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Article

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ACCOUNTING, CORPORATE GOVERNANCE & BUSINESS ETHICS | RESEARCH ARTICLE

Female director in boardroom: Does it affect board compensation package and firm performance in Saudi Arabia?

Siti Norwahida Shukeri^{1*} and Faisal D Alfordy

Abstract: Global gender diversity initiatives driven by international organizations, such as the International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD) demand more participation of women in corporate boardroom. Nevertheless, prior research relating to the participation of women on corporates' boards provides equivocal conclusions, particularly in the event of strong family ties. This study aims to examine the ownership of female directors on board compensation package and firm performance in Saudi Arabia. Employing a sample of 73 listed Saudi corporations on Tadawul Stock Exchange, the findings reveal only 8.1% of firms in Saudi Arabia have female directors in boardroom and their representation is highly driven by the factor of controlling families concentrated ownership. In addition, the regression analyses show the presence of female directors in Saudi corporate board influences higher board compensation packages, signaling negative impact to these corporations as there is no significant association documented between female directors and financial performance. Being among the first in the MENA region, the study believes the findings provide new insights as it has high level of applicability to other corporate sector in MENA

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PUBLIC INTEREST STATEMENT

Global gender diversity initiatives driven by international organizations, such as the International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD) demand more participation of women in corporate boardroom. Nevertheless, prior research relating to the participation of women on corporates' boards provides equivocal conclusions, particularly in the event of strong family ties. Being among the first in the MENA region, the study believes the findings provide new insights as it has high level of applicability to other corporate sector in MENA region that shares similar corporate culture dominated by concentrated ownership structures and male counterparts.

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Subjects: Middle East Gender; Gender Studies; Auditing; Corporate Governance

Keywords: Gender Diversity; Female Director; Board Compensation Package; Corporate Governance; Family Control

1. Introduction

An increase in the number of female directors' involvements in corporates' boardrooms has produced positive corporate outcomes particularly in the areas of corporate performance and corporate governance (Liao et al., 2019; OECD, 2019). To further promote the participation of women on the board level, many countries worldwide have adopted board diversity representation quota. The initiative was, first, led by European countries, Norway was the first to legislate a 40% quota for board gender-diversity, and then followed by other countries such as Belgium, Italy, Denmark, Greece, France, Spain, Netherlands, Finland and Slovenia. Board gender-diversity agendas aim to improve gender balance in the corporate sector and give rise to different leadership style, steady personal growth for all, more transparency, high responsibility, and commitment (Garcia-Solarte et al., 2018; Pasaribu, 2017; Usman, Farooq, et al., 2019a, Zhang, Dong et al., 2019).

While a number of scientific studies have documented the positive impacts of female directors in the corporate world, some studies have reported the opposite and their conclusive findings are best described as equivocal. Furthermore, increased female directors' participation in corporates' boardrooms have been documented to have no influence on firms' performances, and governance structures, but rather to have increased interpersonal conflicts (Chauhan & Dey, 2017; Lim et al., 2019; Srivastava et al., 2018).

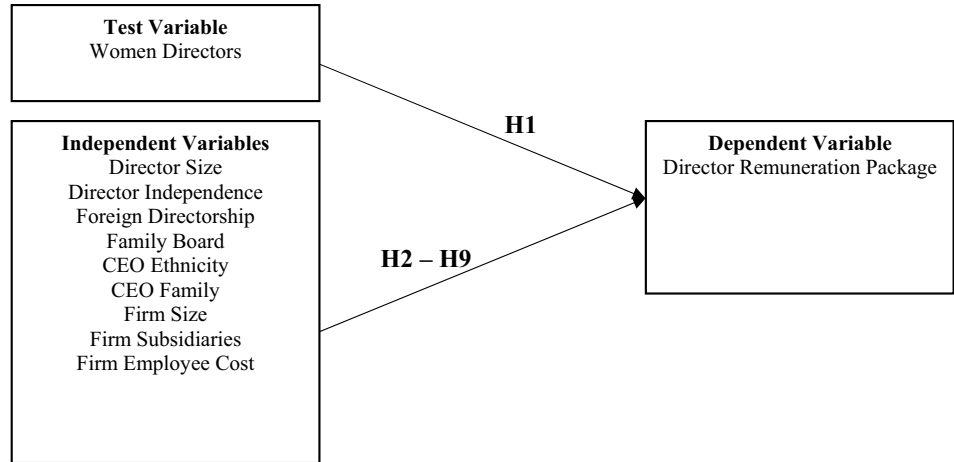
To date, the participation of women still has a long way to go to reach parity with men counterparts in the boardroom, especially in countries where workplaces are enormously dominated by men. According to recent OECD report,¹ the average women representation on boards remains at only 4.8% in the MENA regions. Saudi Arabia remains the lowest country in terms of women representation on boards, only 7%, falling way behind other MENA countries (Refer Figure 1).

Nevertheless, recently, Saudi Arabia has shown an increase in female labour force participation rate from 17.8% in 1992 to 23% in 2019 referred audi General Authority for Statistics, 2019) Similar trends have been witnessed in other Arabic countries such as Jordan, Egypt, UAE, and Bahrain (OECD, 2019). There is no doubt that countries such as Saudi Arabia, currently, undertaking an ambitious economical transformational plan such as Vision 2030 shall view females' leaderships in the corporate sectors as a cornerstone for building a competitive private sector that utilizes the best competencies of human capital regardless of gender. Female directors are playing increasingly important roles in firms' governance worldwide, and their proportion on firms' boards has been increasing (Helfat et al., 2006; Nielsen & Huse, 2010)

Therefore, this intended research undertaking is both timely and relevant as it aims to examine the assumed attributes, if any, of female directors on compensation packages and firm's performance in the context of Saudi Arabia, where controlling families own 75% of listed corporations (OECD, 2019). Specifically, as the number of female directors rises and women assume more powerful roles on boards, research should examine how diversity affects the level of remuneration packages paid to female directors in an environment where the concentration of ownership is expected to play a significant role. Hence, the first objectives of this research are to investigate i) whether or not there is any association between female directors

Figure 1. Voting women board members by MENA regional exchange (%).

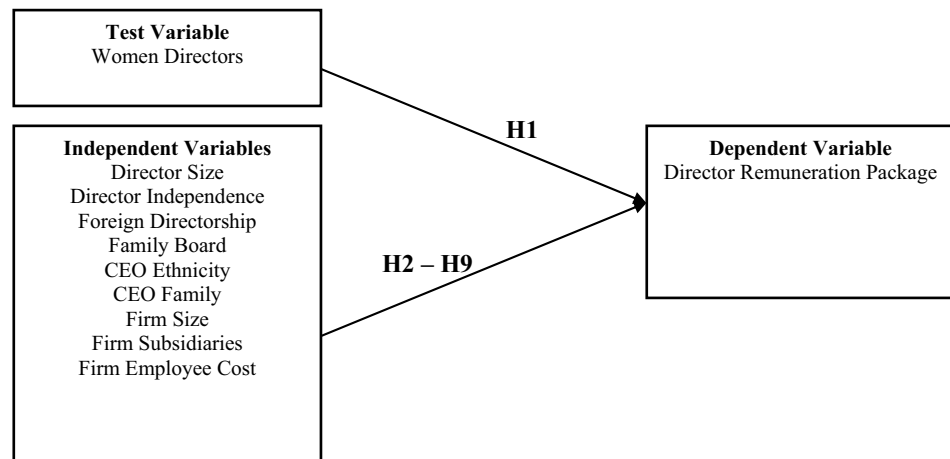
The following are converted:
 ADX 20 (UAE): ASE 20 (Jordan):
 DFMGI/NASDAQ Dubai 23 (UAE):
 EGX 30(Egypt): MASI 20
 (Morocco): and TASI 30 (Saudi
 Arabia).Source: OECD, 2019).
 Based on data collected by
 Ethics & Boards Governance
 analytics



and board compensation pay in the Saudi context. Secondly, previous studies have investigated the role of heterogeneous boards, but the roles of gender and firm performance are often left unexplored due to the new environment in boardrooms' structures. In addition to that, such association, if any, is important to examine in a highly concentrated ownership corporate's environment such as the Saudi. Therefore, the second objective of this research is to investigate ii) whether or not there is any association between female directors and firms' performances in the Saudi context.

This current research undertaking aims to provide new empirical evidence regarding assumed attributes of female directors on compensation packages and firm's performance in the context of Saudi Arabia with a high level of implication particularly to the MENA region, where similar corporate cultures exists and dominated by concentrated ownership and male counterparts (OECD, 2012). In fact, this study represents one of the first attempts to document this kind of evidence, and potential findings might provide useful insights to local governments, regulators and companies to further strengthen their corporate governance regimes to reduce their agency costs.

Figure 2. First research model.



The remainder of this paper is organized as follows: Section 2) discusses the literature review and develops the hypothesis. Section 3) looks at the research methodology. Section 4) provides the empirical evidence of the study. Finally, Section 5) reports on the conclusion of the study.

2. Literature review and hypothesis development

Providing women with equal opportunities as men counterparts in corporates' boards would allow for more gender harmonization and non-discrimination in the workplace. Uplifting corporations to add more women in boardrooms is a magnanimous undertaking as women have been recently reported to enable firms to achieve healthier financial performances (Arioglu, 2020; Félix & David, 2019; Magnanelli et al., 2020), sound boards' compensation packages (Usman, et al., 2019), and enhanced problem solving and leadership skills (Garcia-Solarte et al., 2018). Also, female directors have been credited for inspiring corporations to reduce their overall risks (Loukil et al., 2019), improve their corporate governance structures (Goyal et al., 2019; Ullah et al., 2019), and increase their corporate social responsibilities (Ibrahim & Hanefah, 2016; Issa & Fang, 2019).

Nevertheless, issue of boardrooms' allocations for more female directors has been widely debated in recent years. This is due to the, still, limited numbers of female directors found on corporates' boards even though their representations on such boards are expected to achieve positive outcomes. Nevertheless, the fiduciary duties carried out by female directors remain questionable as their contributions were not found distinctly valuable (Herrera-Cano & Gonzalez-Perez, 2019; Saeed et al., 2017; Fidanoski et al., 2014), and their representation is merely caused by regulative initiatives with the aim to, none other than, to promote gender diversity's agenda.

Furthermore, the selection of female directors to boardrooms has received popular attention by some corporate leader due to the fact that some appointments were not made on the basis of competencies, qualifications, corporate experiences, and skills. Rather, these appointments were found to be influenced by tokenism, legislative mandates (Farrell & Hersch, 2005; Matsa & Miller, 2011; Chauhan & Dey, 2017; Srivastava et al., 2018; Guldiken et al., 2019;) and family ties to controlling shareholders (Chauhan & Dey, 2017; Saeed et al., 2017; Srivastava et al., 2018).

Concentrated ownership's affect exercised by controlling families in the appointment of female directors is not an appropriate mechanism to increase boardrooms gender diversity. Connected family members on boards may invite agency problems between principals and agents, which is between the management and the shareholders (Fama & Jensen, 1983). In the presence of more family members on board, the decision-making process might not serve the interests of all stakeholders but rather to cause expropriation of other stakeholders' interests.

Despite the nuance that female directors possess different characters, attitudes, and skill sets capable of adding value to corporates' boards' functions (Adams & Ferreira, 2009; Rhode & Packel, 2014), this anecdote provides useless element when such female directors' representations are due to serving controlling families' interests. Hence, such exercise is more likely to fail representing and protecting other stakeholder's' interests, and to cause an increase in boards' compensation packages (Abdul Wahab et al., 2018; Benkraiem et al., 2017; Usman, et al., 2019b, 2019). As such effect is more likely to unveil in the Saudi corporate world due to the high level of concentrated ownership by controlling families, 75%, (OECD, 2012), the first hypothesis of this is developed as follows;

H₁: Corporates' Boards' compensations are likely to increase in the presence of female directors with controlling families' ties.

Prior studies on gender diversity in boardrooms have reported that women in boardrooms improve boards' monitoring (, 2008) and the financial performances of companies that operate in complex environments (Francoeur et al., 2008). Also, the high number of women in boardrooms has been found to enhance boards' strategic controls (Nielsen & Huse, 2010) and boards' effectiveness (). Moreover, gender diversity in boardrooms is found to be positively associated with sensitivity of CEO's turnovers to stock returns (Adams & Ferreira, 2009).

On the other side, Pletzer et al. (2015) expected that gender diversity on boards may lead to poor firms' performances because of negative consequences, such as increased interpersonal conflicts and impairments of communication and cooperation. Similarly, the findings of two meta-analyses studies indicated that gender diversity has no influence on firms' performances (Pletzer et al., 2015;). However, Adams and Ferreira (2009) argued that it is not necessary that boardrooms' genders' diversities have a positive influence on firms' performances; nevertheless, the presence of such diversity is found to improve boards' monitoring functions, as women participate more in monitoring committees.

Another point of view claims that firms that elect members of their boards of directors from all available talents without discriminating against particular demographic characteristics when selecting candidates (B can make considerable economic profits due to their management of the power dynamics (Pamies, 2015). Power dynamics are very important to be considered as power affects the movement and adoption of ideas (which may affect the amount of strategic change made by a corporation. Whereas research has recognized the effects of power on boards as a whole, scholars have noted that power among boards' members affects their degrees of participations, monitoring, and ultimately the financial performances of firms (Finkelstein & Mooney 2003, Golden & Zajac 2001, Therefore, it is untenable to assume that all members of diverse boards will have equal influences on firms' strategies, and performances, especially in the presence of controlling families' effect in the selection of candidates.

In addition, some prior studies reported that female directors gave no substantial effects to firms' performances (Adams & Ferreira, 2009; Ahern & Dittmar, 2012; Cambrea et al., 2019; Carter et al., 2010; Farrell & Hersch, 2005; Francoeur et al., 2008; Matsa & Miller, 2013; Miller & Del Carmen Triana, 2009). Hence, such evidence is more likely to be expected in the Saudi corporate world as controlling families own 75% of listed corporations (OECD, 2012). To further evaluate the financial impact of having female directors with ties to controlling families, the second and third hypothesis are developed as follows:

H_2 : There is no significant association between family connected female directors and corporates' Returns on Assets.

Table 1. Sample of the study

Description	Number of Firms
Tadawul Population	197
Less: Unavailable Annual Report/Missing information	103
Less: REITs firms	21
Final Sample	73

Table 2. Sampled firms based on sectors

Industrial Sector	Number of Sample Firm	Percentage
Financial Institutions	32	44%
Capital Goods	5	7%
Commercial & Professional Service	2	3%
Consumer Product	12	16%
Health Care Equipment & Svc	5	7%
Materials	17	23%
Total	73	100%

Table 3. Variables and operational measures

Variable Type	Variable Name	Operational Measurement
Dependent Variable	Board Compensation Pay (LogBCP)	The natural logarithm of Total Remuneration Package (Salary, Bonuses, Allowances, Benefit in Kinds etc)
	Return on Asset (ROA)	Total Net Income divided by Total Assets
	Net Income (NI)	The natural logarithm of total Net Income
Independent Variable	Women Director (WomenDir)	The proportion of women directors to total board size
Control Variable	Director Size (SizeDir)	The total board size
	Director Independence (IndpDir)	The proportion of independent board to total board size
	Foreign Director (ForeignDir)	The proportion of foreign directors to total board size
	Family Board (famboard)	The proportion of family members seat in the board to total board size
	Family CEO (FamCEO)	Dummy variable; 1 if CEO is a family member to family board, 0 otherwise
	Ethnicity CEO (EthnicCEO)	Dummy variable; 1 if CEO is non Saudi (foreign), 0 if CEO is Saudi
	Authorized Capital (FirmSize)	The natural logarithm of total authorized capital of the firm
	Number of Subsidiaries (Subs)	The number of subsidiaries
	Employee Cost (EpyeeCost)	The natural logarithm of employee cost (i.e, revenue employee cost, administrative employee cost and sales employee cost)

H₃: There is no significant association between family connected female directors and corporates' Net incomes.

3. Methodology

3.1. Data and sample

This current research undertaking is exploratory in nature and employs secondary data as the main data collection method to measure variables of interests as highlighted by the relevant literature. All secondary data such as annual financial reports and Boards' reports were sourced from Saudi Arabia

stock exchange (TSE) for the year 2018. All data collected have been cleaned to ensure reliability, validity and accuracy. Missing, unavailable or incomplete annual reports and boards' reports are considered and excluded from the total population sample. Therefore, the final sample consists of only 73 listed firms on (TSE) as tabulated in Table The final sample of 73 listed firms listed on (TSE) are shown below based on sectors as tabulated in Table 1

Furthermore, data on women directors, director's remuneration packages, and firm's performance were mainly hand-collected from the annual reports and boards' reports available on (TSE's) website. Moreover, other control variables are also considered for this undertaking and presented in the Variables section.

3.2. Variables

The operational measures of each variables included in the study is summarized in Table 3. This study measures the board of directors' total remuneration pay-packages as the dependent variable, and is consisted of basic salaries, cash bonuses and other financial benefits. The study uses the log remuneration (LogBRP) to reduce the magnitude of differences in remunerations across firms, decrease the effect of heteroscedasticity and increase the robustness of the results. Table 2 shows the sampled firms based on sectors which includes in the study.

The study uses female directors as classified by the proportion of women directors found on boards to total boards' sizes (FemaleDir) as a proxy for the main test variables; boardrooms and gender diversity. In accordance with previous studies on board remunerations, the study also controls for 1) board structure's (SizeDir, IndpDir, ForeignDir, Famboard), 2) CEO structure's (EthnicCEO, FamCEO) and 3) firms' specific attributes' variables. Board structure control variables also include (Size, Subs, EpyeeCost). First, boards' structures are included because boards are considered to be better at monitoring top managers. Second, CEO structures represent the CEO's power over the decision-making processes and the companies' businesses . Third, firms' specific attributes are used as a control variable as they represent the economical strengths of the sampled firms on utilizing resources in determining boards' remunerations.

In addition to the first research model, the Second and third research models (Equation2, and Equation3) include additional dependent variable representing firm performance; Return on Asset (ROA) and Net Income (NI). The operational measures of all variables included in the study are as follows;

3.3. Model specifications

This study develops three research models. The first research model (Equation1) as shown in Figure 2, represented by RQ2, is developed to investigate whether the presence of women directors in the boardroom has an influence on the remuneration packages. The research model is in alignment with prior studies' models related to directors' remuneration packages such); Ntim et al., (2017); Nyambia & Hamdan (2018) and Sarhan et al. (2019).

Table 4. Women directorship distribution

Sector	Number of Firm with Women Director	Percentage of Firm with Women Director	Number of Women on Board	Family Connected
Insurance & Banking	2	2.7%*	3	1
Consumer Product & Services	2	2.7%*	2	1
Materials	2	2.7%*	2	2
Total	6	8.1%	7	4

*Number of Firm with Women Director divided by the Total Sample (n = 73)

Table 5. Descriptive statistics of all variables

Variables	Minimum	Maximum	Mean	Std. Deviation
Board Compensation Pay (SAR)	340,000.00	128,100,000.00	13,881,322.33	25,045,684.70
Net Income (SAR'000)	(520,380.00)	21,520,678.00	1,150,913.45	3,165,173.04
Total Asset (SAR'000)	173,522.00	453,389,897.00	38,818,497.75	89,338,010.11
Return on Asset	-0.3	2.37	0.061	0.2913
Women Director	0	2	0.047	0.3041
Director Size	5	11	8.438	1.4999
Director Independent	0	0.9	0.437	0.13
Foreign Director	0	4	0.507	0.868
Family Board	0	4	1.082	1.4506
CEO Ethnicity	0	1	0.178	0.3852
CEO Family	0	1	0.096	0.2965
Employee Cost (SAR'000)	1,265,985.00	21,404,909.00	616,144,299.84	2,538,615,958.92
Authorized Capital (SAR'000)	110,614.00	37,058,823.00	4,509,346,616.44	8,370,009,211.69
Subsidiaries	0	23	1.6	3.491

$$\begin{aligned} \text{LogBCP} = & \beta_0 + \beta_1 \text{WomenDir} + \beta_2 \text{SizeDir} + \beta_3 \text{IndpDir} + \beta_4 \text{ForeignDir} + \\ & \beta_5 \text{Famboard} + \beta_6 \text{EthnicCEO} + \beta_7 \text{FamCEO} + \beta_8 \text{FirmSize} + \beta_9 \text{Subs} + \beta_{10} \text{EpyeeCost} \\ & + \text{error term.} \end{aligned} \quad (1)$$

Second and third research models (Equation2, and Equation3), represented by RQ3, are developed to examine whether the presence of women directors in the boardroom has an association, if any, with sampled firms performances.

$$\begin{aligned} \text{ROA} = & \beta_0 + \beta_1 \text{WomenDir} + \beta_2 \text{SizeDir} + \beta_3 \text{IndpDir} + \beta_4 \text{ForeignDir} + \beta_5 \text{Famboard} \\ & + \beta_6 \text{EthnicCEO} + \beta_7 \text{FamCEO} + \beta_8 \text{FirmSize} + \beta_9 \text{Subs} + \beta_{10} \text{EpyeeCost} + \beta_{11} \text{LogBCP} \\ & + \text{error term} \end{aligned} \quad (2)$$

$$\begin{aligned} \text{NI} = & \beta_0 + \beta_1 \text{WomenDir} + \beta_2 \text{SizeDir} + \beta_3 \text{IndpDir} \\ & + \beta_4 \text{ForeignDir} + \beta_5 \text{Famboard} + \beta_6 \text{EthnicCEO} + \\ & \beta_7 \text{FamCEO} + \beta_8 \text{FirmSize} + \beta_9 \text{Subs} + \beta_{10} \text{EpyeeCost} + \beta_{11} \text{LogBCP} + \text{error term} \end{aligned} \quad (3)$$

4. Analysis and findings

4.1. Descriptive analysis

Table 4 below shows the detailed women directorship distribution of all sampled firms from each sector. As prescribed, 8.1% of sampled corporations have gender-diverse boards; and, 92.9% of sampled corporations have no female directors on boards.

This low women participation in the boardroom was initially anticipated as it had been highlighted by the OECD report of (2019) that Saudi Arabia only had about 0.7% of women involvement on (TSE). In addition, the distribution of those female directors based on sectors are: 3 Female directors come from Insurance and Banking Sector, 2 female directors come from the Consumer Product & Services Sector, and 2 female directors come from the Materials Sector.

The study also shows that four out of the six women directors found on listed Saudi corporation's boards have a controlling family connection. This finding is consistent with previous studies reporting

that board gender diversity is greatly influenced by controlling families' ownerships (Chauhan & Dey, 2017); Nekhili & Gatfaoui, 2013; Ruigrok et al., 2007).

In addition, Table 5 shows the descriptive statistics for the main variables (board compensation, women board, board structure, CEO structure and firm attributes). To show the trend of the main variables, the table includes the min, max, means and standard deviations

The mean of the dependent variable—board compensation is SAR13.8 million, with a standard deviation of SAR 25 million. In addition, the minimum Net Income from the sampled firms is SAR 520 million in losses, whereas the maximum Net Income is SAR 21 billion. The descriptive statistics also report an average ROA at 0.061.

Furthermore, the board structure statistic shows that the average number of director size is around 8 directors with a minimum of 5 and maximum of 11 directors on sampled firms' boards. In addition, 43.7% of sampled firms have independent directors on board, and a maximum of 4 foreign directors. Only 4% of sampled firms have foreign directors on boards. This low percentage of foreign directors might be due to the Saudi business environment, which imposes high taxes on foreign directors' capital gains.

Moreover, the range of authorized capital from the sampled firms is between SAR110 million to SAR37 billion. The maximum number of subsidiaries in the sampled firms is 23 while some of the sampled firms don't have any subsidiaries.

4.2. Empirical analysis

The regression analyses were performed to test potential associations for all research models developed (Equation1, 2,3). Overall, regression analyses outputs are presented in Table 6. Panel (A) represents Equation1, Panel (B) represents Equation2, and Panel (C) represents Equation3.

Panel (A) reports that the presence of female directors (*womenDir*) has a positive association with boards' compensation pay (BCP) ($p = 0.076$, sign = +), significant at the 10% level. Hence, this result supports the first research hypothesis (H_1). It also suggests that female directors in boardrooms have the ability to influence boards' compensation pays to be higher.

Among boards' structures' control variables, *famBoard* ($p = 0.004$; sign = -) and *ForeignDIR* ($p = 0.005$; sign = -) are found negatively significant to boards' compensation pay, *logBCP*. These results indicate that boards with high proportions of family members and foreign directors are negatively associated with boards' compensation packages. These results support the managerial power theory, which predicts that power of boards of directors will be lower when boards consist of independent directors, in which case directors' pay will be lower. As for the CEO structure variables, *CEOethnicity* shows a significant association with directors' pay as well.

Among firm's attributes control variables, firm size (*firmSize*), subsidiaries (*Subs*) and *EpyeeCost* are found significant in regard to boards' compensation pay. The coefficient of *firmSize* ($p = 0.002$), *subs* ($p = 0.019$) and *EpyeeCost* (0.000) are found positively significant to (BCP) indicating that boards' compensation is higher in the events of higher firms' resources.

Panel B and Panel C show the results of examining whether the presence of female directors on boards improve firms' performances or vice versa. Firms' performances were modelled into two measures; Return on Assets (ROA—Panel B) and Net Income (NI—Panel C). Based on the reported results, having gender-diverse boards are found not significantly affecting firms' performances, (ROA; $p = 0.940$, sign = +; insignificant) and (NI; $p = 0.457$, sign = -; insignificant). These results are consistent with Pletzer et al. (2015). In addition, they also indicate that the mere representation of female directors on Saudi corporates' boards is rather influenced by tokenism (Srivastava et al.,

Table 6. Regression result

Variable	Panel A		Panel B		Panel C	
	Sign (±)	p-value	Sign (±)	p-value	Sign (±)	p-value
womenDir	+	0.076*	+	0.940	-	0.457
EpyeeCost	+	0.000**	+	0.548	+	0.290
Subs	+	0.019**	-	0.514	-	0.590
dirSize	-	0.646	-	0.639	-	0.929
famBoard	-	0.004**	+	0.373	+	0.665
CEOFam	+	0.119	+	0.150	-	0.909
FirmSize	+	0.002**	-	0.788	+	0.114
ForeignDIR	-	0.005**	-	0.466	+	0.025**
CEOethnicity	+	0.047**	+	0.682	-	0.188
dirIndependent	+	0.287	-	0.872	-	0.195
BCP			+	0.595	+	0.057
Constant	2.069	0.043	5.023	0.088	5.52	0.037
P Value	0.000	0.679	0.000	0.438	0.000	0.372
R Square	66.70%		16.50%		47.2%	
Adjusted R Square	61%		12.70%		37.2%	
N = 73						

2018; Guldiken et al., 2019; eddy & Jadav, 2019) and family ties to controlling shareholders (Chauhan & Dey, 2017; Saeed et al., 2017; Srivastava et al., 2018).

5. Conclusion

As outlined in the OECD Principles of Corporate Governance, policies to increase women’s access and participation on corporates boards and in senior management positions can be driven by governments, regulators and companies themselves, with measures adapted to specific contexts. Referring to policies encouraging women’s participation on corporate boards, this study was set up to examine the assumed attributes of female directors on compensation packages and firm’s performance in the context of Saudi Arabia where controlling families own 75% of listed corporations (OECD, 2012).

In fact, the descriptive statistics has revealed that even though representation of female directors on listed Saudi corporations’ boards is very low at (8.1%) of sampled firms, their presence is highly driven by the factor of family ownership. Four out of all six female directors found on listed Saudi corporation boards have a controlling family connection. This finding is consistent with previous findings that board gender diversity is greatly influenced by controlling family’s ownerships (Chauhan & Dey, 2017; Bianco et al., 2015; Nekhili & Gatfaoui, 2013; Ruigrok et al., 2007).

As indicated by the descriptive statistics, the fear of having an outsider on corporates’ boards and risking losing control may have led controlling families to condense their representation in the boardrooms through their female family members. Hence, it can be implied that controlling families are taking advantage of regulative policies aimed at raising female participations on corporates’ boards to preserve their corporate control. Such act at the corporate boards’ level is more likely to lead to negative consequences such as conflict of interests and raising the agency costs as predicted by the agency theory between controlling families, and minority shareholders.

In addition, the regression analysis has highlighted that the presence of female directors has influenced higher boards’ compensation packages to be paid. This finding cannot be interpreted independently of the controlling family effect of female directors’ representation on Saudi corporates’ boards. As indicated by the agency theory, the agency conflict is expected to be high since the

separation between ownership and management is not well defined. Hence, this might imply that female directors might value increasing their compensation packages regardless of firms' performance. Thus, their voice in getting higher compensation package will be a consensus for all the board members. The positive association between female directors on board and higher compensation package hints negative outcome to organizational performance.

Thus, to further examine the impact, the analysis was extended to examine whether female on boards contribute to increased firms' performance or otherwise. Two robustness tests on firms' performances; namely, Return on Assets (ROA) and Net Income (NI) were performed. The findings of these tests suggest that the representation of female directors on Saudi corporate boards does not relate to corporates' financial performance. Despite of many claims on the benefits of having more representation of women on corporate boards, the findings of this study does not provide support towards those claims.

Overall, this current research undertaking has provided new empirical evidence regarding assumed attributes of female directors on compensation packages and firm's performance in the context of Saudi Arabia with a high level of implication particularly to the MENA region, where similar corporate culture dominant by male counterparts is witnessed (OECD, 2012). Being among the first in MENA region to document this kind of evidence has provided the uniqueness to the study. The findings of this study provide useful insights to local governments, regulators and companies to further strengthen their corporate governance regimes to reduce their agency costs due to the high level of ownership concentration witnessed in their corporates' structures.

However, this study suffers from certain limitations such as the cross-sectional data of financial reports and boards' reports used. Hence, future study can take advantage of longitudinal financial data to allow for rigorous generalizations. In addition, future studies can look into any association or relationship between remuneration packages and firms' performances. Furthermore, this study may be further examined in different contexts such as the impacts on environmental, social, and governance (ESG) issues.

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Endnotes

1. *Corporate Governance in MENA: Building a Framework for Competitiveness and Growth*

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