanced assessment of the company's position that may be understood by shareholders			
26. The company publicly disclose: quarterly un-audited results			
27. The company publicly disclose: Audited annual Balance Sheet			
28. The company publicly disclose: Annual Directors' Report			
29. The company publicly disclose: Corporate Governance Statement			
30. The company publicly disclose: Statement of Corporate Social Responsibility			
31. The company publicly disclose: Ownership Structure			
32. The company publicly disclose: Material risk factors			
33. The company publicly disclose: Senior Management Structure			
34. The company publicly disclose: Directors' Remuneration			
35. The company publicly disclose: Related party transactions			
36. The company publicly disclose: Credit Rating			
37. The company publicly disclose: Details of Investment			
38. The company publicly disclose: Basis of estimates used in financial reporting			
39. The company publicly disclose: Depreciation policy			
40. The company publicly disclose: Tax policy			
Provisions Related to the Company Website			
41. The company maintains an electronic or internet page to publish its reports & documents			
42. The company’s website has a specific section dedicated to corporate governance			
43. In the company website, corporate governance section and the documents posted are available also in a foreign language			
44. Company internet page is updated with all the reports & documents that are required by rules & regulations governing the company			

Other

Please Make Any Additional Comments Here If You Would Like To Do So:

Thank You for Completing This Questionnaire

Johny N S Anastas

III. Questionnaire related to Shareholders Rights & Responsibilities

The researcher prepares a study for a master's degree in management and finance entitled:

"To what extent Palestinian Companies Working in Service Sector Comply with Corporate Governance Codes"

This questionnaire is one of the important aspects of the thesis study and is designed to study the views of stakeholders in the company that represents Board of Directors of companies, and company executive managers, and the company shareholders to measure the extent of the commitment of the Palestinian companies operating in the service sector to comply with the codes of governance.

Corporate governance "is the system that is guiding the organization through its operations and be monitored at the highest level in order to achieve its goals and meet the necessary standards of responsibility, integrity and transparency with international standards."

We draw the attention of Your Excellency that your opinions are described in this list will be kept confidential, and will not be used for any purpose other than scientific research only.

Sincere thanks and appreciation to your help in the completion of this research.

Johny N S Anastas

Student for Post-Graduate

Faculty of Graduate Studies

Hebron University

Supervisor: Phd. Usamah Shahwan

General Questions:

Qualification:

☐ Less than BA ☐ Bachelor Degree ☐ Master Degree ☐ PhD

Scientific Specialization:

____

Age:

☐ Less than 30 ☐ 31-40 ☐ 41-50 ☐ 51-60 ☐ More

Sex:

☐ Male ☐ Female

Number of courses attended related to governance:

☐ Never Had ☐ 1-3 ☐ 4-6 ☐ 7-9 ☐ More

Please read each point carefully and mark the most appropriate response considering the situation of your company:

Shareholders Rights & Responsibilities

	Agree	Neutral	Disagree
1. The company provides you with its Handbook regularly			
2. You receive a notice of the AGM (Annual General Meeting), at least 14 days before the meeting			
3. AGM is announced in 2 newspapers one week before			
4. The outcome and proceedings of general meetings recorded and verified			
5. You receive information about company's resolutions & decisions			
6. The AGM held in a convenient location in the vicinity of the company's registered office.			
7. As a Shareholders you all have the same voting rights as other shareholders			
8. You have an opportunity to identify items for the AGM agenda			
9. During the AGM, as a shareholder you can question the BOD			
10. Your company facilitates the voting process of the shareholders beyond that established by law			
11. The company's handbook is made available and accessible to all shareholders			
12. You have access to all information related to the company in accordance with the by-laws			

13. You participate in the election process for the company's sub-committees			
14. As a shareholder, you collectively elect new BOD members at the AGM			
15. When Electing a new Board Members, you prefer to elect the one who has prior experience with the company internal operations			
16. The BOD provide you with the detailed agenda of the AGM accompanied with a simplified financial data			
17. As a Shareholders, you are provided with access to all your company related property records			
18. You are invited to the company ordinary and extraordinary general assembly meetings			
19. There are minority shareholders protection mechanisms in place			
20. The company is subject to investigation into its treatment of shareholders			
21. The current composition of the BOD skills/experiences serve the company's interests			
22. The BOD share their report of effectiveness with the company shareholders on time			
23. The BOD share their self-evaluation report with company shareholders on time			
24. The company has a dividend policy prepared by the board, approved by the GSM and published on the company's web-site.			

Other

Please Make Any Additional Comments Here If You Would Like To Do So:

Thank You for Completing This Questionnaire

Johny N S Anastas

IV. Structured Interview Guidelines:

The researcher prepares a study for a master's degree in management and finance entitled

"To what extent Palestinian Companies Working in Service Sector Comply with Corporate Governance Codes"

Interview Questions & Guidelines

Stakeholder Group Classification: ________________

Interview Code: ________________

Interviewee Designation: _______________________

Johny N S Anastas

Student for Post-Graduate

Faculty of Graduate Studies

Hebron University

Supervisor: Phd. Usamah Shahwan

Section A: General Information

A1. What is the main purpose of a company should be regarding its Shareholders & its wider stakeholders? Why?

A2. What do you think are the best options to address corporate governance problems in Palestine?

A3. If you are representing a company in Palestine:

- Does your company follow corporate governance guidelines such as OECD guidelines?
  YES NO
- If yes, how does your company come to know about corporate governance in Palestine?
  Please check possible options:
  - ☐ Workshops & Seminars related to corporate governance topics
  - ☐ Newspapers and Local Journals
  - ☐ Palestine Governance Institute
  - ☐ PSE – Palestinian Stock Exchange
  - ☐ Others, Please specify: ___________________
- To what extent do you think corporate governance guidelines in Palestine are useful for your company? Rate from Very Useful to Not Useful at all & why?

Very Useful	Useful	Niether Useful Nor Useless	Not Useful at all
Why?			

Section B:

Barriers to good corporate governance in Palestinian Companies

Rate from 1 most important to 8 least important the following possible barriers:

- Non-existing law enforcement (Weak Legal Controls) ______
- The General Economy of Palestine ______
- Non-existing corporate governance compliance culture in Palestinian companies ______
- Weak regulatory and legal systems that control company's activities ______
- High costs of practicing good corporate governance ______
- Lack of pressure over companies for good CG by Palestinian companies ______
- Agency problem / Majority in Palestine are Family Owned Businesses ______
- Good & Close relationship between the company and its external Auditor______

Kindly provide your opinion below of the barriers for good compliance with the codes:

Section C:

Reasons behind the non-compliance by Palestinian Firms

Referring to the data collected from the distributed research questionnaires, a significant non-compliance has been raised for the codes of several corporate governance provisions.

Please specify below which are the possible reasons of such non-compliance out of the seven causes as mentioned below:

- **Lack of Legal Power _______**
- **Communication Gap _______**
- **Lack of Culture _______**
- **Inadequate provisions _______**
- **Lack of knowledge _______**
- **Lack of motivation _______**
- **Lack of infrastructure _______**

Kindly provide your opinion below of the main reasons of non-compliance:

Section D:

Appropriate model of corporate governance in Palestine

Possible enablers for the implementations of corporate governance by Palestinian companies:

Rate from 1 most important:

- ☐ Training of the decision makers (CEOs, Directors and Board Members) in corporate governance related subjects ______
- ☐ Establishing corporate governance programs in the Universities curriculum ______
- ☐ Ensure participation by companies in corporate governance related meetings and conferences ______
- ☐ Encourage research in corporate governance in Palestine ______
- ☐ Reviewing successful corporate governance models applied by neighboring countries for possible implementation ______
- ☐ Ensure regional corporate governance partnership with international organizations e.g. OECD ______
- ☐ Other, Please Specify ____

Kindly provide your opinion of the best appropriate corporate governance model in Palestine:

Shareholders Model or Stakeholders Model

Thank You

V. **University Formal Letter of Recommendation for Data Collection and Research Work addressed to the selected companies:**

VI. **List of Company's Independent Variables**

Name	Size – Number of Employees	Age	ROA Net income / total assets	Leverage Ratio Total Debt / Total Equity
1. Watanya Towers	12	1995	1.8 %	0.07
2. BRAVO	212	1999	-1.6%	1.32
3. GUI Global United Insurance	139	2010	1.5%	2.68
4. National Insurance Company	185	1992	4.69%	1.98
5. PALAQAR	17	1998	-5%	1.08
6. PALTEL	3142	1995	5.6%	0.39
7. Wassel	198	2005	-2%	1.84
8. Watanya Mobile	410	2010	-0.68	2.28

Source:

- Company Main Website
- PEX-Companies Guide

VII. **Company Size Classification**

Company Category	Staff Headcount
Large	>250
Medium-sized	< 250
Small	<50

Corporate Governance Principles

G20 / OECD – Principles of Corporate Governance

Organization for Economic Co-operation and Development

The purpose of corporate governance is to help build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies.

Principle set by the OECD are intended to help policy makers evaluate and improve the legal, regulatory, and institutional framework for corporate governance, with a view to support economic efficiency, sustainable growth and financial stability. This is primarily achieved by providing shareholders, board members and executives as well as financial intermediaries and service providers with the right incentives to perform their roles within a framework of checks and balances.

- **Ensuring the basis for an effective corporate governance framework:**

The corporate governance framework should promote transparent and fair markets, and the efficient allocation of resources. It should be consistent with the rule of law and support effective supervision and enforcement.

1. The corporate governance framework should be developed with a view to its impact on overall economic performance, market integrity and the incentives it creates for market participants and the promotion of transparent and well-functioning markets.
2. The legal and regulatory requirements that affect corporate governance practices should be consistent with the rule of law, transparent and enforceable.
3. The division of responsibilities among different authorities should be clearly articulated and designed to serve public interest.
4. Stock market regulation should support effective corporate governance.
5. Supervisory, regulatory an enforcement authority should have the authority, integrity and resources to fulfill their duties in a professional and objective manner. Moreover, their rulings should be timely, transparent and fully explained.

6. Cross-border co-operations should be enhanced, including through bilateral and multilateral arrangements for exchange of information.

- **The rights and equitable treatment of shareholders and key ownership functions:**

The corporate governance framework should protect and facilitate the exercise of shareholders rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective address for violation of their rights.

1. Basic shareholder rights should include the right to secure methods of ownership registration, convey or transfer shares, obtain relevant and material information on the corporation on a timely and regular basis, participate and vote in general shareholder meetings, elect and remove members of the board and share in the profits of the corporation.
2. Shareholders should be sufficiently informed about, and have the right to approve or participate in, decisions concerning fundamental corporate changes such as: amendments to the statues, the authorization of additional share and extraordinary transactions including the transfer of all or substantially all assets that in effect result in the sale of the company.
3. Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures that govern general shareholder meetings.

- Shareholders should be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting.
- Processes and procedures for general shareholder meetings should allow of equitable treatment of all shareholders. Company procedure should not make it unduly difficult or expensive to cast votes.
- Shareholders should have the opportunity to ask questions to the board, including questions related to the annual external audit, to place items on the agenda meetings, and to propose resolutions, subject to reasonable limitations.

- Effective shareholder participation in key corporate governance decisions, such as the nominations and election of board members, should be facilitated. Shareholders should be able to make their views known, including through votes in shareholder meetings, on the remuneration of board members and / or key executives, as applicable. The equity component of compensation schemes for board members and employees should be subject to shareholder approval.
- Shareholders should be able to vote in person or in absentia, and equal effect should be given to votes whether cast in person or in absentia.
- Impediment to cross border voting should be eliminated.

4. Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined to the principles, subject to the exceptions to prevent abuse.
5. All shareholders of the same series of a class should be treated equally. Capital structure and arrangements that enable certain shareholders to obtain a degree of influence or control disproportionate to their equity ownership should be disclosed.

- Within any series of a class, all shares should carry the same rights. All investors should be able to obtain information about the rights attached to all series and classes of shares before they purchase. Any changes in economic or voting rights should be subject to approval by those classes of shares which are negatively affected.
- The disclosure of capital structure and control arrangements should be required.

6. Related party transactions should be approved and conducted in a manner that ensure proper management of conflict of interest and protects the interest of the company and its shareholders.

- Conflicts of interest inherent in related party transactions should be addressed.
- Members of the board and key executives should be required to disclose to the board whether they, directly, indirectly or in behalf of third parties, have a material interest in any transactions or matter directly affecting the corporation.

7. Minority shareholders should be protected from abuse actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have efficient means if redress. Abusive self-dealing should be prohibited.

8. Markets for corporate control should be allowed to function in an efficient and transparent manner.

- **Institutional investors, stock markets, and other intermediaries**

The corporate governance framework should provide sound incentives throughout the investment chain and provide for stock markets to function in a way that contributes to good corporate governance.

1. Institutional investors acting in a fiduciary capacity should disclose their corporate governance and voting policies with respect to their investments, including the procedures that they have in place for deciding on the use of their voting rights.
2. Votes should be cast by custodians or nominees in line with the directions of the beneficial owner of the shares
3. Institutional investors acting in a fiduciary capacity should disclose how they manage material conflicts of interest that may affect the exercise of key ownership rights regarding their investments.
4. The corporate governance framework should require that proxy advisors, analysts, brokers, rating agencies and others that provide analysis or advice relevant to decisions by investors, disclose and minimize conflicts of interest that might compromise the integrity of their analysis or advice.
5. Insider trading and market manipulation should be prohibited and the applicable rules enforced.
6. For companies who are listed in jurisdictions other than their jurisdictions of incorporation, the applicable corporate governance laws and regulations should be clearly disclosed. In the case of cross listings, the criteria and procedure for recognizing the listing requirements of the primary listing should be transparent and documented.
7. Stock markets should provide fair and efficient price discovery as a means to help promote effective corporate governance.

- **The role of stakeholders in corporate governance:**

The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active cooperation between corporations and stakeholders in creating wealth, jobs and sustainability of financially sound enterprises.

1. The rights of stakeholders that are established by law or through mutual agreements are to be respected
2. Where stakeholders' interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.
3. Mechanisms for employee participation should be permitted to develop.
4. Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.
5. Stakeholders, including individual employees and their representative bodies, should be freely communicate their concerns about illegal and unethical practices to the board and to the competent public authorities and their rights should not be compromised for doing this.
6. The corporate governance framework should be complemented by an effective, efficient insolvency framework and by effective enforcement of creditor rights.

- **Disclosure and transparency:**

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

1. Disclosure should include, but not limited to, material information on: 1. the financial and operating results of the company, 2. company objective and nonfinancial information, 3. major share ownership including beneficial owners and voting rights, 4. remuneration of members of the boards and key executives, 5. information about board members including their qualifications, selections process, other company directorship and whether they are regarded as independent by the board, 6. related party transactions, 7. foreseeable risk factors, 8. Issues regarding employees and other stakeholders, 9.

Governance structure sand policies, including the content of any corporate governance code or policy and the process by which it is implemented.

2. Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial reporting.
3. An annual audit should be conducted by an independent, competent, and qualified auditor in accordance with high-quality auditing standards in order to provide an external and objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects.
4. Eternal auditors should be accountable to the shareholders and owe duty to the company to exercise due professional care in the conduct of the audit.
5. Channels for disseminating information should provide for equal, timely and cost-efficient access to relevant information by users.

- **The responsibilities of the board:**

The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

1. Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest for the company the shareholders
2. Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly
3. The board should apply high ethical standards. It should take into account the interests of stakeholders
4. The board should fulfill all certain key functions including:

- Reviewing and guiding corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestitures.
- Monitoring the effectiveness of the company's governance practices and making changes as needed.

- Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.
- Aligning key executives and board remuneration with the longer term interests of the company and its shareholders.
- Ensuring a formal and transparent board nomination and election process.
- Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.
- Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and the appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
- Overseeing the process of disclosure and communications.

5. The board should be able to exercise objective independent judgment on corporate affairs.

- Boards should consider assigning a sufficient number of non-executive board members capable of exercising independent judgment to tasks where there is a potential for conflict of interest. Examples for such key responsibilities are ensuring the integrity of financial and non-financial reporting, the review of related party transactions, nomination of board members and key executives, and board remuneration.
- Boards should consider setting up specialized committees to support the full board in performing its functions, particularly in respect to audit, and, depending upon the company's size and risk profile, also in respect to risk management and remuneration. When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board.
- Board members should be able to commit themselves effectively to their responsibilities.
- Boards should regularly carry out evaluations to appraise their performance and assess whether they possess the right mix of background and competencies.

6. In order to fulfill their responsibilities, board members should have access to accurate, relevant and timely information.

7. When employee representation on the board is mandated, mechanisms should be developed to facilitate access to information and training for employee representatives, so that this representation is exercised effectively and best contributes to the enhancement of board skills, information and independence.

As shown above the 6 principles are intended to be concise, understandable and accessible to the international community. On the basis of the principles, it is the role of the government, semi-government or private sector initiatives to assess the quality of the corporate governance framework and develop more detailed mandatory or voluntary provisions that can take into account country specific economic, legal and cultural differences.

All 6 principles focus on all forms of companies, including publicly traded companies, both financial and non-financial. While some of the principles may be more appropriate for larger than for smaller companies, policy makers may wish raise awareness of good corporate governance for all companies, including smaller and unlisted companies.

As shown above, the principles recognize the interests of employees and other stakeholders and their important role in contributing to the long term success and performance of the company. As well as they are developed with an understanding that corporate governance policies have an important role to play in achieving broader economic objectives with respect to investor confidence, capital formation and allocation. Even-though, they are non-binding and do not aim at detailed prescriptions for national legislation. Rather, principles aim to provide a robust but flexible reference for policy makers and market participants to develop their own frameworks for corporate governance.

Several research papers and recent studies showed the OECD code important role in distributing the knowledge and awareness of its importance. Otherwise, there are some comments & recommendations arise from it as supported in)Hanna.N(2005 ،:

- Principles of OECD are not compulsory, and they are only for the policy-makers use as reference and guidance to ensure the executives best practices are implemented in the company.
- Principles of OECD are not newly created, but they have been only collected together in one paper as guidance and all these principles are old in nature.

- Principles of OECD are flexible in nature, and they are applicable for revision & improvement and can be changed at anytime due to changes in surrounding environment where countries with higher economic and political instability existed are mostly affected with these principles and opposed to review their structure in a continuous way.
- In such instable environment the world is living in today. OECD principles shall be set in an organized flexible framework where policy-makers are able to be creative and set policies and procedures adaptable with the surrounding environment where each company exists.

(Hanna.N, 2005) Opines that OECD principles are considered very useful to be implemented and controlled by regulatory bodies, policy-makers and the governmental bodies in Palestine. Taking the principles into consideration and reviewing it in a way to better fit with the Palestinian financial and economical circumstances and to make them more flexible in a way gives Palestinian firms and corporations the tendency to live with these principles.

الملاحق العربية

يقوم الباحث باعداد دراسة للحصول على درجة الماجستير في الادارة والتمويل بعنوان:

درجة التزام الشركات الفلسطينية العاملة في قطاع الخدمات بمعايير الحوكمة

يمثل هذا الاستبيان احد الجوانب المهمة لرسالة الماجستير ويهدف الى دراسة اراء أصحاب المصالح في الشركة واللذين يمثلون كل من مجلس ادارة الشركات، وادارة الشركة التنفيذية، وحاملي الاسهم في الشركة في قياس مدى التزام الشركات الفلسطينية العاملة في قطاع الخدمات بتطبيق قواعد الحوكمة.

ويقصد بحوكمة الشركات "هي النظام التي يتم من خلاله توجيه اعمال المنظمة ومراقبتها على اعلى مستوى من اجل تحقيق اهدافها والوفاء بالمعايير اللازمة للمسؤولية والنزاهة والشفافية بما يتطابق بالمعايير العالمية".

ونوجه عناية سيادتكم الى ان ارائكم الموضحة بهذه القائمة ستكون سرية، ولن تستخدم لأي غرض بخلاف البحث العلمي فقط.

ويتقدم الباحث بخالص الشكر والتقدير لسيادتكم على ما تساهمون به في انجاز هذا البحث.

جوني نبيل سعيد أنسطاس

طالب دراسات عليا

كلية الدراسات العليا – جامعة الخليل

اشراف الدكتور: أسامه شهوان

أسئلة عامة:

المؤهل العلمي:

□ أقل من بكالوريوس　　□ بكالوريوس　　□ ماجستير　　□ دكتوراه

التخصص العلمي:

____

المسمى الوظيفي:

□ مدير مالي　　□ مدير عام　　□ عضو مجلس ادارة　　□ وظيفة ادارية اخرى

سنوات الخبرة في الشركة "مجال التخصص":

□ أقل من 5　　□ 5-10　　□ 11-15　　□ فوق ذلك

العمر:

□ أقل من 30　　□ 31-40　　□ 41-50　　□ 51-60　　□ فوق ذلك

الجنس:

□ ذكر　　□ أنثى

عدد الدورات التي شارك بها في مجال الحوكمة:

□ لم يشارك ابدا　　□ 1-3　　□ 4-6　　□ 7-9　　□ اكثر من ذلك

مقر الشركة الرئيسي "عنوان الشركة":

____

الشركة　　□ مدرجة　　□ غير مدرجة

نرجو من حضرتكم قراءة النقاط التالية بتمعن واختيار الجواب الادق بما يتناسب مع الواقع في الشركة مما يساعد في تحقيق أهداف البحث

الجزء الاول: أعضاء مجلس ادارة الشركة

	موافق	محايد	معارض
أحكام متعلقة بمهام مجلس الادارة			
1. مجلس الإدارة لديه مدونة لقواعد سلوك الإدارة التنفيذية			
2. مجلس الإدارة يحدد ويراقب عوامل المخاطرة الرئيسية			
3. مجلس الإدارة يحدد ويراقب مؤشرات أداء الشركة			
4. مجلس الإدارة يقوم بتعيين المدير العام / الرئيس التنفيذي بالاجماع			
5. مجلس الإدارة يقوم بتعيين المديرين التنفيذيين بالاجماع			
6. مجلس الإدارة يحدد معايير أداء المدير العام / الرئيس التنفيذي			
7. مجلس الإدارة يقوم بتقييم أداء المدير العام / الرئيس التنفيذي			
8. مجلس الإدارة يقوم بتقييم أداء أعضائه سنويا			
9. مجلس الإدارة يحدد خطة نجاح للإدارة العليا والمدير التنفيذي			
10. مجلس الإدارة يراجع آليات الرقابة الداخلية في الشركة			
11. مجلس الإدارة يراجع نظام إدارة المخاطر في الشركة			
أحكام متعلقة بتدريب أعضاء مجلس الادارة			
12. مجلس الادارة يحدد الاحتياجات التدريبية لأعضاء مجلس الادارة			
13. يقدم مجلس الإدارة فرص تدريبية لاعضائه			
14. مجلس الإدارة يغطي تكاليف تدريب اعضائه			
15. مجلس الإدارة يطلب من اعضائه الجدد المشاركة في برامج التدريب حول حوكمة الشركات			
16. تكون برامج التدريب مرتبطة بالاهداف الاستراتيجية للشركة			
أحكام متعلقة بتكوين مجلس الادارة			
17. يتم ملء الشواغر في مجلس الإدارة في الاجتماع السنوي للجمعية العمومية			
18. رئيس مجلس الإدارة والرئيس التنفيذي للشركة شخصين مختلفين			
19. مجلس الإدارة يتكون من 5 إلى 11 عضوا			
20. اغلبية اعضاء مجلس الإدارة اداريين غير تنفيذيين			

21. يتم انتخاب اعضاء مجلس الادارة كل 4 سنوات			
22. يتم إعادة انتخاب أعضاء مجلس الإدارة لمدة 3 دورات متتالية كحد أقصى			
23. تقوم الشركة باستخدام التصويت التراكمي في مرحلة انتخاب مجلس الإدارة			
24. عند تشكيل مجلس الإدارة، يؤخذ بعين الاعتبار اضافة أعضاء جدد للمجلس			
25. أعضاء مجلس الإدارة قد يمارسون وظائف تنفيذية في الشركة			
26. لا توجد علاقة قرابة بين الرئيس التنفيذي للشركة وأي عضو مجلس إدارة في الشركة			
27. يجتمع أعضاء مجلس الإدارة بشكل منتظم (كل ثلاثة أشهر) لمناقشة أعمال الشركة			
28. مجلس الإدارة يحتوي على لجنة الترشيحات			
أحكام متعلقة بجدول أعمال مجلس الادارة			
29. جدول أعمال اجتماع مجلس الإدارة يتم تعميمه بشكل مكتوب على أعضاء مجلس الادارة قبل وقت كاف من موعد الاجتماع			
30. جدول أعمال المجلس يتم الموافقة عليه فقط من قبل رئيس المجلس			
31. المدير التنفيذي يحدد جدول اعمال مجلس الادارة لاجتماع الهيئة العامة			
أحكام متعلقة باللجان المنبثقة من مجلس الادارة			
32. الشركة لديها قسم التدقيق الداخلي			
33. يتم استبعاد عضوية رئيس مجلس الادارة في لجنة التدقيق			
34. تجتمع لجنة التدقيق على الأقل كل ثلاثة أشهر			
35. تقدم لجنة التدقيق تقارير عن جميع اجتماعاتها لمجلس الإدارة			
36. اللجان المنبثقة (مثل لجنة التدقيق) تتألف من أغلبية أعضاء مجلس الإدارة غير التنفيذيين			
37. اللجان المنبثقة (مثل لجنة التدقيق) يرأسها مدير غير تنفيذي			
38. رئيس لجنة التدقيق هو مدير غير تنفيذي أو مستقل			
39. تتألف لجنة التدقيق من ثلاثة أعضاء على الأقل			
40. رئيس لجنة التدقيق لديه المؤهلات المهنية والخبرة المالية ذات الصلة			

41. الشركة لديها لجنة التعويضات والمكافئات			
42. الشركة لديها لجنة حوكمة			
43. رئيس مجلس الإدارة هو عضو في لجنة الحوكمة			
44. رئيس مجلس الإدارة هو عضو في لجان أخرى غير لجنة الحوكمة			
45. الشركة لديها لجنة تقييم مخاطر			

الجزء الثاني: الادارة التنفيذية

	موافق	محايد	معارض
1. تقوم الادارة التنفيذية بالتشاور مع الموظفين الاداريين في الشركة على قرارات إدارية معينة			
2. يتابع أعضاء مجلس إدارة الشركة مصالح أصحاب المصلحة (موظفين الشركة، المستفيدين الخ...) كجزء من واجباتهم			
3. مجلس الإدارة يوفر للموظفين التدريب اللازم كجزء من وظيفتك			
4. مجلس الإدارة يوفر للموظفين التكاليف اللازمة للتدريب			
5. بصفتكٍ مدير تنفيذي في الشركة، تعتبر عضو فعال في أحد اللجان المنبثقة عن مجلس الادارة (لجنة التدقيق، لجنة المكافئات، لجنة الحوكمة)			
6. بصفتك مدير تنفيذي في الشركة، توفر لكل من أعضاء مجلس الإدارة الجدد كافة المعلومات والبيانات والوثائق ذات الصلة بأعمال الشركة			
7. مجلس الإدارة يوفر للمدير التنفيذي "المدير العام" تعليمات واضحة بشأن حوافز الموظفين			
8. يتم تقديم النظام المالي والإداري للشركة من قبل الإدارة التنفيذية			
9. يقوم مجلس الإدارة بالموافقة على النظام المالي والإداري للشركة المقدم من قبل الإدارة التنفيذية			
10. العلاقة القانونية بين الشركة وأصحاب المصالح تخضع لعقود خاصة (موظفين، موردين، تجار، متعاقدين)			
11. تشمل اللوائح الإدارية للشركة عقوبات واضحة قابلة للتطبيق في حال وجود أي انتهاكات			
12. المديرين التنفيذيين للشركة يتم تعيينهم بالاجماع من قبل مجلس الإدارة			
13. الشركة تتحمل كامل المسؤولية عن جميع الأعمال التي يقوم بها المدير العام			
14. مجلس الإدارة يقيم أداء المديرين التنفيذيين للشركة سنويا			
15. يقوم المدير العام للشركة برفع التقارير الى رئيس مجلس الادارة			

الجزء الثالث: اعداد التقارير المالية، التدقيق والشفافية

	موافق	محايد	معارض
الأحكام المتعلقة بالمدقق الخارجي			
1. المدقق الخارجي للشركة مستقل في اداء مهامه			
2. يتم تعيين مدقق الحسابات الخارجي عن طريق حاملي الاسهم في الشركة			
3. يتم تعيين شركة التدقيق في الشركة كل خمس سنوات			
الأحكام المتعلقة بالمدقق الداخلي			
4. الشركة تحتوي على عناصر التدقيق الداخلي			
5. دائرة التدقيق الداخلي في الشركة مستقلة عن اعمال الإدارة			
6. دائرة التدقيق الداخلي في الشركة لديها صلاحية اقتراح مبادرات وتغييرات تعرض على مجلس الادارة			
الأجكام المتعلقة بالافصاح والشفافية			
7. مجلس الإدارة يقدم تقييما متوازنا يوضح مكانة الشركة بحيث تكون مفهومة من قبل المساهمين			
8. الشركة تصرح علنا: نتائج اعمال الشركة الغير مدققة بشكل منتظم (كل ثلاث شهور)			
9. الشركة تصرح علنا: قائمة المركز المالي			
10. الشركة تصرح علنا: تقرير مجلس الإدارة السنوي			
11. الشركة تصرح علنا: بيان حوكمة الشركات			
12. الشركة تصرح علنا: بيان المسؤولية الاجتماعية للشركة			
13. الشركة تصرح علنا: هيكل الملكية للشركة			
14. الشركة تصرح علنا: عوامل الخطر المادية			
15. الشركة تصرح علنا: الهيكل الإداري التنفيذي			
16. الشركة تصرح علنا: مكافأة أعضاء مجلس الإدارة			
17. الشركة تصرح علنا: المعاملات مع الأطراف ذات العلاقة			
18. الشركة تصرح علنا: التصنيف الائتماني			
19. الشركة تصرح علنا: تفاصيل اعمال الاستثمار في الشركة			
20. الشركة تصرح علنا: أسس ومبادئ التقديرات المستخدمة في إعداد التقارير المالية			

21. الشركة تصرح علنا: سياسة الاستهلاك			
22. الشركة تصرح علنا: السياسة الضريبية			
الأحكام المتعلقة بالصفحة الالكترونية للشركة			
23. الشركة تحافظ على وجود الصفحة الإلكترونية في نشر تقاريرها والوثائق المتعلقة بأعمال الشركة بما يتناسب مع القانون			
24. الموقع الالكتروني للشركة يحتوي على قسم خاص للحوكمة			
25. يتم نشر الوثائق الخاصة بحوكمة الشركات في الموقع الالكتروني بعجة لغات (لغات اجنبية)			
26. يتم تحديث الصفحة الالكترونية للشركة بجميع التقارير والوثائق التي تتطلبها القواعد واللوائح التي تنظم اعمال شركة			

الرجاء اضافة أي تعليق او أي معلومة ترغب في المشاركة بها:

شكرا لكم لاستكمال تعبئة الاستمارة

الباحث:

جوني نبيل سعيد أنسطاس

يقوم الباحث باعداد دراسة للحصول على درجة الماجستير في الادارة والتمويل بعنوان:

درجة التزام الشركات الفلسطينية العاملة في قطاع الخدمات بمعايير الحوكمة

يمثل هذا الاستبيان احد الجوانب المهمة لرسالة الماجستير ويهدف الى دراسة اراء أصحاب المصالح في الشركة واللذين يمثلون كل من مجلس ادارة الشركات، وادارة الشركة التنفيذية، وحاملي الاسهم في الشركة في قياس مدى التزام الشركات الفلسطينية العاملة في قطاع الخدمات بتطبيق قواعد الحوكمة.

ويقصد بحوكمة الشركات "هي النظام التي يتم من خلاله توجيه اعمال المنظمة ومراقبتها على اعلى مستوى من اجل تحقيق اهدافها والوفاء بالمعايير اللازمة للمسؤولية والنزاهة والشفافية بما يتطابق بالمعايير العالمية".

ونوجه عناية سيادتكم الى ان ارائكم الموضحة بهذه القائمة ستكون سرية، ولن تستخدم لأي غرض بخلاف البحث العلمي فقط.

ويتقدم الباحث بخالص الشكر والتقدير لسيادتكم على ما تساهمون به في انجاز هذا البحث.

جوني نبيل سعيد أنسطاس

طالب دراسات عليا

كلية الدراسات العليا – جامعة الخليل

اشراف الدكتور: أسامه شهوان

أسئلة عامة:

المؤهل العلمي:

□ أقل من بكالوريوس　　□ بكالوريوس　　□ ماجستير　　□ دكتوراه

التخصص العلمي:

____

العمر:

□ أقل من 30　　□ 31-40　　□ 41-50　　□ 51-60　　□ فوق ذلك

الجنس:

□ ذكر　　□ أنثى

عدد الدورات التي شارك بها في مجال الحوكمة:

□ لم يشارك ابدا　　□ 1-3　　□ 4-6　　□ 7-9　　□ اكثر من ذلك

نرجو من حضرتكم قراءة النقاط التالية بتمعن واختيار الجواب الادق بما يتناسب مع الواقع في الشركة مما يساعد في تحقيق أهداف البحث

حقوق ومسؤوليات حاملي اسهم الشركة

	موافق	محايد	معارض
1. يتم تقديم دليل أعمال الشركة لحملة الأسهم بشكل منتظم			
2. تتلقى إخطارا من اجتماع الجمعية العامة العادية، وذلك قبل 14 يوما على الأقل من يوم الاجتماع العادي للشركة			
3. يتم اعلان اجتماع الجمعية العامة في صحيفتين قبل أسبوع واحد من موعد الاجتماع			
4. إجراءات ونتائج اجتماعات الجمعية العامة يتم تدوينا والتحقق من مصداقيتها			
5. كمساهم تتلقى معلومات حول القرارات المتخذة في الشركة			
6. اجتماع الجمعية العامة يعقد في الوقت والموقع المناسب على مقربة من مكتب الشركة المسجلة ويفضل داخل فلسطين.			
7. كمساهم لكم جميعا نفس الحقوق في التصويت			
8. لديك فرصة لادراج بنود جدول الأعمال لاجتماع الهيئة العامة			
9. خلال اجتماع الجمعية العامة العادية، كمساهم يحق لك طرح اي سؤال لمجلس الإدارة			
10. الشركة تسهل عملية تسجيل التصويت للمساهمين كما هي منشأة بحكم القانون			
11. دليل الشركة متاحا وفي متناول جميع المساهمين			
12. يمكنك الحصول على جميع المعلومات المتعلقة بالشركة وفقا لما ينصه القانون			
13. يمكنك المشاركة في عملية انتخاب اللجان المنبثقة من مجلس الادارة			
14. كمساهم، يتم المشاركة بالاجماع في انتخاب أعضاء مجلس الإدارة الجدد في اجتماع الجمعية العمومية			
15. عند انتخاب عضو مجلس إدارة جديد يفضل انتخاب أطراف ذات علاقة بالشركة ولديهم خبرات عملية داخل الشركة			
16. مجلس الإدارة توفر لك جدول مفصل لاجتماع الجمعية العامة العادية مرفق مع بيانات مالية مبسطة			

			17. كمساهم، يوفر لك جميع سجلات الملكية الخاصة بك في الشركة
			18. يتم دعوتكم من قبل الشركة لاجتماعات الجمعية العمومية العادية وغير العادية
			19. هناك اليات لحماية صغار المساهمين في الشركة
			20. تعاملات الشركة مع المساهمين خاضعة للرقابة
			21. مهارات وخبرات مجلس ادارة الشركة الحالي تخدم مصالحها واهدافها
			22. مجلس الادارة يقدم تقرير بانجازات الشركة للمساهمين في الوقت المناسب
			23. يتم تقييم اداء مجلس الادارة ويتم مشاركته مع المساهمين في الشركة
			24. يضع مجلس الادارة سياسة توزيع ارباح الشركة ويصادق عليه في اجتماع الهيئة العامة ويتم نشرها على موقع الشركة الالكتروني

الرجاء اضافة أي تعليق او أي معلومة ترغب في المشاركة بها:

شكرا لكم لاستكمال تعبئة الاستمارة

الباحث:

جوني نبيل سعيد أنسطاس