Available online at http://www.journalijdr.com

IJDR

International Journal of Development Research
Vol. 14, Issue, 06, pp. 65956-65962, June, 2024
https://doi.org/10.37118/ijdr.28433.06.2024

ISSN: 2230-9926

RESEARCH ARTICLE OPEN ACCESS

CRITICAL REVIEW OF EXISTING LITERATURE ALONG WITH AN APPRAISAL, EVALUATION, AND JUSTIFICATION OF THE NEED FOR CORPORATE GOVERNANCE WITHIN ORGANISATIONS BASED IN THE U.A.E.

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ARTICLE INFO

Article History:
Received 11th March, 2024
Received in revised form
08th April, 2024
Accepted 29th May, 2024
Published online 30th June, 2024

Key Words:
Governance, Shareholders, Shareholder companies, Investors stakeholders, Directors interests, Managers boards.

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ABSTRACT

A thorough examination of the existing body of literature concerning corporate governance in UAE-based organizations is essential for grasping its importance and justification. It is suggested that boards play a vital role in addressing organizational design challenges by mitigating common agency problems faced by companies. Authors propose that studying how boards are structured and their functions offers more insight than viewing them merely through a regulatory lens. The establishment of boards can be traced back to resolving conflicts of interest between shareholders and managers while enhancing monitoring mechanisms within companies. A critical aspect of the board's function is its impact on firm performance, particularly focusing on board composition and size as key determinants affecting outcomes within companies. Independent directors are increasingly prominent globally in corporate governance according to Mittal (2011). Their role on boards is deemed essential in preventing fraud, mismanagement, resource misuse, inequality, and lack of accountability in decision-making processes. The main objective is to maintain fairness, allowing for the execution of responsibilities without any conflicts of interest. Selecting independent directors involves considering specific criteria and adapting to changing circumstances. A board's credibility significantly influences a firm's standing among investors who evaluate organizational strengths and managerial caliber before investing. The participation of reputable individuals from successful companies on a board conveys credibility and appeal for investment opportunities in the market, as proposed by DiMaggio and Powell (1983). They suggest that firms led by esteemed individuals may attract more funding. This research extensively examined various corporate governance issues in the United Arab Emirates by utilizing data from questionnaires and descriptive statistics obtained from secondary sources. It investigated how effective governance could lead to increased shareholder accountability and stronger relationships with involved parties through improved business performance. The study also highlighted the academic and practical significance of its findings, discussing policy implications, recognizing limitations, and suggesting avenues for further research.

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Citation*: *Dr. Syed Hassan Imam Gardezi. 2024. *"Critical Review of Existing literature along with an Appraisal, Evaluation, and Justification of the need for Corporate Governance within organisatioNs based in the U.A.E.". International Journal of Development Research*, 14, (06), 65956-65962.

INTRODUCTION

Corporate Governance: According to Alrayes (2019), corporate governance is an opportunity to advance business governance. In this game only those who conform to the rules participate. And they contain unique values such as openness and confidence. Enterprise administration is the secret to every business' growth, recognition, and survival. It shows a culture of good management that makes a difference and helps to achieve good results. The market constantly monitors this, after all: in the actions, decisions and relationships between the institutions and their players. Corporate governance is a system of legal controlled corporation and property relations that supports, represents, and safeguards the interests of its investors, mainly shareholders.

Corporate governance means the management of the corporation as expressed in its philosophy, policies and internal regulations (Almaqtari *et al*., 2020). It focuses on management excellence and corporate strategy. In total, it is also the management and regulation of corporations. Transparency is essential to corporate governance and the conduct to both internal and external audience are clarified. It is interesting to note that this today is, regardless of what it may be, one of the most critical ideals of an organisation characterised by an increasingly accessible and globalised environment. The word corporate governance is not by chance gaining increasing proof and interest. So much so that, day after day, more and more companies would like to observe their precepts. The direct relationship between corporate governance and the competitiveness of a business on the market is also worth emphasising (Bonini and Capizzi, 2017).

Corporate Governance Concept: Corporate governance in joint-stock enterprises is defined as a system of relations between the governing authorities and the issuer's officials, securities owners (shareholders, bondholders and other securities), and other interested parties involved in the administration of the issuer as a legal entity by one way or another. Corporate governance covers all matters relevant, including the management of internal and external threats, to maintaining the performance of the enterprise, protecting the interests of its shareholders. Corporate governance is a collection of laws, a culture that guarantees company management and control in the strict interest of shareholders and other stakeholders: staff, people living in close proximity to settlements, consumers and suppliers (Almaqtari et al., 2020). The key economic cause of corporate governance as such is the ownership divergence from direct ownership. Because of the division, the position of hired managers increases inevitably, directly managing the activities of the issuer, resulting in the creation of many groups of people involved in relations, each pursuing one's own interests. The corporate governance concepts were introduced in the 1990s (Bonini and Capizzi, 2017). In the broadest sense of corporate governance, the principle of "accomplices" is regarded - the accounting and security of investors who contribute to the corporation's operations - financial and non-financially. In this scenario, non-financial investors may include staff (specific capacities for the company), vendors, local authority (specific equipment) (infrastructure and taxes in the interests of the corporation). Societies regulated by the shareholder value principle of the capital concentrate on activities which may enhance corporate value and scale back or sale units which are not capable of enhancing the value of the shareholder's shareholder (Samra, 2016). Good corporate governance consists of three aspects, from the point of view of the corporation as a whole: the ethical basis of the company's operations, which are based on respect for shareholder interests. To achieve its owners' long-term strategic targets, such as high long-term profitability, higher rentability than market leaders or rentability that exceeds the industry average and compliance with all company laws and regulations. In addition, the market controls corporate governance to a wider extent than that of the government, as well as its compliance with legal or regulatory standards.

According to the Corporate Governance Institute, "corporate governance is a mechanism in which corporations and other organisations, partners, boards, managing executives, supervisory bodies and control bodies and other stakeholders are governed, supervised and promoted." Corporate governance is an organisational undertaking and thus relies on the joint effort. Three doctrines are best known in corporate governance: Director; Administrative and Social accountability theory (Mirchandani, and Gupta, 2018). The Agency's theory indicates that managers are employees of shareholders, for whom they are responsible and whose interests' agents must have primary responsibility for. In line with the principle of "management," managers behave as managers with delegated authority, rights, and obligations (i.e., increasing their status); they need any decent individual who, in honesty, acts in the interest of others under law (Mirchandani, and Gupta, 2018). The principle of "social responsibility" extends to include "all stakeholders". The definition of this latter term differs between employers and the entire population of workers, creditors, vendors, customers and even the local community. In analysing corporate governance, two methods are at the same time differentiated – the shareholder concept and the accomplice concept. Corporate Governance in a narrow sense, in line with the first one, is seen as a system of accountabilities by top managers to shareholders in the company (Gebba, and Aboelmaged, 2016). It focusses on the tension between strong managers and poor shareholders, realistic action is focusing on the issue of oversight and monitoring of management decisions by means of instruments such as the board of directors' structure, security of the interests of shareholders, options, fusions and acquisitions. However, now companies with many small shareholders are making way for companies with an ownership concentration. Furthermore, other people who take part in the operations of the business are on the margins with their work and capital. The second term takes corporate governance as a framework for formal and informal interactions between all stakeholders in a broad sense (shareholders, managers, creditors, counterparties, hired personnel, the state, etc.). In the past, the key issue was considered as the practical impossibility of meeting its obligations about all the company accomplices (Haris et al., 2019). Therefore, management and shareholder relations are just part of the company's wider relationship with the systemic external world. As in all corporate governance systems (regulation, management, influence), three elements can be differentiated with a certain degree of convention:

- regulatory,
- Institutional and organisational,
- both physical and interconnection

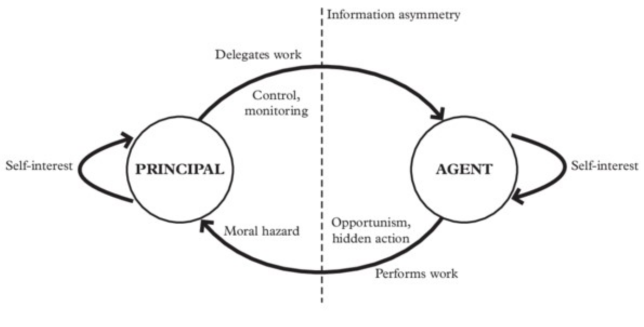
This makes it extremely important for organizations to ensure that board evaluation tools should be identified that can begin by establishing the necessary skills and competencies that directors need to represent the organization and its stakeholders effectively. This requires the organization to conduct a strategic review to identify the skills and competencies of directors to ensure that directors can effectively discharge their governance, oversight, risk, compliance, ethical and stewardship responsibilities. The institutional and organisational bloc involves bodies and associations conducting functional activities. The regulatory block contains rules on corporate status and corporate governance codes. The functional block includes instruments of business, guidelines, forms and procedures, means and measures and is expressed in company management models as much as possible. The Anglo-American and Japanese-German corporate governance model often emphasises, but Lode, and Bajrei, (2020) talk more frequently in the literature of outsider and insider models (systems). The first distinctive characteristic of the external model is the distributed ownership of shares, with which diversification is often defined. Equity capital is dispersed amongst other so-called equity, individual and institutional investors independent noncorporate ties. As already revealed, the proportion of the latter continues to increase. The functional block can be a repository for board and governance documents including board-mix structures, competency dictionaries, skills guides, interview guides, performance evaluation criteria of board directors etc. The characteristics of the outsider model are: (1) the scattered ownership of shares; (2) appreciation of the priority in the laws of the shareholders; (3) the particular attention placed on the security for minority shareholders in the rules on companies and on securities. The first characteristic attribute of the insider model is the concentrated property nature. Insider groups are typically relatively small, comprising a certain group of people, including company executives, families, banks, other financial firms, other company shareholders, operating by holding companies or through cross-shareholder mechanisms (Haris et al., 2019).

Structure of leadership: The division of the top two roles of the Board was a problem that required the UAE to improve corporate Governance (CEO and chairperson) (Al-Gamrh et al., 2020). Tin points out that the combination of the CEO's positions with the president will create a predominant CEO leading to ineffectual management oversight by the board. On the other hand, he argued that merging the two positions would reduce costs of control, binding, and rewards to increase the efficiency of the organisation. However, the management structure does not always need to represent firm efficiency, as stated in several studies. CEO duality did not reduce performance. Aleigha, (2016) found that Garba had established a positive relationship between company performance and the division of CEO and Chairman positions. When both positions were merged, Dehaene found higher returns on assets. Therefore, the leadership system has no definitive facts. For UAE, both traditional and Islamic laws apply to governing corporations and hence this impact should be considered in the light of UAE. As part of this analysis, leadership structure was thus included.

The importance of understanding corporate governance: The corporate governance environment is not restricted to leaders, as already mentioned. Nor is it about internal characters (Pillai, and Al-

Malkawi, 2018). Depending on the company in question, it may involve boards, auditors, and regulatory agents. Not to mention the unrestricted compliance with the legislation that governs the capital market, which is typical of companies with shares on the stock exchange. Each link plays a specific role. This understanding is essential for the success of the strategy and its positive effects on the conduct of the business. It goes beyond the operational activities that the company proposes. For the benefits that the model provides to be achieved, it is necessary to be faithful to the guidelines - and the market is keeping an eye on this. According to Gilson and Milhaupt, (2017) the responsibility is undeniable; however, the manager is not alone in the challenge. Therefore, corporate governance also acts to guarantee stability in the environment. However, there is no way to ensure the maintenance of a healthy scenario when the business is subject to unforeseen circumstances of all types and origins. On the other hand, when they are confirmed and the crisis sets in, this management model proves to be the most conducive to reducing impacts and reversing the environment without it evolving into chaos. Corporate governance is definitely a means of overcoming today's challenges, including from an economic point of view. But the challenge is the same in any company: stay calm, move on, and identify in the most difficult scenarios the best opportunities to keep growing.

Agency theory: In 1992 the Cadbury Committee reported in the United Kingdom on the causes of various events relating to the opportunistic management of corporations, and the effect of the theory of the agency goes back to historical reasons that included scandals of mismanagement within major multinationals (Bonini and Capizzi, 2017). Many empirical studies and new theoretical models were established after this work. In this context the company is described as a legal fiction that focuses on a dynamic process that balances competing aims of people in contractual relationships. The firm is therefore a way of integrating effectively in a legal contractual sense the contradictory interests of the different participants (Haris et al., 2019). That is, the business' behaviour, because of an intricate balance mechanism, is similar to that of the consumer. One of the basic principles of agency theory is that the interests of the parties that form a collection of contracts exist in conflict (Di Toma, and Montanari, 2017). It is assumed that the principal and the agent are different from each other because each function is useful for a different purpose. The principle behind agency theory is a preference because the behaviour is based on the individual's preferences and goals, that you cannot maximise a utility function that is not your own. The situation is called an agency problem when an agent manages resources owned by the principal with the aim to maximise their utility function and not the principal's (Almutairi, and Quttainah, 2020). This is because the desired conduct of the agent is inconsistent with the actual behaviour of the principal.



https://www.researchgate.net/figure/The-agency-theory-with-the-assignment-of-work-from-the-principal-to-the-agent-Slyke_fig3_283172754

Figure 1. The agency theory with the assignment of work from the principal to the agent

This makes it even more important for companies in the private equity sector in UAE to undertake assessments to recruit and retain independent directors on their boards. This takes us back to the original challenge highlighted above earlier about establishing the criteria that will be used to identify potential independent directors, scrutinize them and assess whether they have the required technical and behavioural skills to serve the organization. Gilson, and Milhaupt, (2017) demonstrate that contracts often include complex period specialists. For this purpose, the makers split the decision in the aim, namely: start, approval, execution, and observation, into four phases. They clarify that start and implement in the choice management capacity should be consolidated, and that control management work should be sanctioned and monitored, since such sets are carried out by similar individuals in general. In view of the fact that interaction plans to reduce or control the problem at the office, a productive control framework suggests the partition between the start and implementation (choice management) and the approval and control (control management) stages for the creators. Bainbridge, (2017) adds the assumptions that the capital and working market of significant level managers are involved in the management of astute specialist activities, recommending that an administrative occupation market limit the level of dissimilarity between administrators of undeniable levels which corresponded to the conduct of an increase in the value of associations.

Alrayes, (2019) extends this argument by recommending four supervisory authorities working in an association to clarify the problems of the organisation. Despite its inner instruments, which the board of directors call internal controls, external components are included (connected to outside factors): capital market; legitimate, political and administrative frameworks; and the item and the factor market, which incorporates, as proposed by Bainbridge, (2017), the labour market of major administrators. Dispersed investors are speculatively less motivated, and leaders have more admission to business data (data imbalance) which allows them to make decisions that prevent investors from doing so. On the second, larger investors start to look for theoretically private benefits to the detriment of various financial contributors, with a special convergence of possessions (with voting rights). These speculations are supported by accurate proof. The presence of controlling investors shows that the money-savings advantage of checking is building, since they are both interested in increasing esteem and voting influence, so that they are aware of their inclinations; and Alrayes, (2019), who showed a strong link between private control benefits and exclusive buildings.

Role of the board of directors in the corporate governance of the company: The main responsibilities of the board of directors include but are not limited to the hiring, evaluation and firing of executive management, vote on major propositions, vote on major funding decisions, offer advice to administrators, ensure that the financial activities of the firm have been reported to shareholders, correctly among others. The board of directors can be considered the most important internal monitor of the company since it represents the top of the hierarchical pyramid. Today the press accuses the boards of insufficient oversight to monitor the money of others and that they are very bureaucratic in the administration. So why do boards exist? Hermalin and Weisbach (1991) answer based on the first scope, which is simply the regulation. Between the incorporation of state laws and the requirements of the stock market governments, most firms are obliged to maintain a board of directors that meets multiple requirements, as it must have a certain number of members, it must comply with certain regularities, it may need several committees and some directors may be required to maintain some independence from administrators. However, they do not find it possible that the boards are just that and add that if corporate governance only existed by regularity, then they would be of great cost to the company and, therefore, somewhere in the world they would cease to exist.

This being the hypothesis, they add that due to the high cost of companies that maintain boards and directors, they would do so in small sizes. But in practice, the opposite happens, they are large, even greater than the minimum required by law. Given this, the authors give a more possible explanation, and that is that the boards of directors are the solution to a problem of organisational design of the market, an endogenous institution that reduces the agency problems that a company faces. From this perspective, they affirm that it is more useful to study how they are structured and what their functions are. A complementary idea to the explanation just presented lies in the problem of agency theory itself, which was exposed in previous chapters, but briefly deals with conflicts of interest between shareholders and managers, and how the former is able to monitor the actions of the latter. This acts as the hypothesis for the birth of the boards, where existing monitoring of the company was not effective for the shareholders to trust their management, therefore there should be an intermediate entity. An important issue in the role of the board of directors is its influence on the performance of the firm. To address this issue, we will focus on two main characteristics of boards, which is their composition and their size.

Mittal (2011) affirms the emergence of independent directors from the global corporate governance movement. They have increased their presence on boards of directors on the grounds that they can prevent fraud and mismanagement, inefficient use of resources, inequality, and lack of responsibility in decision-making and, furthermore, as an omen to achieve balance between individual, economic and social interests. The fundamental objective of independent directors is impartiality. Companies want to identify directors who are capable of performing their tasks without any conflict of interest in their decision-making. To ensure this, there are certain guidelines to consider when appointing independent directors. The company must adopt a flexible position due to the circumstances experienced to satisfy the chosen criteria. Independent directors by definition are "external"; therefore, they depend on the information provided by the administrators, which gives the CEO greater power than in the case that the board has "internal" members. Karmel (2013) concludes his article stating that the qualities that make a truly independent director are intelligence, experience, and a strong sense of ethical responsibility. The search for these people should be the goal of the directory selection. Interlocking directorates or multiple directories is a subject studied since 1932. Interlocking directorates is defined as the relationship between corporations, created by individuals sitting in more than one corporate board. This action is perfectly legal, except in firms that are direct competition, however, it is not desirable since there may be exchange of non-public information and obtaining of supernormal benefits. The first literary evidence was exposed by Dooley (1969), concluding that 250 large companies in the United States, in 1965, tended to have a greater relationship between directories and that unprofitable companies also fell into this practice. Mizruchi (1996) affirms that the relationship of the boards' directors is given by both insiders, individuals affiliated with the company, and by outsiders, individuals belonging to another organisation, such as creditors and minority shareholders.

The legitimacy of the board of directors is important to the reputation of the business. When investors decide to invest, they consider the strengths of the organisation and the quality of the managers, so if individuals from other successful firms join the board of directors, the firm signals to the market that it is legitimate and a good investment. DiMaggio and Powell (1983) raise the possibility that the firm will achieve greater funding if it is led by respectable individuals. Although the term legitimacy has played an important role in organisational theory, the model, as it concerns interlocking, has been little studied and, therefore, difficult to verify. Finally, its prediction is related to the resources used in its preparation. Most of the analyses of the determinants of the interlocks have involved several consequences. As a collusion mechanism, the existence of interlocks facilitates communication, which can mean transferring information between competitors. As a co-option mechanism, it is assumed that it is to pacify the management of resource providers (example: bankers). And as a monitoring mechanism, it provides the firm with potential influence on its operations. In a more recent study, Chu and Davis (2011) studied the properties of interlocking of large companies in the United States between 1999 and 2009. The analysis starts with a diagnosis of the reality of companies in the 20th century, which consists of three parts. First, at the beginning of the 20th century, banks were the central node of directorial connectivity. The main rationale is that banks put their directors on the boards of other companies and when corporations got larger and began to rely heavily on their financial income, banks began recruiting well-connected CEOs to serve as external directors at their own meetings. "Second, there was an identifiable inner circle" of directors who were particularly important in the dynamism of the network. According to Mike Useem (1984), these "corporate diplomats" had a distinctively cosmopolitan outlook, encompassing the broad interests of companies and not just the interests of a particular sector, and were more likely than other directors to participate in political organisations and to serve in public service (before or after their directorial careers)." Finally, the third conclusion is that interlocks have a mysterious little world, in which everyone seems to know each other or have friends in common. Mills (1956) asserts that as an unorganized elite, all members seem to know each other, and it is perfectly normal to work together and share many organisations. They are not conspiracies, but their decisions are not publicly known, and their operations are more manipulative than explicit. In a review for the 1980s, the central position of banks began to decline and by the end of 1990, banks no longer dominated the market ranking of the most central companies. Davis and Mizruchi (1999) attribute as the main cause that companies turned to the capital market for their financing, therefore, commercial banks began to look at other markets, decreased their number of members on the boards of directors and stopped recruiting executives that were well connected. On the other hand, for Neuman (2008), the consolidation of the banking sector through geographic and industrial lines decreased the number of banks with which to associate. The inner circle had also changed. Mills (1956) wrote that the elite were well-bred, white men. However, social pressures to have a more diverse representation allowed the promotion of a "demographically attractive" group to the board of directors. By 1999, many senior diplomats were women, and four of the best directors were African American.

Part 2: Critical appraisal, evaluation, and justification of the need for corporate governance within organisations based in the U.A.E.

It was discussed in this chapter how the results of the survey and secondary data from the reports were interpreted. The findings reveal that the model of the stakeholders is judged to be the most appropriate model for corporate governance in the United Arab Emirates. The findings also demonstrate that the various codes including the UAE corporate governance code has had a significant impact on the principles and methods of corporate governance that are employed by the companies that are listed on the stock exchange. These findings reveal a number of factors that may either hinder or facilitate the implementation of good corporate governance in the listed companies. These considerations should be taken into account by policymakers and regulators in order to enhance corporate governance practises in publicly traded companies in the UAE. Furthermore, the influence and repercussions of corporate governance on the performance of publicly traded companies in the United Arab Emirates were explored. It was determined whether there was a statistically significant relationship between corporate management practises and corporate performance. It was also determined whether there was a relationship between stakeholders' agency and theory, as well as the availability of literature and research setting. Companies who follow the ideas and techniques of corporate governance on the basis of the applicable UAE corporate governance code outperform their counterparts, according to the findings. In light of this result, organisations may be able to improve their performance by adopting proper concepts and techniques for corporate governance. Furthermore, the findings of the study provide strong support for the theoretical framework adopted by the stakeholder agency in the current study, which is a good thing.

In the MENA region, particularly in the UAE, there has also been a scarcity of prior substantial university studies in the fields of corporate governance principles and firm performance measures. Furthermore, the burden placed on the UAE by the global financial crisis has increased the importance placed on corporate governance. Good business management strategies in the Gulf countries may be able to assist organisations and investors in building trusting connections in order to improve their overall company success. One of the potential benefits is an improvement in the overall performance of the firm. As a result, the conversation on corporate governance in the UAE has established the connection between corporate governance systems and corporate performance in listed companies in the UAE, which has piqued the interest of all parties involved. The primary goal of this study was to close the aforementioned gap and develop a corporate governance model that could provide the advantages of the idea to its stakeholders, similar to that which has been adopted in publicly traded companies. This research has examined a wide range of corporate governance challenges in the United Arab Emirates in a thorough manner. It also looks at the results of the questionnaire as well as descriptive statistics from secondary sources. Also discussed is the relationship between corporate governance and business performance in order to determine whether effective corporate governance has resulted in greater shareholder responsibility and a stronger connection with all parties involved through corporate performance. In addition, a summary of the significance of this work in terms of its academic and practical contributions is provided. It emphasises various policy implications of the study and the corporate governance model, concedes certain limitations, and advises a number of additional investigations. The present work aimed to investigate the influence of the participation of funds of private equity and venture capital in the corporate governance of the companies they finance, in the UAE context. The PE/VC industry has grown a lot in the country and its economic impact is already evident, particularly in the evolution of the capital market. Corporate governance can be defined from several ways, depending on the principal-agent problem being considered. When the focus is on the agency conflict that exists between managers (agents) and shareholders (principals), the objective of governance is to ensure that the former always seek to maximize value for the latter, as opposed to seeking particular benefits that conflict with the interests of capital holders. On the other hand, in countries where the control of companies is highly concentrated, such as UAE, governance mechanisms prioritize the defence of minority shareholders against expropriation by controllers. Generally speaking, the ultimate goal of the set of governance rules is to ensure that capital providers will receive an adequate return on their investments. As a result, the importance of an adequate governance structure became even more evident after the successive financial scandals that took place in the first decade of this century, such as the cases of the corporate giants Enron and WorldCom. In this context, the quality of the financial reports published by companies plays a fundamental role. The losses resulting from the "make-up" of accounting data proved to be huge for many companies, not only in financial terms, but mainly from a reputational point of view. Even when it does not imply accounting fraud, as is the case with earnings management, the practice of handling accounting information can cause losses to investors and other stakeholders. For example, there is evidence that the shares of companies with a high level of earnings management in periods close to public share offerings show poor long-term performance. In addition, in a process of going public, the management of accounting results can be seen as a practice that harms future minority shareholders, given that the gains obtained from the artificial overvaluation of shares in the IPO are earned by the former controllers, while the onus is on the (minority) shareholders who join at the time of the IPO.

When it comes to the governance structure of a company, the board of directors occupies a central position. Among its functions, one of the most important is monitoring the performance and performance of administrators. But, in order to satisfactorily fulfil this role, it is essential that the board is able to judge impartially issues involving potential conflicts of interest. Therefore, the codes of good corporate governance practices usually highlight recommendations aimed at the constitution of more independent boards, such as the participation of the largest possible number of non-executive members and the separation of Chief Executive Officer (CEO) and Chairman of the Board. Competent directors are invaluable to an organization. The role of a company director is a multi-faceted and complex one, comprising a number of essential skills and responsibilities, such as ensuring sound management practices are in place and looking after the interests of the shareholders – making competence in carrying out these tasks a vital trait. "The competency profile for directors is made up of the values, knowledge, skills and experience that a director draws on when fulfilling their roles and responsibilities as part of a board, performing their duties as direction giver and applying their knowledge of the legislative, business and ethical environment when making decisions," outlines the Institute of Directors in Southern Africa's (IoDSA) Director Competency Framework. It is effectively the combination of these traits that are the hallmark of capable and professional directors. However, being an effective director also calls for sound independent judgement, maturity, a sound knowledge of the business environment, as well as the ability to work in a collegial manner with other board members, notes leadership advisor and partner at Heidrick and Struggles, Johann Redelinghuys. Solid independent judgement is perhaps one of the most important traits for directors to have, Redelinghuys points out, as the board of directors have the task of providing both governance and mature balanced guidance to the organisation's management.

Clarifying roles of executives and non-executives: In order to understand and enhance a director's performance, it is necessary to understand the difference between the roles and functions of executive and non-executive directors. While there is no legal distinction between the two, their roles and functions do differ. An executive director, as the name suggests, is the chief executive officer (CEO), managing director, chief financial officer, chief operating officer or other full-time employed executive who serves on the board of an organisation. An executive director's main role is the day-to-day operation of the business, as well as to design, develop and implement strategic plans for the company as cost-effectively and timeously as possible. Being involved in the daily running of the business means that an executive director is further responsible for motivating staff and driving the organisation's culture. A non-executive director, on the other hand, is not part of the executive management team and is, in fact, not an employee or affiliated with it in any way other than serving as a director. They are not involved in the day-to-day running of the organisation, but rather function as custodians of the governance process, direct and monitor executive activity and performance of management, contribute to the development and implementation of strategy and ensure that risk management systems and financial controls are robust. "To this day there remains confusion between the roles of executive management and non-executive governance," Redelinghuys reveals. "One of the most common problems of non-executive board members is that they don't understand the business of the company. However, more attention given to induction of new board members and ongoing education would ensure a productive contribution. A non-executive director must be able to maintain an arms-length relationship with the company's operations and not be tempted to interfere directly."

Core competencies and responsibilities: Compliance with the relevant legislation, regulations and codes is a fundamental obligation of both an executive and non-executive director, explains the IoDSA's Executive of the Centre for Corporate Governance Parmi Natesan. A core responsibility for directors is to abide by regulations and codes, including the Companies Act, the JSE Listings Requirements (should the organisation be listed on the stock exchange), the King III Code of and Report on Governance Principles in South Africa, and the company's founding documents and charters. King III remains highly regarded as governance best practice, points out Natesan. According to the report all directors should be individuals of courage and integrity to bring effective judgement to bear on the decisions of the company and ethically lead the company in the long-term interests of all of its stakeholders. Five moral duties, in particular, have been identified in the King III report that every director – be they executive or nonexecutive - needs to possess as a steward of the company: namely conscience, inclusivity of stakeholders, competence, commitment and courage. Intellectual honesty and independence are cornerstones of conscience and working within the best interests of the company and its shareholders, while inclusivity is regarded as essential to achieving sustainability. Competence involves having the relevant knowledge and skills, and continually developing and building on those skills; commitment refers to diligence and devoting sufficient time to company affairs and compliance, while courage includes taking risks associated with controlling a successful business, as well as acting with integrity in all decisions and activities.

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