The Relationship between Egyptian Economic Reform, Corporate Governance, Firm Ownership and Firm's Value: An Empirical Study

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Abstract

This paper aims at filling prior literature gaps by empirically investigating the relationship between firm's political-economic context, corporate ownership and corporate governance; and firm's value and its affairs in Egypt as one of developing countries that has been faced rapid political and economic reform. The paper adopts interpretive approach and interviews fourth participants including: company executives; financial analysts; and stock exchange regulators to inform our understanding of the influence of the Egyptian economic reform on firm's value and affairs. The results show that the economic reform resulted in increased institutional ownership that is capable of better monitoring and governing managerial behaviour and decisions and hence it has become one of the important mechanisms in Egyptian corporate governance. This, in turn results in improvements in company's operational performance, long-term profitability, management reputation, competitive position, market share, financial position, growth rate, and quality of financial reports. All, in turn, have positive impact not only on firm's value and its survival, but also succeeding economic transition and flourishing the entire economy. This paper contributes to literature by: highlighting the mutual interaction between economic enterprises and their context in where they operate; providing insights into how the quality of financial reports can vary according to ownership structure; documenting there is no "one-size-fits-all" corporate governance approach which can be generalised worldwide; concluding the positive role of institutional shareholders in Egyptian firms and Egyptian economy; revealing that exercising corporate governance by institutional shareholding matters in emerging markets because of lack of other governance practices; and initiative in the use of

interpretive methodology and drawing on new institutional sociology (NIS) theory.

Keywords: Corporate Governance; Institutional Ownership; Managerial Ownership; Blocked Ownership; Economic Reform; Egypt.

Introduction

In a world characterised by conflict of interests among stakeholders in the corporate structure, there is no surprise to observe tremendous international financial scandals and corporate failures e.g. Enron, WorldCom, Global Crossing, etc. This conflict is emerged from three main sources: first, the separation of corporate ownership from corporate management; second, differences in goals, interests and preferences between corporate participants; third, asymmetric information where a firm's owners have no complete information on investment opportunities compared with management (Gillan and Starks, 2003, Al-Najjar, 2010 and Alves, 2012). As a result, executives are given full scope of discretion and provided with the ability to act in their own self-interest (Gillan and Starks, 2003). Meaning, executives are likely to display a tendency towards "egoism" (Solomon, 2007); by engage in opportunistic behaviour to expropriate the company´s profits to maximise their own perceived self-interest at the expense of other stakeholders (Kazemiana and Sanusib, 2015). Managerial opportunistic behaviour is largely unobservable which negatively affects the quality of the corporate financial reporting (Donnelly & Lynch, 2002; Alves, 2012, Al-Najjar, 2010); and its entire affairs. This has raised essential need for a mechanism to govern, monitor and control managerial unobservable decisions in order to align management interests with those of stakeholders (Kazemiana and Sanusib, 2015). In this regard, Gillan and Starks (2003) argue that managers' activities are potentially controlled and constrained by numerous factors that constitute and influence the governance of the corporations (hereafter CG) that they manage. Therefore, CG has sparked a wave of regulatory reform addressing governing concerns to assure appropriate protection of shareholders' interests (Alves, 2012); ensure reliable and complete financial reporting; enhance credibility of the company; support the investment environment, and benefit the economy as a whole. Meaning, CG has become one of the important factors in

improving the efficacy of enterprises and economy (Hamdan and Al-Sartawi, 2013).

As a direct consequence, CG has recently become an important topic over the world, specifically within the emerging stock markets, including Egypt that presses for more economic resources (Gillan and Starks, 2003); because Egypt has had a fairly rapid transition in its economic system, moving from the inward-looking-based economy in favour of an export-based economy that prioritised the private sector (Farag, 2009; Kholeif, et al., 2007); and minimised government's intervention and ownership in the business sector (Hassan, 2008a, b). Accordingly, in 1991 the Egyptian government started to implement the privatisation programme by passing Public Enterprise Law 203 and its accompanying regulations (Hassan, 2008a, b; Kholeif, et al., 2007; Rahman, et al., 2002; and Wahdan, et al., 2005). That is, Egyptian government applied a comprehensive privatisation programme as a way of reforming the productivity of Egyptian enterprises; strengthening the capital market, reactivating the stock exchange's activities and its regulatory rules, and hence improving the economy (Makhaiel and Shere, 2017, 2018).

In other words, economic reform became a vital means of restoring national and international investors' trust and confidence in stock market's activities and, in turn, raising long-term funds to be channelled into projects of economic and social development so as to succeed the economic transition (Zohny, 2000, Dahawy, et al., 2002 and Makhaiel, forthcoming). Egyptian government recognized the need for strong CG mechanisms to act as catalysts in order to improve the climate of growing economy (Makhaiel, forthcoming; Gillan and Starks, 2003, Hasan & Butt, 2009; Buallay, et al., 2017); and to reach its aspired goals by raising new foreign capitals and encouraging more Egyptians to invest in the domestic markets and stop investing abroad (Dahawy, 2007). In this vein, scholars identify two sets of CG mechanisms; internal mechanisms, e.g. board of directors; and external control mechanisms, e.g. laws and regulations (Gillan and Starks, 2003 and Al-Najjar, 2010).

A highly debated external CG mechanism, affecting the firm's CG worldwide is the emergence of institutional investors as equity owners which have become proxy for CG and one of its important mechanisms. This is due to that institutional ownership has

potential influence on management's behaviour, performance, activity directly through their ownership, and indirectly by trading their shares (*ibid*). Institutional investors are sophisticated investors who have more advantages not only in acquiring and processing information that is too costly for others to acquire but also in incorporating more information about future earnings that is not reflected in current earnings (Jiambalvo, et al., 2002; Lev, 1988). Institutional investors, therefore, have great opportunity, resources, and ability to act as an efficient monitoring device that is difficult for smaller, more passive or less-informed investors (Gillan and Starks, 2003 and Al-Najjar, 2010).

Gillan and Starks (2003) point out that the influence of institutional investors on CG is increasing because of privatization policy adopted by various countries; and that ownership structures and other CG mechanisms changed across markets as a part of evolving regulatory systems in economies where the banking, capital markets, and legal systems have undergone continuous dramatic change. Thus, there is a link between the economic-political context; and CG mechanisms, firms' ownership structure, and firms' value and affairs. This relationship, to date, has not been explored yet in any context including: Egypt. A comprehensive review of prior literature - conducted in emerging and developed economics- revealed that these studies either examined the influence of different kinds of ownership structure and CG practices on firms' performance (i.e. ROA&ROE) (Al-Zaidyeen and AL-Rawash, 2015 and Khamis et al., 2015) and on the financial reporting quality (Alves, 2012 and Grassa et al., 2018); or examined the effect of privatisation and economic reform on firms' performance (Omran, 2003 and Kenawy, 2009), and on the quality of firms' financial reporting (Adhikari et al., 2013). This literature concluded mixed findings, resulting from studying various ownership structures, different CG dimensions within different political and economic contexts of developed and developing economies which in turn differ between themselves. This study is motivated primarily by such apparent gaps in prior research; therefore, it examines: 1) the extent of how corporate ownership structure and CG mechanism can be affected by reforming Egyptian political- economic context; and 2) the effect of these changes on firm's performance, value and the quality of its financial reports.

When it comes to benchmark against prior literature, this paper makes seven-fold contributions. First, this study is the first empirical study, highlighting the mutual influence and interaction between enterprises, and their economic-political environment; that is firm's affairs can be improved by reforming the economy; and in turn the economy will benefit from improvements in firm's conditions. Thus, this research supports Abdel-Shahid's (2003) claim that there might be economic, political, contextual factors, affecting firms' performance. Second, this study provides insights into how earnings quality can vary according to ownership structure; the quality of financial reporting can be improved within institutional shareholding. Third, it confirms the positive effect of economic transition and increased institutional ownership not only on firm's performance, success and survival, but also on country's economy as whole. Fourth, it reveals that CG exercised by institutional shareholding matters in emerging markets because of lack of other governance practices such as: investors' protection of minority shareholders, board of directors, and legal environment; thus, improving CG and credibly commit to protect shareholders can compensate for a weak legal environment. Fifth, it has initiative in the use of interpretive methodology and interviews which to the best of the author's knowledge, none of prior studies used. Interpretive approach is able to capture the effect of the Egyptian context on shaping or reshaping CG practices and hence on firms' affairs and the economy. Thus, this paper responds the calls of Doupnik & Richter (2003), Hopwood (1987), and Pfeffer & Salancik (2003) who state that a substantial proportion of the literature does not pay enough attention to the importance of real-life context of firms which is necessary in order to gain a deeper and clearer understanding of firms' decisions and practices. It also complies with Heracleous's (2001) findings that "scholars are in need to adopt methodologies that can account for multiple, systemic and multi-directional influences on organisational performance and affairs instead of using approaches that attempt to correlate only one factor affecting firms performance". Sixth, it highlights that there is no "one-size-fits-all" CG approach which can be generalised worldwide; evidence on CG from studies of firms in developed contexts will not hold true in emerging markets. This is due to the presence of differences between the factors giving rise to CG in developing nations than those in developed nations, developing nations are known to have different political and

economic environments than those of the developed nations; even developing or developed countries are very different between themselves. Seventh, it also has initiative in applying new institutional sociology (NIS) theory instead of agency theory which studies the phenomenon in isolation of the effect of firms' context.

The remainder of this paper is organised as follows: section 2 reviews related literature, section 3 theoretically answers the research questions; section 4 details sample selection, and research design and philosophy; section 5 reports findings; and final section concludes and discusses the implications of findings.

2. Literature Review

This section reviews literature, concerning the effect of firm's corporate governance, firm's ownership, and liberalised economy and privatisation programme; on firms' affairs.

2.1 Corporate Governance and Ownership Structures

OECD (2004) reports that proper performance of the market; lower capital cost and efficient use of firms' resources are all based on effective CG system in individual firms and across the whole economy. Empirical research indicates that better CG leads to greater firm's value and higher stock returns (Gompers, et al., 2003); higher stock market liquidity (Chung, et al., 2010); and more success in gaining profits that delivers more value to shareholders (Rosenberg, 2003). In addition, studies find that well and properly structured CG practices effectively monitor management while processing the financial reports to ensure their compliance with financial accounting system in order to maintain their credibility (Wang, 2006 and Alves, 2012). Fawzy (2004) and Bremer and Elias (2007) conclude barriers of developing CG in Egypt, including: closely held corporations; considerable state ownership in privatized companies; lack of awareness of CG concepts and benefits; lack of board independence; and weaknesses in the Egyptian economic structure.

Literature considers ownership structure of a firm as one of its important CG mechanisms because of having influential role in monitoring and constraining the opportunistic managerial behaviour while running firms. In contrast, Dahawy (2007) finds that the strongest CG practice in Egypt is the financial transparency of firms not their ownership structure. In this

context, prior studies examine the effect of various kinds of corporate ownership, including: institutional ownership; concentration ownership; and managerial ownership on firm's performance, its profits, value and financial reporting and disclosure.

2.1.1 Institutional Ownership

Authors find that sound CG structure in Malaysia, Taiwan and USA gravitates institutional investors to stocks of the companies (Bushee, et al., 2010; Chung & Zhang, 2011; Wahab, et al., 2008 and Huang, et al., 2010). However, Hamdan and Al-Sartawi (2013) provide evidence that in Kuwait institutional investors do not prefer stocks of companies that have better and effective CG structure.

Prior studies investigate the influence of institutions on different aspects of firms including: firm's financial reports and its performance; audit quality; and the accuracy of financial disclosure. Rajgopal et al. (1999) state that institutional investors are sophisticated investors who not easily be misled by manipulated earnings compared with non-institutional investors or individual investors. In this vein, several studies document that institutional ownership inhibits managers from opportunistically managing accruals; firms with greater institutional ownership publish more conservative financial reports and significantly conform with GAAPs (Velury and Jenkins, 2006; Ramalingegowda and Yu, 2012; Gillan and Starks, 2003; Al-Najjar, 2010; Rajgopal, et al., 1999; and Bradshaw, et al., 2002); and do not use R&D expenses as earnings management mechanism (Bange and DeBondt, 1998).

Furthermore, Grassa et al. (2018) demonstrate that in emerging markets, institutional ownership plays a crucial role in monitoring management activities, resulting in enhancing management ability to meet the fiduciary responsibilities and, in turn, improving firm's performance. Other studies find that high proportion of institutional ownership leads to better company performance (Smith, 1996; Agrawal and Knober, 1996 and Wan, 1999). The same results are found in Bahrain (Khamis, et al., 2015); in India (Kumar, 2003); in Japan (Kaplan and Minto, 1994) and in South Korea (Solomon, et al., 2002). Moreover, literature finds that there is significant relation between domination of institutional ownership, and high profitability and value of firms in Turkey

(Sarac, 2002); issuing more precise, accurate and less optimistically biased earnings forecasts (Ajinkya, et al., 2005); high audit quality in Jordan (Zureigat, 2011); and improved corporate social responsibility in Egypt (Soliman, et al., 2012).
Other stream of literature takes the view of passive institutional ownership as CG mechanism, based on that institutional owners are classified as transient investors who fixate on and prefer near-term earnings; as evidenced by Rajgopal's et al. (1999) research. Porter (1992, 92) supports this argument, noting:

> **"… institutional agents are drawn to current earnings, unwilling to invest in understanding the fundamental prospects of companies, and unable and unwilling to work with companies to build long-term earnings power".**

Therefore, reporting a short-term profit disappointment will lead institutions to liquidate their holdings, resulting in the possibility of a temporary decline in equity value, fearing that managers are incentivized to increase short-term profit at the expense of long-term equity value (Rajgopal, el al., 1999 and Jiambalvo, et al., 2002). This creates and increases managerial incentives to engage in earnings management (Porter, 1992; Bushee, 1998; Jiambalvo, et al., 2002). Empirical research documents that there is positive relation between institutional ownership and the use R&D expenditures, property, plant, and equipment to opportunistically manage earnings (Wahal and McConnell, 2000 and Bushee, 1998). Other studies find that institutional ownership has no impact either on exacerbating or alleviating earnings management; or on the quality of financial reporting in Jordan (Al-Fayoumi, et al., 2010); and in Portugal (Alves, 2012). In addition, Duggal and Millar (1999, p. 106) articulate:

> **"Institutional investors are passive investors who are more likely to sell their holdings in poorly performing firms than to expend their resources in monitoring and improving their performance".**

Therefore institutions are not capable of voting against managers because of bad effect of doing so on business relationships with firms. Authors evidence that there is a negative relation between institutional ownership and company performance in Belgium (Renneboog 2000); in Bahrain (Khamis, et al., 2015) and in Jordan (Al-Zaidyeen and AL-Rawash, 2015). Grassa et al. (2018)

also find that the product and services disclosure of Islamic Banks is negatively associated with institutional ownership.

2.1.2 Ownership Concentration or Blocked Ownership

Ajinkya et al. (2005) suggest, institutions are not a dominant group, their incentives and ability to generate private information and benefits are likely to be based on the percentage of the company's common stock held by the five largest institutional owners (ownership concentration or block holding). Institutions have greater influence when they have larger proportional stakes in firms (Gillan and Starks, 2003). Theoretically, an increase in ownership concentration should lead to align the interests of controlling shareholders with those of non-controlling shareholders (Buallay, et al., 2017 and Ezat and El-Masry, 2008). This results in not only eventually enhancing a company's performance and maximizing its value (Buallay, et al., 2017 and Ezat and El-Masry, 2008); but also improving the credibility of its financial statements (Dechow, et al., 1996). Empirical evidence supports this theory by finding that the existence of large shareholders is positively associated with operational and services disclosure of Islamic banks (Grassa, et al., 2018); corporations' performance (Bethel, et al., 1998 and Al-Zaidyeen and AL-Rawash, 2015); increased management turnover (Kang and Shivdasani, 1995; and Kaplan and Minton,1994); tighter control over executive compensation (Bertrand and Mullainathan, 2001 and Hartzell and Starks, 2003) and more quality and relevance of published annual earnings (Alves, 2012).

However, authors argue that agency problem can be increased because of concentration ownership (Abdel Shahid, 2003 and Ezat and El-Masry, 2008). When a firm's ownership concentrates in hands of only few largest shareholders who hold shares exceed 50%; this leads to monopolise and control the organization by this controlling group who would seek to enhance their interests on the expense of the interests of the company itself or minority shareholders (Hasan & Butt, 2009 and Buallay, et al., 2017). Combination of ownership and control may allow concentrated shareholders to exchange profits for private rents (Khamis, et al., 2015). Empirical evidence supports this argument by documenting adverse effect of blocked ownership on: voluntary disclosure, issuing earnings forecasts, and publishing accurate forecasts

(Ajinkya, et al., 2005); the quality of financial reports (Velury and Jenkins, 2006 and Al-Najjar, 2010); audit quality (Zureigat, 2011) and firm's performance in Nigeria (Tsegba and Ezi-Herbert, 2011 and Khamis, et al., 2015); in Jordan (Nadia, 2004) and in Bahrain (Khamis, et al., 2015 and Buallay, et al., 2017). Others confirm these findings by demonstrating that less concentrated ownership is positively associated with firms' performance and more informative earnings in East Asian countries (Khamis, et al., 2015)

2.1.3 Managerial Ownership

There is no general agreement between researchers regarding the effect of managerial stock ownership on mitigating agency problem. On the one hand, authors articulate that improving firm's value is based on CEO's stock ownership (Alves, 2012). This is due to CEO's stock ownership reduces managerial propensity to involve in non-maximising behaviour and decreases its incentives to consume perquisites and expropriate shareholders' wealth; this consequently leads to not only alignment of interests of management and shareholders and reduction in agency conflicts but decreases in managerial incentives to manipulate reported information as well (Ezat and El-Masry, 2008; Alves, 2012 and Soliman, et al., 2012). It is, therefore, argued that owning a significant portion of a firm's equity by executives leads to a better firm's performance, maximised firm's value, greater shareholders' value and high quality financial reports (Alves, 2012). In this vein, studies empirically find that greater percent of managerial ownership is positively associated with earnings quality (Alves, 2012; Ali, et al., 2008; Banderlipe, 2009; Dhaliwal, et al., 1982; Ebrahim, 2007; Klein, 2002 and Warfield, et al., 1995); firms' performance (Khamis, et al., 2015); leverage ratio of the financial structure of UK firms (Short, et al., 2002).

On the other hand, Khamis et al. (2015) and Alves (2012) claim that exceeding managerial ownership beyond certain limit creates concentrated shareholders, leading to make management more entrenched and hence to work on its own private interests at the expense of minority shareholders' interests; meaning that high managerial ownership motivates executives to manipulate earnings figures in order to improve market value of their stocks. Research investigates this phenomenon and finds that higher managerial ownership is associated with more opportunistic

behaviour of executives (Al-Fayoumi, et al., 2010; Cheng and Warfield, 2005; Warfield, et al., 1995; and Mitani, 2010); low performance of firms (Khamis, et al., 2015); unwell capital structure (debt to equity ratio) of Pakistani listed companies (Hasan and Butt, 2009) and low level of corporate social responsibility of Egyptian firms (Soliman, et al., 2012).

2.2 Economic Reform and Privatisation Programme

A stream of literature explores the consequences of developing countries movement towards more liberalised economy and privatisation programme on the performance of newly privatised enterprises and conclude that, in Egypt, there is a positive effect of privatisation on: economic growth (Bolbol, et al., 2005); productivity of privatised banks (Fethi, et al., 2011); performance, competitiveness, and profitability of newly privatised enterprises (Kenawy, 2009); operating efficiency, capital expenditures, and dividends (Omran, 2003).

Similarly, others conclude that privatization results in higher consumer welfare and great social welfare (Lee, et al., 2017) and more productivity of firms (Naceur, et al., 2007). In contrast, scholars find there is no substantive improvement in the performance of privatised firms in Egypt (Omran, 2004); in Bangladesh (Uddin and Hopper, 2003) and in Britain (Bowman, 2014).

Other stream of research finds positive effect of economic-political reform on accounting and financial disclosure, and the compliance with the mandatory disclosure of Jordanian listed companies and their compliance with IFRs (Al-Akra, et al., 2009&2010) and on improving accounting of public sector accounting in Nepal and Sri Lanka (Adhikari, et al., 2013). However, HassabElnaby et al., (2003) evidences that, in Egypt, there is no relation between the privatization of state owned corporations and accounting development.

Prior studies conducted all over the world explored the influence of different factors including: ownership structures, CG practices and economic reform; on firm's performance and profitability, audit quality and earnings quality in a vacuum of the influence of firms' context. Moreover, these studies conclude mixed findings, resulting from studying various dimensions of firms' ownership and CG within different regulative, political and economic

contexts of developed countries compared with those of developing countries which in turn differ between themselves.

3. New Institutional Sociology Theory: The Influence of Context on Corporations' Affairs

Hussain & Hoque (2002) argue, new institutional sociology (NIS) is able to explain the interplay between a firm's practices and its broader social environment; thus, it is a beneficial tool for understanding the reasons that lay behind the penetration of a particular practice, policy or an environmental requirement from the firm's context into its organizational life (DiMaggio & Powell, 1983; Moll, et al., 2006). Within the general framework of NIS, it is suggested that a firm's environmental penetration occurs because the firm is subject to pressures i.e. coercive, normative and mimetic exerted by the institutional context to incorporate and conform to those forces' requirements (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Scott, 1995). These requirements are seen as more legitimate and acceptable and are adopted by successful firms in a given domain (Carpenter & Feroz, 2001; Meyer & Rowan, 1977; Mezias & Scarselletta, 1994; Palmer, et al., 1993). This paper considers only one kind of these three pressures i.e. coercive

3.1 Coercive Pressure: The Pressure of Dominant Financial Providers

Covaleski and Dirsmith (1988) and Powell (1985) state that "behind every institutionalized expectation lies the threat of active coercion". According to DiMaggio and Powell (1983) and Moll et al. (2006), institutional coercive pressure refers to the external pressure either formal or informal which is exerted on a firm from its environment to force it in order to adopt certain procedures or requirements. It is considered as a force for the firm to comply with other external organizations' requirements, which provide it with the necessary support and resources for continued existence, operation and success (DiMaggio & Powell, 1983; Pfeffer & Salancik, 2003).

In particular, this pressure can come from other organizations, such as the dominant fund suppliers, upon which a firm depends for its survival (DiMaggio and Powell, 1983). Reliance on the same and dominant financial providers significantly exerts

pressure on firms to meet those suppliers' requirements (Thompson, 1967 - cited in DiMaggio & Powell, 1983). This is supported by Powell's (1983) argument that "the *stronger party to the transaction [financial suppliers] can coerce the weaker party* [firms] to adopt its practices in order to accommodate the *stronger party's needs* " (cited in DiMaggio and Powell, 1983, p.154, emphasis added).

3.2 The Consequences of Complying with the Requirements of Dominant Financial Providers

Firms' attempt to conform to external pressures and requirements emerges from their need to enhance their legitimacy, which is essential for their ability to survive (Carpenter & Dirsmith, 1993; Carpenter & Feroz, 2001; Meyer & Rowan, 1977; Moll, et al., 2006). A favourable and the most important consequence of being perceived as a trustworthy and legitimate firm is decreasing turbulence, maintaining stability, and mobilizing support from a broader range of external bodies and constituents (Carpenter & Feroz, 2001; Collier, 2001; DiMaggio & Powell, 1983; DiMaggio, 1988; Meyer & Rowan, 1977; Moll, et al., 2006; Oliver, 1992; Scott, 1987; Zucker, 1987). This enables a firm to enjoy support from external resource providers, and gives it greater and more flexible access to resources, and in turn buffers it from failure and enhances its chances of success and survival prospects in the long term (Carpenter & Feroz, 2001; DiMaggio & Powell, 1983; DiMaggio, 1988; Meyer & Rowan, 1977; Moll, et al., 2006; Oliver, 1992; Scott, 1987; Zucker, 1987). Arthaud-Day et al. (2006) and Suchman (1995) assert that key audiences and financial resource providers are most likely to support and supply resources to desirable, proper, legitimate and trustworthy firms. The corollary of this is firms which lack legitimacy may be considered as "negligent, irrational, unnecessary" and unacceptable by the capital market (Meyer and Scott, 1983 cited in Deephouse & Carter, 2005; Meyer & Rowan, 1977). Losing the confidence of market participants leads to fundamental disturbances in resources flows (Arthaud-Day et al., 2006). This is because outsiders, e.g. dominant investors, will attempt to disassociate themselves from these firms lacking legitimacy in order to protect themselves from potential losses and "negative contagion", and will invest in other legitimate firms instead (Suchman, 1995), taking with them necessary financial, social and intellectual

capital, which threaten firms' ability to long term survive (Arthaud-Day, et al., 2006).

4. Methodology and Method

This paper adopts an interpretive approach; consequently, data collection process involves interviewing a total of 40 participants, who were divided into three categories namely firms' executives, investors [financial analysts[1] as surrogate of investors] and stock exchange regulators (hereafter, EGX)[insert tables I1:I3; participants' demography]. The researcher chose these groups because of a need to analyse opinions and views of those who witness and are involved in investment decisions in order to provide evidence about the impact of the investment decisions of dominant ownership on firm's affairs and its value.

Executive group makes up 50% of the interviewed participants. It consists of executives from five different companies, including three industrial companies [2] (50%) and two service companies[3] (50 %). Investors or financial analysts[4] make up 35 % of the total interviewees. Finally, the EGX regulator group makes up 15 % of the total interviewed sample (inserts figure1: Percentages of the Categories of Respondents). This diversity was an attempt to maximise the difference within the sample (Glaser and Strauss, 1968 cited in Lewis and Ritchie, 2003), and hence create a representative and inclusive sample relative to the parent population for the sake of enhancing the validity of the study (Lewis and Ritchie, 2003). This diversity also helped the researcher to improve the construct validity of the interviews using "triangulation" in which all interviewee answers are cross-checked against other interviewee answers. In this way, the researcher can be confident that the interviews correctly measure what they are intended to measure. In addition, using a diverse sample facilitated the collection of rich data and helped identify

[1] The researcher depended on financial analysts instead of investors; because in Egypt there are no sophisticated investors who are able to make investment decisions themselves, so that they mainly resort to financial analysts and brokerage firms.

[2] Industrial companies comprise textile, pharmaceutical and motor industry companies.

[3] Service companies include restaurant and hospitality and securities brokerage companies.

[4] Investors group consists of large companies and medium-sized companies

the themes shared between different participants regarding the phenomenon under study (Patton, 2002 and Ritchie et al., 2003).

To enhance the validity of interviews, the researcher relied on not only purposeful sampling, but also taking into account the following arguments when choosing the sampled participants and conducting interviews. Most of interviewees were senior employees who were likely to exhibit high levels of integrity. Also, the researcher interviewed analysts, and the stock exchanges' authorities who had no incentive to be untruthful. In addition, the researcher made comparison between the answers of each interviewed group with others to test that all interviewees were providing reliable information. Also, interviewees were asked similar questions in different ways in order to check the validity of the responses of one group against the answers of others. Moreover, it is important for the researcher to limit the amount of bias during the data analysis to enhance the research's validity (Lewis & Ritchie, 2003). Therefore, this research employs "comprehensive data treatment" by incorporating, analysing, and inspecting all the data collected without exception, and by avoiding the use of brief "conversations, snippets" from interviews (Bryman, 1988; Silverman, 2000, 2010). Data were then analysed by using Ritchie & Spencer's (2002) thematic approach[5].

The sample of this research is chosen from the working population or sample frame which refers to the full range of relevant participants and groups available to serve the research purposes (Ritchie et al., 2003), which may be practically used as units of analysis, i.e. the sample units (Zikmund et al., 2010). The most convenient source for the sample frame is the lists published on websites useful for creating a sample of organizations or professionals (Ritchie et al., 2003 and Zikmund et al., 2010). In

[5] This approach requires the implementing of the following steps. First, the researcher constructed a thematic framework or index based on the research questions, and interview questions. Indexing was next step, in which the researcher systematically applied the thematic framework to the gathered information in its textual from. Next, the researcher transferred the data from its original contexts to be rearranged in accordance with the headings and subheadings drawn from the thematic framework -i.e. according to each interview question. Mapping was the final step in which the researcher focused on interpreting the data and provided answers to the research questions.

light of this guidance, the researcher depended on the EGX and Egyptian Financial Supervisory Authority's (EFSA) websites for choosing securities brokerage firms, EGX-listed companies, in addition to personal relationships and friendships that were used to recruit other participants, e.g. some of the participants from non-listed companies and especially, EGX's regulators.

5. Data Analysis, Results and Findings

Zikmund et al. (2010) argue that human beings' experiences and practices should be explored within the context in which those people live and work, because factors that influence people's behaviour and decisions are inherently shaped by their context. Consequently, an exploration of the influence of ownership structure on corporate governance, and on corporate's behaviour and affairs within Egyptian context needs to be based on the adoption of qualitative research methodology in order to deeply delve into the views, beliefs and opinions of three groups of respondents: executives from manufacturing and service firms; and financial analysts; as well as the opinion of stock market regulators.

5.1 The Effect of Political-economic Environment on Corporate Governance, Ownership, and Affairs

Providing evidence about the effect of the political-economic transition on the CG and firms' decisions and affairs necessitates considering: first, the effect of the environmental changes on firms' shareholding and their CG; and second, the influence of these changes on firms' value and affairs.

5.1.1 The Effect of Economic-political Reform on CG

Egyptian government had made significant efforts towards re-structuring the economy and introducing comprehensive economic-political reform, involving the transition to a free-market-based economy, this economic transition had have effect on ownership structure of firms in terms of increases in institutional ownership at the expense of individual investors; as demonstrated by Abdel Shahid (2003: p10- emphasis added), stating that

> **"The large privatization deals as well as other deals involving transfer of ownership that … were mainly conducted by**

institutions…The Egyptian market has been long characterized by the dominance of _private investors_ [individual investors] more than 60 percent. However, the market structure changed … whereby _institutions_ constituted 67 percent of the market".

Analysts and regulators generally agreed that: "In Egypt ... there were no institutional investors but after the economic transition this kind of investors has started appearing and has been increasing" (FAN9). REG1 continued stating: "Egyptian market's structure consisted of 60-70% retail [speculators or individuals] and 30-40% institutions ... nowadays the percentage of institutional investors has risen to more than 50% ... the current political-economic situation has caused the retail percentage to fall to less than 50% ... ". When asked about the effect of increased institutional ownership on CG, analysts stated that: "CG system comprises different mechanisms … after the privatisation programme had been applied institutions became key players in the Egyptian market and started playing important role as external CG mechanism in Egyptian economy" (FAN1). Executives also asserted that: "Economic-political reform … resulted in several achievements including: increased role of institutions as dominant ownership in the Egyptian CG …" (MAN13, a financial manager).

5.1.2 The Effect of Practicing CG by Institutions on Firm's Affairs and Value

When asked about the potential influence of practicing CG by institutions on the firm's affairs, performance and value, regulators demonstrated that: "… corporation's ownership structure undoubtedly has essential effect on a firm's performance and its prospects through necessary conditions they require being willing to invest or to continue investing in a firm …" (REG3). The researcher started asking about investors' investment requirements, all participants were quick to state that: "in EGX there are two kinds of investors: institutional investors and individual investors … each group has different requirements to invest in a certain firm which, in turn, affect this firm's affairs …" (REG2).

Therefore, highlighting the influence of institutional investors' requirements on firm's affairs and on the whole economy necessitates:

1) **Comparing between the requirements of institutional ownership with those of individual investors.**
2) **emphasizing the significant impact of the requirements of institutional ownership on firm's affairs and in turn on the whole Egyptian economy**

5.1.2.1 Comparison between Investing Requirements of Institutional Investors with Those of Individuals

Individual or short-term investors are speculators, traders, transient and temporary investors who hold a small number of shares within a large quantity of firms. However, institutional investors, long-term investors or sophisticated investors are those who hold a large number of shares in a few firms over a long-term. Each kind of ownership has different investment expectations.

5.1.2.1.1 The Expectations of Individual Investors

Individual investors are interested in certain issues that should exist in a potential investee firm including: fluctuations in stocks' market value and publishing short term profits.

Fluctuations in Stock Market Value

Speculators are transient investors who buy and sell securities in light of fluctuations in the market value of firms' stocks and who are prepared to engage in risky business ventures in the hope of making large gains. Most of interviewee groups agreed that this kind of investors are seeking to gain profits which result from upward and downward movements in companies' stock prices. The greater the fluctuations in the stock price, the more willing speculators are to trade in such stock, as indicated in the following regulator's quotation:

> **"… Speculators always care about the stock price (they buy the stock at a price of 1 pound to sell it for 2 pounds)… speculators seek to benefit and profit from the stock price fluctuations" (REG4).**

Regulators (REG6) took the view that "… Speculators look for money they neither prefer fundamentally strong firms nor think about too long-term an investment… [rather] they are interested in very short-term deals ... they buy today to sell tomorrow in order to achieve gains". Consequently, analysts stated that "…speculators are more interested in the technical analysis i.e. the stock price movements than the fundamental analysis i.e. financial analysis" (FAN 9).

Incomprehensive View of the Firm

Analysts asserted that speculators do not care about the firm's internal affairs such as: management plans, policies and strategies, or the international and global influences on firms. It is likely that they will not even know the name of the firm in which they are buying stock.

> **"... Speculators do not care about the firm's circumstances... they do not even care about the firm's name … because they will not continue investing in this firm" (FAN4).**

Short-term Profits/ Low Quality of Financial Reporting

As argued by Bushee (1998), due to the fact that speculators behave as "traders" and not as "owners", they are involved in "momentum trading" and sell (buy) a firm's stock based on announcements of bad (good) short-term published earnings. Executives consistently agreed on this issue and claimed that: "Short-term investors care about short-term profit and not activities designed to enhance the firms' future performance, e.g. R&D, and hence make investment decisions according to such information" (MAN16: financial manager). Thus, the managers' and regulators' groups noted that if speculators hear that a company is going to lose money without seeing any figures, they will sell the stocks ...This behavior is more relevant and applicable to the traders not investors" (MAN5, a financial controller). Hence "the price of the stocks which attract speculators fluctuates significantly each day" (REG2).

Consequently, Bushee (1998) articulates, speculators' concern with short-term profit creates incentives for executives to steer or manage earnings upwards in order to avoid a disappointing earnings announcement, which encourages traders to sell their shares, leading to a decline in the firm's stock price. Executives

commented that "… Company's capital is not affected by the stock price on the EGX ... An increase or decrease in the stock price of the firm because of speculators' behavior does not increase or decrease its current capital... But the stock price has an influence on the firm's capital when the company intends to issue new stocks in order to attract new capital; in this case I have to place more emphasis on short-term profits to avoid the negative effects of speculators' decisions" (MAN8, CEO).

5.1.2.1.2 The Expectations of Institutional Investors

Executives specified the expectations of institutional ownership, stating that "… institutional investors are long-term investors, holding a large number of shares over a long-term … so that they are interested in long–term profits, highly valued firms, better operational performance, highly reputed management, powerful competitive position, greater market share and growing industries and firms …" (MAN9:financial manager).

Strong Financial Position

Financial analysts demonstrated that "one of institutions' requirements is investing in a firm with strong financial position" (FAN3). So that interviewees indicated that: "… firm's reliance on institutional investors as the basic source of funds is considered to be a major reason explaining why they act as an important driver behind executives' intention to care and improve the financial position…"(REG 2). Executives confirmed, "... Whoever funds my project is the important person, whom I take care to achieve and provide him/her with strong financial position which enables me to get such money" (MAN3, a financial manager).

Analysts continued stating that "...Without strong and healthy financial position, long-term shareholders will withdraw their money, resulting in the closure of the firm and an end to its work" (FAN 12).

Highly Valued Firm

Instituions require investing in a highly valued company, therefore Bushee (1998) asserts that institutional investors monitor managerial opportunistic behaviour in order to avoid a negative response from the stock market and hence to escape any negative effects on the firm's value in the long-term that can

result from reporting losses, decreases in the annual reported earnings and ignoring long-term profits. Analysts highlighted this point by stating that "Initial forecasts made by the financial analyst and investors are firstly influenced by reporting losses or profits ..." (FAN14). "Reporting long-term profits is very important for me … it reflects the value of the firm … so I start my evaluation of a firm by analysing its financial reports over 3-5 consecutive years. Those reports include: balance sheet; loss and profit statement; and cash flows ... to be sure about its ability to report long-term profits" (FAN9). Therefore regulators confirmed that reporting long-run profits is a requirement of investors. "Investors in any part of the world are sensitive to net profits" (REG1); because "… reporting profits means that [investors] achieve two kinds of gains: capital gains in terms of an increase in the stock price (I bought it for 10 pounds and its market value became 15 pounds); and revenues in terms of dividends" (REG5). Executives asserted, "… investors, either current or expected, are the most important party pushing me to report profits, [because] they care about achieving profits in order to increase their wealth and get returns on their investment" (MAN6, a financial manager).

Executives took the view that "I must be concerned with the stock market's reaction to the published long-run profits. This provides implicit information to investors and to the whole market ... as a direct result investors will trust the firm and prefer to purchase my stock" (MAN15, a chairman of the board of directors). "If an investor has a variety of opportunities for investment, he/she will choose the best" (FAN8). This leads to a high demand for the stock due to considerable enthusiasm among market participants for buying such highly valued stocks. Analysts pointed out that the "stock price is the wealth of investors" (FAN11). It is necessary for firm's management to enhance the stock price and the company's value on the EGX and hence investors' wealth which they require" (MAN20, chairman of board of directors). A firm "continuously reporting profit appears strong in the EGX" (REG4). In other words, a "firm's success and its weight in the stock market are reflected in its profit figures" (FAN 13). Executives confirmed that firms that succeed in increasing their profits from one year to another or at least preventing profits from decreasing are considered highly trustworthy and are evaluated as such in the stock market. As a result, analysts

expected managers to "try to listen to institutional investors' requirement … in order to prevent over sale of such stock which leads to a reduction of the stock price in the market and reduction in firm's value…" (FAN15).

Analysts mentioned that "reporting losses reduces the value which I predict for the market value of the firm's stock ..." (FAN11). "… if investors see that analysts value the stock at 18 pounds and its price on the market is 22 pounds, they will sell it ... Investors compare between the value given by analysts and the market price of the stock" (FAN12). Regulators asserted that, in the case of unfavourable financial results, investors will "doubt the share", and hence will be willing to sell it. CEO 19 portrayed "reporting losses [as] a red line for investors to avoid investment in such a firm"; "why would I enter or invest in a firm which is losing?" (REG6). Meaning, current investors will sell the stocks of a firm that has reported losses and attempt to search for a better opportunity; and "… potential investors will never buy such stock … and start looking for another opportunity… there is a whole market full of many investment opportunities". (REG2). Thus, regulators expressed an expectation that "as long as the firm at least maintains its profit or increases it, it will be a well-known firm ... its stock price increases [thus] whenever the firm needs money it will find people willing to buy its stock because of its enhanced market evaluation " (REG1). In contrast, analysts indicated that: "… a lower stock price results in many negative factors which encourage management to enhance it. One of these is the negative effect on the firm's ability to acquire additional capital through the EGX due to the bad reputation of the stock …" (FAN7).

High Quality of Financial Reporting

It has been evidenced that investors require long-term profits due to their concern with a firm's market value and their own wealth. Analysts pointed out that "… institutional investors are able to gather adequate information in order to determine the quality of management decisions … so that they can implicitly curb managerial opportunistic behaviour, enabling them to prevent managers from taking actions which result in an increase in short-term financial results at the expense of the firm's long-term value …" (FAN8). Executives added that "… institutions are sophisticated investors who analyze the profits to know its

components, because they put more emphasis on operational cash flows, resulting from the basic activities of firms … not on short-term profits that can be manipulated … this leads to reducing earnings management behavior … " (MAN10, CEO).

Growing and Expanded Projects

Regulators saw institutions as long-term investment hunters; so they believed that "long-term investors - mutual funds - like to invest in a very strong sector which has steady growth in order to make money" (REG2). Analysts continued stating, "... investors care about the possibility of extending the company's activities, the expected growth rate and the expected cash flows. They also care about the company's field of business - whether the company operates in a growing or a shrinking industry" (FAN9). "… I analyse the industry which the firm trades in, to determine whether it is a new and thriving industrial sector or one that is in decline etc. … I also have to know the growth rate of the firm's industry itself ..." (FAN14). Thus, both analysts and EXG regulators indicated that "when a firm reports a profit and does not announce dividends, like the *Naguib Sawiris* group, this is a very good indicator for me as an analyst; at the level of fundamental analysis, it is very much appreciated for a firm not to pay out dividends but to reserve the profits achieved for new investment projects and further expansion. This indicates more growth in the future and greater increases in the stock price and investors' wealth." (FAN2).

Powerful Competitive Position and High Market Share

The analysts pointed out that "... from the investors' perspective, investors care about the firm's ability to survive and flourish in the long-term; so they are interested in finding out about R&D activities as key requirements for enhancing firm's powerful competitive position, its market share, and its growth (FAN10). Executives confirmed that "investors who want to make a long-term investment in a company will undertake very deep analysis of the internal aspects of a firm and its circumstances in order to establish whether or not it represents a good project in which to invest … they, therefore, will be concerned with many issues, including opportunities for the company to be expanded, its competitive position, its market share, and its ability to generate profits ..." (MAN6, a financial manager).

Reputed Management

Analysts highlighted that "as a financial analyst a basic part of my analysis and evaluation of a firm is the idea of the firm's management effectiveness and the scope of its success …" (FAN7). Executives asserted that "investors' trust can be increased and the stock price of a firm can be inflated when investors know that a company is running well" (MAN5, a financial controller). Stock exchange regulators added that "institutions care about long-run success and survival of the investment opportunity… so they deeply look for managerial policies, strategies and plans for future to be sure that firm will go in the right track …" (REG3).

Operational Cash Flows

Financial analysts indicated another essential requirement for institutional investors while evaluating investment opportunity which is the operational cash flows. "Institutions always look beyond the financial results to know whether these profits come from the basic course of firm's business and its operational activities or they result from other sources such as: investment or finance activities" (FAN8). Therefore, when a firm reports losses this might not affect institutions investment decisions, because "... investors put more emphasis on whether a company sustains real losses i.e. operational losses …" (FAN9). In this regard, all executives and analysts believed that invested institutions subject potential investing opportunity to comprehensive analysis to demonstrate the underlying reasons for reporting losses in order to determine whether these losses result from the operational activities of the firms or from normal costs, e.g. construction/reconstruction costs, as summarised in the following respondent's comment:

> **"A live example I always give is the case of the Mobinil company [one of three dominant mobile phone companies in Egypt], since its inception and during the establishment process, it achieved losses for three consecutive years... a deep analysis revealed that achieving such losses was normal because of the increased structural costs involved for a start-up company in the business world …. They are not operational losses ..." (MAN11, a financial manager).**

In addition, the analysts group added that detailed analysis demonstrates whether reporting losses is due to ineffective

management decisions or to problems related to the industry sector of the firm. Losses can result from "temporary external circumstances" and "emergencies".

Therefore, "long-term investment depends on full analysis which can show whether there are reasons that justify reporting losses, such as emergencies which are beyond the control of the firm e.g. sudden increases in the cost of raw materials, labour and in the currency price or a sharp reduction in the sale price ..." (FAN3). Regulators went further and added that, "… achieving losses [can] result from a drop in the international economy… thus a firm's poor performance may result from external factors rather than internal effects which can be confirmed by deep analysis …" (REG2). Analysts agreed, "I consider the global issues e.g. economic or political. I also study the market and the overall economic and political situation of the country, such as whether there is recession or inflation ..." (FAN14). Regulators and analysts collectively summarised that "profit is one of the important evaluative aspects of the firm but it is not the only indicator ... other indicators are the firm's management effectiveness, future prospects of the business, its profitability, economic and political situations and international issues; overall those are all important factors. Thus the price of stock is a function of various news and information, (REG1).

To that effect, regulators noted that "stock belonging to firms like the CIB bank, the majority of which is owned by institutions, have no fluctuations, and the stock price has steadily increased (i.e. it increases by 50 pence or 1 pound a month); because they do not sell their shares easily" (REG2).

5.1.2.2 The Impact of the Requirements of Dominant Institutional Ownership on Firm's Value and on Economy

The strength of practicing CG by institutional investors in Egypt has raised from their positive requirements to invest in a company, leading to managerial struggle to accommodate these requirements. Analysists summarized this point by highlighting that "generally institutions have power on firm's affairs … whereas individuals do not have the same … institutions' power has been increased after the economic reform … institutional ownership is considered as influential and beneficial CG technique because of its positive effect on: company's profits,

financial position, operational activities, management reputation, financial reporting quality, competitive position, market share and growth rate … all, in turn, drive firm's success and flourish its prospects … which, in turn, lead to great success and flourish for the whole economy … " (FAN8). Therefore, analysts perceived that: "the domination of institutions in the stock market has positive effects not only on the firm's performance and its success and survival but also on the country's stock market and its economy by increasing investors' trust, national and international, in the Egyptian firms and economy …" (FAN3). Analysts asserted, "the most successful firms are the firms which have strategic investors who are able to improve the firm's performance ... this, in turn, has favourable effects on the stock market and the national economy ... however, the less successful firms are those which have separated ownership ..." (FAN1).

Regulators confirmed the essential role of institutions in Egyptian economy by stating that: "CG in emerging economics needed be practiced by institutional investors … where inadequate minority shareholder protection is not exist;… leading to enhance investors' confidence in Egyptian economy …" (REG1).

6. Conclusion and Discussion

This paper finds that moving to more liberalized economy has had significant impact on firm's ownership structure in terms of increases in institutional ownership at the expense of individuals or speculators ownership. Dominant institutional shareholding has become important mechanism in governing and controlling management by pushing it to accommodate their requirements. These results are in consistent with research conducted by Soliman et al., (2012); Abdel Shahid, (2003); Mensah, (2002); Fawzy, (2004); and Bremer and Elias, (2007). However, they are in contrast with Dahawy's (2007) findings. This paper continues finding that complying with institutions' requirements leads to managerial decisions that result in improvements in firm's operational performance, financial position, competitive position and market share, market value, management reputation, growth rate and quality of financial reports; all lead to positive effect on Egyptian economy as a whole.

The findings of this paper contribute to literature in many ways by: highlighting mutual interaction between enterprises and their

contextual environment; providing insights into how earnings quality can vary according to ownership structure; confirming the positive effects of economic transition and increased institutional ownership on firm's affairs and on country's economy; highlighting that there is no "one-size-fits-all" CG approach which can be generalised worldwide; revealing, CG exercised by institutional investors matters in emerging markets because of lack other governance practices; and finally, initiative in applying new institutional sociology (NIS) theory, and interpretive research philosophy and interviewing method for collecting data.

The findings reported in this paper can be in importance for four parties: investors; firms; regulators and policy makers; and government. First, investors who are looking to invest in the studied country, Egypt, and who consider emerging markets as immature in regard to the laws protecting minority shareholders may find this study useful as it provides them with evidence about improving CG as a means, ensuring fundamental protection for their rights. Also, this study provides them with analysis of how firms' affairs have been improving due to ongoing policies that attempt to reform Egyptian economy; improve CG regulations and mechanisms; and restructure firm's ownership. All provide investors with complete portrait to determine whether Egypt has an appropriate investment climate. Second, Egyptian companies may benefit from the findings of the study to improve their ownership structure through promoting institutional shareholding instead of individual and scattered ownership. Third, regulators concerned quality of financial reporting such as the Capital Market Authority in Egypt and other emerging countries in that region can use the findings of the study to improve CG regulations and practices through the optimization of ownership structure to enhance FRs quality. Finally, the results can be in importance for government of emerging economies including: Egypt to seek applying well-structured CG, widely practiced by institutions to boost investors' confidence in a country's economy; deepen capital markets; facilitate access to a wider pool of investors and raise investment rates; encourage the growth of the private sector by channelling finance to its projects, generate profits, and create job opportunities; all secure high and sustainable rates of growth of Egyptian economy

This research has a number of limitations: first, the results were based on responses from a

small number of interviewees; thus, they should be interpreted with caution, given the limitation of the employed purposive sampling technique. Second, this study adopted the NIS theory and interpretive approach which helped identify the effect of economic transition on firm's ownership, CG and its affairs in the particular setting, i.e. Egypt. This implies that the primary limitation of this study is in the application of the results to other settings. This calls for future research investigating this phenomenon in other settings which have so far been under-researched in this area either using the same theory and research philosophy or by adopting others. Third limitation is that the research participants were limited to three groups: managers; financial analysts, and regulators. Although their views were very useful in serving the paper aims, during the data analysis, it emerged that it would be beneficial to include some other participants who are interested in quality CG such as foreign investors and governmental authorities. It would also be beneficial to conduct further research interviewing these interested parties besides academics and accountants. Fourth limitation is that factors affecting firms' CG and their ownership are shaped and significantly influenced by economic factors. These aspects continuously change over time, implying further investigation.

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Appendix (I): Demography of Research Participants

Table (I.1) Demography of Corporate Executives

Manager	Position	Age	Years of Experience	Certificate	Field/ Company
MAN1	Financial manager	42	12	Diploma in accounting and audit	Pharmaceutical industry
MAN 2	Accounting manager	37	9	Diploma in accounting and audit	Pharmaceutical industry
MAN 3	Financial manager	46	18	MBA	Pharmaceutical industry
MAN4	Accounting manager	55	20	PhD in accounting	Pharmaceutical industry
MAN 5	Financial controller	38	16	Master business administration (MBA)	Car industry
MAN 6	Financial manager	33	10	MBA	Car industry
MAN 7	Financial controller	30	8	Diploma in accounting and audit	Car industry company
MAN8	CEO	55	15	PhD in accounting	Car industry
MAN 9	Financial manager	50	25	MBA	Textile industry
MAN 10	CEO	45	25	PhD in accounting and finance	Textile industry
MAN 11	Financial manager	42	20	Diploma in accounting and audit	Restaurant and hospitality
MAN 12	CEO	49	22	PhD in accounting and finance	Restaurant and hospitality
MAN 13	Financial manager	28	6	MBA	Brokerage company
MAN 14	CEO or Managing Director	60	41	MBA	Brokerage
MAN 15	Chairman of the Board of Directors	55	27	PhD in accounting	Brokerage
MAN 16	Financial manager	56	35	Master business administration (MBA)	Brokerage
MAN 17	Chief executive officer (CEO),	59	27	PhD in finance and economics	Brokerage
MAN 18	Financial manager	55	10	MBA	Brokerage
MAN 19	Chief executive officer (CEO)	45	20	PhD in finance and economic	Brokerage
MAN20	Chairman of the Board of Directors	58	34	PhDs in accounting and finance	Brokerage

Table (I.2) Demography of EGX Regulators

Regulator	Position [28]	Age	Years of Experience	Certificate	Institution
REG1	-	49	10	PhD	The Egyptian Exchange
REG2	-	39	6	MBA	The Egyptian Exchange
REG3	-	43	8	MBA	The Egyptian Exchange
REG4	-	42	7	PhD	The Egyptian Exchange
REG5	-	35	5	MBA	The Egyptian Exchange
REG6	-	40	9	MBA & PhD	The Egyptian Exchange

Table (I.3) Demography of Financial Analysts

Financial analysts	Age	Year of Experience	Position	Certificate (s)	
FAN1	42	16	Vice president/ researcher department	Certified portfolio management	
FAN 2	28	6	Financial analyst	MBA Master in Business Administration	
FAN 3	31	7	Technical Analyst	Master in economics	
FAN4	35	12	Head of research / financial and technical analyst	Diploma in investment management / Master in investment management	
FAN 5	35	15	Managing director (CEO)	Diploma in analysis stock markets/ Diploma in Fundamental Islamic Finance	
FAN 6	60	25	Financial analysis	PhD in finance	
FAN 7	38	16	Managing director	MBA in financial analysis/ Diploma in financial analysis	Vice president of the Egyptian committee of stock markets development, vice present of the Egyptian committee of finance and investment studies.
FAN 8	26	4	Financial analyst	Diploma in stock market studies/ MBA in markets stock studies	
FAN 9	30	10	Financial analyst/ Manager of Research and Investment	Certificated Management Accounting (CMA) / Certificated financial managers(CFM)/ Charted Market Techniques (CMT)/ Certificated Portfolio Managers (CPM)	

FAN 10	**27**	**8**	**Financial analyst**	**MBA**	
FAN 11	**49**	**18**	**Financial analyst/ writer in the financial and economic press**	**MBA and PhD in finance**	**Member in the Egyptian Capital Market Association ECMA, member of the Egyptian committee of stock markets development**
FAN 12	**55**	**35**	**Financial analyst**	**Master in economics**	
FAN 13	**48**	**12**	**Financial analyst**	**Diploma in stock market studies/ MBA in markets stock studies**	
FAN 14	**28**	**3**	**Financial analyst/ Manager of Research and Investment**	**Certified portfolio management**