Shareholder Wealth Effect of Threshold Crossing Disclosure: Evidence from a MENA Emerging Market viz. Morocco

by

Rhizlane Hammoud

Matriculation Number 1614012

Inaugural Dissertation

In partial fulfillment of the requirement for the degree of

Doctor rerum oeconomicarum (Dr. rer. oec.)

Submitted to the Chairman of the Doctoral Candidate Admissions Board Prof. Dr. Stefan Bock.

Faculty 3 - Department of Economics, Schumpeter School of Business and Economics at the Bergische Universität Wuppertal in partial fulfillment of the requirement for the degree of Doctor rerum oeconomicarum (Dr. rer. oec.) in accordance with examination regulations dated 21/02/2013.

Dean: Prof. Dr. Nils Crasselt Faculty 3 - Department of Economics, Schumpeter School of Business and Economics

1. Examiner

Prof. Dr. André Betzer

Chair of Finance and Corporate Governance, Schumpeter School of Business and Economics, University of Wuppertal

2. Examiner

Prof. Dr. Nils Crasselt

Chair of Managerial Accounting and Control, Schumpeter School of Business and Economics at the Bergische Universität Wuppertal

For my parents

Acknowledgments

I would like to express my deepest gratitude to my supervisor Prof. Dr. André Betzer, for his valuable and much-needed guidance, encouragement, and support throughout my doctoral journey. His insightful comments and suggestions helped shape the direction of my research and contributed greatly to the quality of my dissertation. I am greatly indebted to Prof. Dr. André for making this dissertation a reality.

I am also grateful to Prof. Dr. Nils Crasselt for agreeing to be my second supervisor and for all his constructive advice and feedback which helped me refine my work.

Special thanks are also due to Ms. Iris Leclaire for her availability, professionalism and administrative support. I would also like to acknowledge the support and motivation of my friends and colleagues.

Finally, I would like to thank my husband and my kids for their unwavering support and love throughout my academic journey at the University of Wuppertal. Without their encouragement and sacrifices, this achievement would not have been possible.

Table of Contents

Abbreviations and acronyms

2SLS	Two-Stage least squares
AAR	Average Abnormal Return
AMEX	American Stock Exchange
AMMC	Moroccan Authority of Financial Markets
AR	Abnormal return
BMP	Boehmer, Musumeci and Poulsen
CAAR	Cumulative Average Abnormal Return
CAPM	Capital Asset Pricing Model
CAR	Cumulative Abnormal Return
CEO	Chief Executive Officer
CMA	Capital Market Authority
CSE	Casablanca Stock Exchange
EBRD	European Bank for Reconstruction and Development
e.g.,	exampli gratia (for example/instance)
EP	Estimation Window
EW	Event Window
EY	Ernest and Young
FDI	Foreign Direct Investment
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GLS	generalized least squares
GMM	Generalized Method of Moments
i.e.,	id est (that is)
IM	Index Model
IMA	Moroccan Institute of Directors
IPO	Initial Public Offering
KPMG	Klynveld Peat Marwick Goerdeler
MARM	Market Adjusted Returns Model
MCGC	Moroccan Code of Corporate Governance
MENA	Middle East North Africa
MM	Market Model
OECD	Organization for Economic Co-operation and Development
OLS	Ordinary Least Squares
OTC	Over the Counter
PWC	PricewaterhouseCoopers
ROA	Return on Assets

ROE	Return on Equity
ROS	Return on Sales
VIF	Variance Inflation Factors
Viz.	Videre Licet (namely)

List of Tables

1. Introduction and Thesis Structure

1.1 Research Motivation, Aim and Contribution

Research on corporate governance has often been criticized for overgeneralizing conclusions. What debates describe as "good" corporate governance practices do not escape these overgeneralizations (Aguilera et al., 2019; Aguilera & Jackson, 2010; Fainshmid et al., 2018; Larcker & Tayan, 2019). Conducting research on how firms are governed in emerging markets, particularly in understudied ones, can only enrich, and bring fresh evidence to ongoing debates on the question "Does one size fit all?".

One of the numerous areas of corporate governance research that continues to captivate academic attention is the relationship between ownership structure and firm value (Iwasaki & Mizobata, 2020). Early research findings on the subject support the premise that large blockholders have the incentive and capacity to oversee management (Shleifer & Vishny, 1986). According to subsequent recent studies, concentrated ownership structures supersede alternative governance mechanisms like legislative frameworks that protect shareholders' interests (René Aderomou & Sall, 2019; Boubakri et al. 2005b; Klapper & Love, 2004; La Porta et al., 1998; La Porta et al., 2000; Nguyen et al. 2015). For instance, ownership appears to be more concentrated in civil law regimes to make up for the absence of effective external governance mechanisms (La Porta et al. 1998). In common law jurisdictions, dispersed ownership is owing to the role laws and their enforcement play in aligning management and shareholder interests (La Porta et al. 1998). A higher ownership concentration in civil law countries compared to common law countries is also reported in more recent studies (Armitage et al., 2017; Matinez-Garcia et al., 2020).

Nonetheless, the theoretical complexity and empirical ambiguity of the relationship described in the work of Earle et al. (2005) persist in developing the need to conduct additional comparative studies. Wang and Shailer (2015) note that the answer to how and to what extent a firm's ownership concentration affects its financial performance in emerging countries is still debatable. The authors attribute this to the discrepancy in empirical data as well as inconsistency in theoretical predictions. Therefore, markets other than the usually researched ones (the United States and the United Kingdom) require further investigation.

In this study, we focus on the Moroccan market, the second oldest market in the Middle East and North Africa (MENA) region, due to its relatively special characteristics.

First, around the turn of the 21st century, Morocco opened its borders to more international economic collaborations. Both France and the United States have contributed to the significant increase in the inflow of Foreign Direct Investments (FDI) in strategically important sectors such as real estate, aeronautics, automotive and renewable energies. According to the World Bank (2019,), the net inflow of FDI increased from close to 427 million US-Dollars in 2000 to around 3.5 billion US-Dollars in 2018. This openness continues to raise the ceiling of expectations about the quality and effectiveness of the country's legal and regulatory framework for corporate governance among other things. Tremendous interest in corporate governance also evolved when the Code of Corporate Governance was initially issued in the 2000s.

Second, the Moroccan jurisdiction adopts voluntary systems of corporate governance (Organization for Economic Cooperation and Development- OECD, 2019). Such a practice represents a special case where company disclosure of compliance with codes of governance is encouraged rather than required[1]. In a review of the quality, efficacy, and enforcement of corporate governance procedures in Morocco, the European Bank for Reconstruction and

[1] Moroccan banks are required to follow the Moroccan code of corporate governance.

Development (EBRD) rated numerous categories as weak[2] (EBRD, 2016). The report reveals the weak structure and functioning of the board, board composition, board effectiveness, transparency, disclosure, and reporting to the market and equity holders.

Third, based on the classification of Aguilera et al. (2004), legitimation rather than efficiency drives the adoption of corporate governance best practices in Morocco. The Moroccan code of corporate governance was issued by the Ministry of Economic and General Affairs, indicating that exogenous forces rather than endogenous ones drive its implementation. In addition to the above, the voluntary adoption of the code of best practices in corporate governance set the Moroccan market apart from the US and most Western European countries. In most developed markets the codes are issued by either investors' bodies or the stock exchanges or both and their enforcement is taken more seriously (Aguilera et al., 2004; Uyar et al., 2019).

Fourth, the Casablanca Stock Exchange (CSE), unlike more developed markets, has a lower level of retail ownership and turnover (OECD, 2019). Literature documents that retail traders do not commonly trade fundamental valuations of stocks and therefore can contribute to noises that impede the use of new information in the formation of prices (Barber et al., 2008; Bloomfield et al., 2009; De Long et al., 1989). Hence, we find it important to study the impact of new information release in this type of environment using an event study methodology.

Finally, we also came to realize the paucity of research on corporate governance in this specific market compared to other emerging markets within and beyond the MENA region. In a systematic literature review covering corporate governance in the MENA, Farah et al. (2021) reviewed a total of 128 articles and reported that 20 articles scrutinized Morocco

[2] The report defines the "weak" rating as "The corporate governance framework / related practices of companies may present some few elements of good practice, but overall the system is in need of reform."

among other MENA markets, and 2 articles only examined corporate governance in Morocco exclusively.

Given the preceding, we are intrigued as to how the market value of Moroccan companies varies based on their ownership structure and what factors determine this value. More precisely, the present thesis aims to examine the impact of threshold crossing disclosure on the shareholders' wealth in an emerging market from the MENA region, viz. Morocco. In this thesis, we mainly investigate the following research questions: Does block threshold crossing disclosure positively or negatively affect firm value? From an agency theory perspective and a stewardship theory and based on the monitoring hypothesis and auditing theory perspective we also investigate possible determinants of this effect.

To the best of our knowledge, this is the first event study conducted on the Moroccan market as far as this topic is concerned. We answer our research questions using the event study methodology as a first step and we regress Cumulative Abnormal Returns (CARs) generated by an event study on cross-sectional data collected for a period of fifteen years over different explanatory variables (i.e., Threshold crossed, equity of first largest shareholder, equity of the second largest shareholder, CEO duality, audit quality, and firm size) as a second step. To calculate the Abnormal Returns (ARs) and from there the CARs we exploit available data on ownership threshold crossing.

1.2 Structure of the Thesis

The structure of this dissertation is as follows:
In Chapter 2, we define corporate governance and how its definitions evolved throughout the years and with the publication of new studies. In this chapter, we also lay the theoretical background to answer our research questions. In later chapters, we pulled from the most appropriate theories to our context to build our hypothesis and interpret our results.

In Chapter 3, we highlight the uniqueness of the capital markets of the MENA Region in general and the Moroccan Market in particular. We presented the state of the art of corporate governance codes and practices in the region. This chapter aims to shed light on what motivates our research and frame its contributions.

Chapter 4 provides an extensive literature review of articles assessing the relationship between corporate governance mechanisms and firm value around the world and in the MENA region. The chapter focuses on the impact of ownership structure as the most studied mechanism in the MENA and around the world and as the main scope of our research. Our focus is also due to the lack of enforcement of best practices such as board independence, board size, inside directors and outside directors), and board committees.

In Chapter 5, based on conclusions and insights drawn from previous chapters we developed testable hypotheses to investigate the wealth effect of acquisition and sale threshold crossing in the Moroccan market over a 15-year period. In a second, step we narrow our sample to institutional traders, and we hypothesize the effect of institutional acquisition and sale threshold crossing in the Moroccan market. In the third section of Chapter 5, we develop our second set of hypotheses regarding possible determinants of CARs. For this section, we chose our variables based on prior research and on the specific characteristics of our market of interest.

Chapter 6 contains an extensive presentation of the event study methodology, its development, its design, and its various extensions. In this chapter, we further describe our sample and summarize our descriptive statistics.

Chapter 7 reports the results of the event study as well as the results of nested CAR regression analysis and presents the results of different robustness check tests. In the conclusion of this chapter, we discuss the empirical findings of our research.

Lastly, in chapter 8, we wrap up by summarizing the contributions of this work, we highlight the limitations of the study and from there we cast light on avenues to consider in future research.

2 Corporate Governance: Theoretical Background

2.1 Introduction

> *"Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined."*
>
> OECD 2015

The enormous wealth that corporations were able to amass over the course of their lengthy life enabled them to take a prominent position in every economic system of the globe. Corporations make a significant contribution to the Gross Domestic Product of different countries around the world. In the United States and the United Kingdom, corporate profits before taxes accounted for about 10%[3] and 8%[4] respectively. Certainly, the economic impact of the giant size of corporations and their big influence on the economy necessitated the incorporation of corporate governance rules into their existing structures. Morck and Steier (2005) investigated how capitalism ended up taking different forms in different corners of the globe and defined corporate governance as "decisions about how capital is allocated, both across and within firms". Under the umbrella of capitalism, the governance of corporations has either been left in the hands of professional CEOs or has been entrusted to moneyed families and governed by different types of institutions (Morck and Steier, 2005). The

[3] Source: Bureau of Statistic Analysis
[4] Source: Office for National Statistics

author's work demonstrates that several occurrences take place over the course of time, each of which plays a role in determining what happens next. In other words, similar to a decision tree, the history of corporate governance has been route dependent, resulting in the various kinds of governance that exist today (i.e., shareholder, family, state and bank governance).

Without governance rules, corporations are exposed to the risks associated with fraud, recklessness, mistakes, and self-serving behavior. Like other forms of contractual relationships, the relationship between the different stakeholders of a corporation is not rule-free. Corporate governance is the set of complex arrangements that govern this relationship (e.g., institutions, processes, policies and laws). Shleifer and Vishny (1997) define corporate governance as the mechanisms that guarantee external capital providers a return on their investments in firms managed by professional managers and entrepreneurs. More definitions -most cited- are listed in Table 2-1.

Table 2-1 Some of the most cited definitions of corporate governance

Definition	**Author**	**Year**
"ways in which the suppliers of finance to corporations assure themselves of getting a return on their investments"	Shleifer and Vishney	1997
"the mechanisms by which corporations and their managers are governed"	Holmstrom and Kaplan	2001
"decisions about how capital is allocated, both across and within firms"	Morck and Steier	2005
"A set of principles concerning the governing of companies and how these principles are disclosed or communicated externally"	Parum	2005

"is to persuade, induce, compel, and otherwise motivate corporate managers to keep the promises they make to investors"	Macey	2008
"mechanisms by which organizations are governed to create and distribute value"	Audretsch and Lehmann	2013
"Corporate governance is the system by which business corporations are directed and controlled"	OECD	2016[a]

a Proposed by the OECD in April 1999

Corporate governance is generally associated with the role of internal and external checks in protecting the interests of shareholders. The most studied governance contract is the fiduciary agreement that governs the relationship between a board of directors and the shareholders (Madhani, 2017). Other relations that exist between other stakeholders of corporations are governed by other types of contracts (e.g., property rights).

Therefore, there is a wide consensus on defining the principles of good corporate governance as best practices that aim to enhance corporate disclosure and accountability, ensure shareholders' protection, and improve the role the board of directors plays in strategically guiding the corporation and monitoring the management. These principles also aim to enhance the protection of minority shareholders and to address the principal-principal agency problem.

The three most cited international sources of corporate governance directives are the Cadbury Report on Corporate Governance (1992), the OECD Principles of Corporate Governance (1999) and the Sarbanes-Oxley Act (2001). The different reports and acts ushered in due to several domestic and international pressures. Financial markets' openness to the rest of the world, rising institutional ownership, and a slew of financial scandals have all urged the need for robust mechanisms of good corporate governance.

Moreover, as globalization continues to take hold in geographically dispersed markets, formal governance rules have known some convergence (Gordon, 2017). Every legal infrastructure, through corporation charters, statutes, bylaws and policies, sets the rules for its governance framework. Nevertheless, it bears mentioning that corporate governance is influenced, from one side, by a country's legal framework that includes securities laws, accounting laws, tax laws, contract laws, company laws and labor laws and, from another side, by other non-legal factors such as a country's business culture, traditions, history and market development (Aguilera & Jackson, 2010; Filatotchev, 2013; Isaksson, 1999). This situation suggests that one size does not fit all.

> *"One needs to understand the institutional framework in which organizations operate in order to understand the rationale for and consequences of specific corporate governance models, as well as the likelihood that specific governance reforms will be adopted and prove effective."*
>
> Globerman et al. (2010)

The convergence towards any form of international standards of corporate governance is also challenged by the rapid growth of corporations. The immeasurable increase in the scale of corporations kept widening the gap between what Prentice (1993) called "paper government" and "actual government". If we add to the above-mentioned growth differences in corporate culture, economic development and political and legal environment around the globe, the diversion Prentice (1993) referred to in the second half of the twentieth century still requires a continuous survey of the actual governance practices to review the paper one.

Researchers and practitioners unveil how corporations are governed around the globe and distinguish between three main poles of governance practices, namely, the Anglo-American model of governance, the Continental or European model, and the Japanese one. The first model is characterized by an explicit separation between ownership and management. Managers generally own small stakes in the firm they manage if any. The Anglo-American model is also known to be shareholder centered with good majority and minority shareholder

protection. Under this model institutions do not dedicate their efforts to managing the firm; they rather sell their stake in firms they judge are poorly managed (Gutiérrez & Saez Lacave, 2018). The Continental model, also known as the German model, is traditionally a two-tier board model where large shareholders, banks and employees play a big governing role. Firm governance under the Continental Model is also influenced by national interest. The Japanese model shares many features with the Continental model. Under this model, strategic fixed shareholders such as banks, large suppliers, and customers, exert considerable influence over the management of corporations. However, because of the presence of keiretsu and banks, the level of transparency in the Japanese model continues to be restricted, and information is controlled by a small number of powerful institutions.

This list of models dominates the debates on corporate governance and marginalizes an important number of countries around the globe. Today, there is a higher number of calls for more contextualized approaches to studying corporate governance in other markets (Fainshmidt et al. 2018). However, despite this need for the study of the uniqueness of these other markets that are neither full shareholder-oriented (Anglo-American model) nor stakeholder-oriented (Continental and Japanese models), a good understanding of the theoretical frameworks to which they belong is crucial.

2.2 Theoretical Framework

The purpose of this section is not to conduct a comprehensive literature assessment of the theoretical framework of governance theories; rather, it is to identify ideas that are most likely to offer the theoretical foundation and underlying logic for our research and to explain our empirical findings.

2.2.1 Theory I: Agency Theory

Several corporate financial failures of the twentieth and twenty-first century could be ascribed to agency problems. However, concerns about the separation of ownership and control have their intellectual origins in the writings of Adam Smith, the father of modern capitalism. Adam Smith's examination of the sources of the wealth of nations was revolutionary in its description of the problems that may arise in the governance of Joint-Stock:

> *"The directors of such companies, however, being the managers rather of other people's money than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own. Like the stewards of a rich man, they are apt to consider attention to small matters as not for their master's honour, and very easily give themselves a dispensation from having it. Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company."*
>
> Adam Smith (1776)

Centuries later, Berle and Means (1932) set the theoretical underpinning for agency theory. An agency relationship exists between two parties where one is representing or acting on behalf of the other (e.g., government and governed relationship) (Ross 1973). Based on empirical research on property rights, Jensen and Meckling (1976), in a similar way, define an agency relationship as a contract governing the interaction between a principal and an agent. Jensen and Meckling (1976), in their early publications on agency theory, point out that most previous work on firm theory was market driven rather than firm driven. For several decades and with few exceptions, firm theory dealt with the firm as a "black box".

According to agency theory, managers' (agents') performance is motivated by interests that are not always aligned with those of shareholders (principals). Due to the separation of

ownership and control, the principal has incentives to incur agency costs to reconcile their competing interests with those of the agent. Agents in this form of business organization prefer to allocate firm resources to investments that best suit their skills, make them hard to replace and allow them to improve their remuneration (Shleifer and Vishny, 1989). On the other hand, the ultimate goal of the principal remains to maximize value. According to Fama and Jensen (1983), the agent manages the decision process while the principal is the "residual claimant" that bears the wealth effects of those decisions.

Jensen and Meckling (1976) put agency costs under one of three separate groups (i.e., monitoring costs, bonding costs, and residual loss). Monitoring cost are costs borne by the principal as she/he undertakes actions to observe, measure and control the agent. Bonding costs go in the opposite direction of monitoring costs. They are incurred by the agent and emerge as the latter struggles to operate in a way that aligns their decisions with the principal's interest. Because neither monitoring costs nor bonding costs could guarantee a full alignment of principal and agent interest, a third type of agency costs, viz. residual costs, continue to exist (Jensen & Meckling, 1976).

A large spectrum of academic disciplines tackled issues related to agency theory. In finance and economics, what comes as the most cited articles in agency theory are articles by Fama (1980), Fama and Jensen (1983), Jensen (1986), Jensen and Meckling (1976) and Ross (1973). Investigations on the topic expanded then to include other disciplines such as accounting, management, organizational psychology, law and Marketing (e.g., Bergen et al., 1992; Christen et al., 2006; Lan & Heracleous, 2010; Tosi & Gomez-Mejia, 1989; Watts & Zimmerman, 1983).

Agency theory continues to be the framework for a series of research work on corporate governance (Irawati et al., 2019). The major aim of this stream of research is to find best practices to ensure the agent continuously works to the best interest of the principal (Shahid & Abbas, 2019). A noticeably large number of empirical studies have cast light on governance mechanisms they argue are good alleviations of agency problems. As we argue

later in this thesis, ownership concentration is such a mechanism and institutional ownership is another. However, empirical studies often reached contradicting findings that suggest not to paint all environments with the same brush (Irawati et al., 2019).

This lack of unanimity led to criticism from scholars and practitioners who view the main agent dilemma through distinct lenses. Agency theory is mainly controversial for blindly assuming that cunning intelligence and opportunism are two built-in characteristics of humans (Perrow, 1986). Perrow (1986), like many other researchers, criticizes the theory for assuming that Man pursues nothing but self-interest and is prone to cheat whenever possible and for failing to contextualize Man's behavior. Pulling from March and Simon (1958)'s work "Organizations", Perrow (1986) criticizes agency theory, also, for failing to capture the limitedness of Man's rationality as defined in economics.

It also is important to talk about agency theory in comparison to transaction cost theory as the latter is viewed as a variant of the former. To a great degree, transaction cost theory and Agency theory deal with the same type of problems (Oviatt, 1988). Both theories deal with the idea that cost arises when an entity or an individual gets someone to do something for them. The main difference between the two theories is the focus; the focus of agency theory is agency relationships while the focus in transaction cost theory is the transaction. Consequently, the two theories differ both in the way they look at the opportunistic behavior of the agent and defend different interests at the organization. In fact, agency theory is mainly known for looking at the impact of the opportunistic behavior of the agent on shareholders' wealth while transaction cost theory looks at the impact of the transactions undertaken by the agent on the optimal form of organization and economic efficiency achievement (Jensen & Meckling, 1976; Kochhar, 1996; Williamson, 1979)

2.2.2 Theory II: Stewardship Theory

> *"the behavior of the steward is collective, because the steward seeks to attain the objectives of the organization (e.g., sales growth or profitability). This behavior in turn will benefit principals such as outside owners (through positive effects of profits on dividends and share prices) and also principals who are managerial superordinates, because their objectives are furthered by the steward. Stewardship theorists assume a strong relationship between the success of the organization and the principal's satisfaction. A steward protects and maximizes shareholders' wealth through firm performance, because, by so doing, the steward's utility functions are maximized."*
>
> Davis, Schoorman & Donaldson (1997)

Stewardship theory has its origins in the psychological and sociological approaches to governance. Stewardship theorists accuse agency theory of tending to uncritically assume the rationality of humans or the homo-economicus model of individuals. The agent under the economic figurative model is often an unprincipled individual and a self-serving manager that stewardship theory depicts rather as a pro-organizational and honest individual (Davis et al., 1997). The model of Man, stewardship theory is based on, is an individual motivated by collective benefit. By working for the organization's interest, the steward is working for the principal's interest.

Stewardship theory cautions against the homo-economicus assumption that, under all circumstances, the decisions and actions of the agent depart from actions and decisions that are in the principal's interest. According to the work of Herzberg et al. (1959), McClelland (1961) and Donaldson and Davis (1991) organizational psychology and organizational sociology introduce a different model of agents. The alternative model describes the steward as an individual whose actions are motivated by exercising responsibility and authority and whose self-worth and self-esteem are linked to corporate high performance (Tuấn, 2021).

By adopting stewardship, a firm is more likely to promote all that agency theory forbids. Stewards would be better leaders for their firms if they hold both the CEO and the chairman positions. From a stewardship theory lenses, a board of directors is more likely to exhibit a deep commitment to the success of the firm if most of its members are in-house members (Flynn, 2018). According to stewardship theorists, this empowerment of the CEO provides an important unity of direction and serve all stakeholder interests (e.g., interests of shareholders, executives and employees).

According to Davis et al. (1997) the success of stewardship lies in the readiness of the principal acceptance to take the risk by handing in their wealth to the agent. According to the authors, application of agency theory directive will most likely prevail if the owner views the agent as self-serving. However, stewardship theory prescriptions will most likely be adopted in environment where the steward is motivated by higher order needs and by intrinsic factors, when he or she manifest a high organizational identification and when he or she uses personal power to influence others (Davis et al., 1997). The theory also promotes the important role inside directors (current and prior executives) in enhancing the performance of their organizations (Madhani, 2017).

Stewardship theory is however criticized for simplifying its model of man and for being unrealistic. Stewards conscientiously carry out their duties to the best interest of the owners. This image of the manager and the theory underpinning it lack strong empirical evidence. Moreover, even existing research presents conflicting evidence and lacks robustness (Menyah, 2013). The theory is likewise accused of generating modest governance performance compared to agency theory (Menyah, 2013).

2.2.3 Theory III: Stakeholder Theory

The term stakeholder refers to individuals or groups of individuals that, based on accepted practices and principles, have a claim over the firm. Stakeholders are alternatively defined as those individuals or entities whose decisions and actions affect an organization or those that are affected by an organization's decisions or actions (Freeman, 1984). A list of stakeholder includes, but is not limited to, government, employees, suppliers, customers, communities and of course shareholders. Managers under the stakeholder theory are fiduciaries to the institution they work for with its different constituents (Dodd, 1932). In fact, contrary to rival theories of governance, stakeholder theory promotes the idea that firms' responsibility goes beyond serving the interest of its own shareholders. Donaldson and Preston (1995) put forward the following premises to describe the different aspects of and approaches to the stakeholder theory:

1. *A descriptive theory*: Stakeholder theory is built on a descriptive model that describes the corporation as a nexus of players (i.e., stakeholders) with both mutual and emulous interests. In literature, the theory has been used for instance to describe the nature of the firm, how managers approach the management of the firm and stakeholder orientation of different board members (Brenner & Cochran, 1991; Brenner & Molander, 1977; Wang & Dewhirst, 1992).

2. *An instrumental theory*: Citrus paribus, firms operating with the objective of serving the interest of stakeholders tend to satisfy the interests of shareholders (e.g., profit maximizations and growth). By using empirical data, the theory uncovers the link between the management of stakeholders' interests and the achievement of the goals of the organization.

3. *A normative theory*: Stakeholder theory is based on the following evaluative ideas: (i) the word stakeholder include individuals or group of individuals with interests in the corporations and this relationship is not necessarily mutual (ii) The interest of an individual or group of individuals in the constellation of stakeholders is considered separately from the

rest elements of the constellation of stakeholders. This approach to stakeholder theory sets the moral and ethical guidelines to lead the actions of an organization.

4. *A managerial theory*: Stakeholder theory promotes the establishment of structures, policies practices, decision-making processes that do not prioritize the interest of shareholders at the expense of other stakeholders. Within this managerial context, it is also important to recognize the role stakeholders, beyond managers and owners, play in the governance and control of corporations and in shaping the organizational structure and setting attitudes, policies, practices and processes.

It was, however, noted by the authors that much of the existing literature on stakeholder theory is normative with a poor examination of the normative principles used. In a survey of the main problems of the normative stakeholder theory, Hendry (2001) argues for the importance of normative stakeholder theorists to develop a less demanding stakeholder theory "which address the responsibilities of managers within the existing legal and institutional framework […] the more demanding versions of normative stakeholder theory present us with valuable ideals and suggest new and attractive ways in which we might in theory structure our society. But they stretch our credibility beyond the limit […]. They also fail completely to engage with the practical legal and political debate."

An important portion of literature that tackles corporate governance from a stakeholder theory perspective, deals with the role of the board of directors as a coordinator (Freeman, 1984; Wang & Dewhirst, 1992; Hung, 1998). The "stakeholder approach to the role of governing boards" calls for a wider representation of stakeholders in the boards (Hung, 1998). Hung (1998) analyses the role of the board of directors from different schools of thoughts (e.g., Stakeholder theory, agency theory, resource dependency theory) and argues that corporations are more likely to serve the general interest if they adopt a "stakeholder approach to the role of governing board".

However, it is important to note that stakeholder theory is viewed as an alternative theory that is inherently flawed and unable to improve company conduct, corporate governance, or

performance (Sternberg, 2019). Stakeholder theory, which undermines both private property and accountability, is fundamentally incompatible with all substantive goals (Sternberg, 2019).

2.2.4 Theory VI: Resource Dependence Theory

> *"to understand the behavior of an organization you must understand the context of that behavior—that is, the ecology of the organization [..] Organizations are inescapably bound up with the conditions of their environment."*
>
> Pfeffer and Salancik (1978)

In the literature, Jeffrey Pfeffer and Gerald Salancik are recognized as the fathers of Resource Dependence Theory. In 1978 the coauthors introduced the theoretical foundation for the resource dependence theory upon which another theoretical view of governance has been built. In their, back then, novel proposition Pfeffer and Salancik (1978) posited that when an organization chooses someone as a member of its board, it wants that person to work for the interest of the organization, be concerned about its problems, invariably present it to others, and strive to help it.

In governance resource dependence theory emphasizes the role a board of directors plays as a facilitator of access to outside resources and managing the dependence of the firm on other organizations in its environment. Board role is the most researched area in resource dependence theory (Hillman et al., 2009). Directors wear different hats and occupy other positions besides their activities in the boardroom of one or more corporations. The diversity of profiles in a board room enriches a corporation's exposure to useful resources such as information, skills and network. Therefore, among the important functions of the board is to provide the firm they lead with a considerable set of resources (Nicholson & Kiel, 2007).

According to Hillman et al. (2009), following the publication of a taxonomy of director role in resource dependence theory proposed by Hillman et al. (2000), literature has benefited from work that matches different types of directors and different types of environments. Drawing from the resource dependence theory, Hillman and her collaborators classified directors into "business experts", "support specialists" and "community influentials".

In 2018 resource dependence theory celebrated its fortieth anniversary; a short history compared to agency theory. However, it is, very often, argued in literature that despite its modest role in studying board of directors' role in governance compared to agency theory, resource dependence theory has been a better approach to examine that role (Hillman et al., 2009; Johnson et al., 1996; Zahra & Pearce, 1989).

2.3 Conclusion

The literature review of corporate governance conducted by Marie L'Huillier, (2014) demonstrated that ninety percent of the articles published on the topic between 1985 and 2012 assumed a common understanding of corporate governance and failed to provide a theoretical context. It is, therefore, very incorrect to talk about a one single definition of "corporate governance". The different shades of the definition are dependent on the theory an author pulls from (Turnbull, 1997). It can, however, be said that Agency theory framework has been the reference for most of the early work on corporate governance (Grundei, 2008; Scafarto et al., 2017). Today, agency theory and stewardship theory continue to be the two extreme poles of corporate governance theories continuum that focused on the challenges stemming from the split of ownership and control (Cullen et al., 2006; Desender et al., 2013; Duru et al., 2016). Davis et al. (1997) provide a useful summary of the main differences between these two poles. Table 2.2 reproduces these main differences.

Table 2-2 Comparison of Agency Theory and Stewardship Theory

	Agency Theory	**Stewardship Theory**

Model of Man	Economic man	Self-actualizing man
Behavior	Self-serving	Collective serving
Psychological Mechanisms		
Motivation	Lower order/economic needs (physiological, security, economic)	Higher order needs (growth, achievement, self-actualization)
	Extrinsic	Intrinsic
Social Comparison	Other managers	Principal
	Low value commitment	High value commitment
	Institutional (legitimate, coercive, reward)	Personal (expert, referent)
Situational Mechanisms		
Management Philosophy	Control Oriented	Involvement oriented
Risk orientation	Control mechanisms	Trust
Time frame	Short term	Long term
Objective	Cost control	Performance Enhancement
Cultural Differences	Individualism	Collectivism
	HI power distance	Low power distance

Note: Reprinted from Davis et al. (1997).

In their pure versions, the two rival approaches to governance are very often criticized for failing to stop the misconduct and opportunistic behavior of the agent. Research findings in the two theories of governance resulted in mixed conclusions about the efficiency of their systems of mechanisms in bringing the interests of the principal and the agent or steward into alignment. For example, Scafarto et al. (2017) base their argument on recent research to posit that the efficiency of specific governance mechanisms may be influenced by their coexistence with other governance mechanisms or the context in which they operate. This premise finds support in the contingency argument that provides an explanation to the lack of inclusiveness in findings of existing investigations in corporate governance (Aguilera et al., 2008, Zattoni et al., 2017; Tuấn, 2021).

It is, however, important to note that agency theory remains more dominant among scholars and practitioners. According to a systematic literature review by Farah et al. (2021) over 50% of the publications on corporate governance in the MENA region pull from the agency theory.

In sub-chapter 5.2 we draw from agency theory's focus on principle-agent problem to investigate the impact of an equity acquisition and sale involving a threshold-crossing of 5% or more on firm wealth. In sub-chapter 5.3.1, we pull from both the agency theory and the stewardship theory to investigate the relationship between ownership concentration in general, ownership of the largest equity holder and ownership of the second largest equity, and Cumulative Abnormal Returns (CARs) around the threshold-crossing announcement day. In addition to the two for mentioned theories we also pull from the resource dependance theory to investigate the relationship between CEO duality and the CARs. Finally, in sub-chapter 5.3.2, Insurance hypothesis and lending credibility hypothesis are used to posit our hypothesis on the relationship between audit quality and CARs.

3 MENA Region Financial Markets and Codes of Corporate Governance

3.1 Introduction

There is no consensus as to the exact number of countries to include in the list of MENA region. The World Bank (2019) recognizes 19 nations as members of the region. The International Monetary Fund (IMF), on the other hand recognizes 21 countries as members of this country group. As we will be describing the state of the art of corporate governance in the region, we will be using the World Bank (2019) as a reference of our list of MENA region countries (see Table 3-1). However, it is important to note that other international organizations (e.g., OECD and EBRD), that regularly survey and publish reports on corporate governance practices in the region, include a lesser number of MENA countries in their studies. Few countries from the MENA Region (e.g., Djibouti and Mauritania) escape the radar of researchers and practitioners due to the difficulty in accessing country related data.

The opaque intergovernmental and political relations in the MENA region make the integration of its economies a very complex process. According to the World Bank, The MENA region is the least integrated region in the world ("Middle East and North Africa," 2019) (http://www.worldbank.org/en/region/mena/overview#2 Accessed Feb 9, 2019). Especially when compared to neighboring high-income blocks. It is hardly possible to talk about a continuous form of cooperation or interdependence among the countries of the region. Economic forms of cooperation were limited to trade initiatives such as the Pan-Arab Free Trade Area and the Gulf Cooperation Council Low Trade Tariffs.

Regionally and internationally driven efforts to create a sustainable interconnection among MENA countries were not enough to reduce inter and intra-country economic disparity nor to create stronger institutions. This environment unsurprisingly spills over to the region's capital markets. In a study of the three main regions of the MENA, namely, Gulf Cooperation Council (GCC) countries, Levant and North Africa, Alkulaib et al. (2009) found that there are linkages between stock markets of the Levant region and stronger interactions and linkages between GCC markets. The authors, however, found no causality or spillover among markets of North Africa.

3.2 MENA Capital Markets

Some stock exchanges of the MENA region have longer history than others (Table 3-1). Egypt was the first country in the region to establish a stock exchange in 1883 followed by Lebanon and Morocco three and four decades later, respectively. The shorter history of other MENA stock exchanges, i.e., Gulf Cooperation Council countries, did not keep them behind. Currently, the three biggest markets in terms of capitalization are all GCC countries. The Saudi market is the largest by market capitalization and volume of trade. Most of the older institutions have grown slower, remain illiquid and hardly attract any foreign investors.

State ownership is another characteristic that most MENA market exchanges share. The lack of market integration in the MENA Region is attributed by practitioners to this type of bourses' ownership. This phenomenon deprives the MENA markets from the advantages that come with the economies scale of integration (OECD, 2012). Both intra-region markets linkages and linkages with markets from other regions remain very week (World Bank, 2011).

Table 3-1 Establishment of MENA Stock Exchanges

Country	Stock Exchange	Date of Establishment
Algeria	Algiers Stock Exchange	1993
Bahrain	Bahrain Bourse	1987
Djibouti	N/A	N/A
Egypt	The Egyptian Exchange	1883
Iran	Tehran Stock Exchange	1967
Iraq	Iraq Stock Exchange	2004
Jordan	Amman Stock Exchange	1999
Kuwait	Kuwait Stock Exchange	1984
Lebanon	Beirut Stock Exchange	1920
Libya	Libyan Stock Market	2007
Morocco	Casablanca Stock Exchange	1929
Oman	Muscat Securities Market	1988
Palestinian National Authority	Palestine Exchange	1995
Qatar	Qatar Stock Exchange	1997
Saudi Arabia	Tadawul	1984
Syria	Damascus Securities Exchange	2009
Tunisia	Bourse de Tunis	1969
UAE	Dubai Financial Market	2000
UAE	Abu Dhabi Securities Exchange	2000
UAE	Nasdaq Dubai	2005

Annual data released by the World Bank shows that countries of the region have achieved differed levels of development (Table 3-2). The ratio of market capitalization to GDP in 2017 ranged for 19.78% in the oldest market of the region, i.e., Egypt, to 78.24% in one of the newcomers, i.e., Qatar. Overall, markets of the Gulf Cooperation Council countries are more active and more liquid than other markets of the region. In the beginning of the century, the Egyptian, Jordanian and Moroccan markets were characterized by a robust

expansion and appeared along with other non-Arab MENA markets to be the region's most developed stock exchanges (Lagoarde-Segot & Lucey, 2008). Between 2005 and 2017 the number of listed companies decreased from over 700 to less than 300 and from 200 to 194 in Egypt and Jordan respectively. In Morocco despite an increase in the number of listed companies, the value traded decreased by about 50% between 2005 and 2017.

Market inefficiency is a generally accepted characteristic in emerging markets. Trade volumes are relatively thin in most MENA countries and liquidity remains a challenge for markets participants. According to Abdmoulah (2010) and Harrison and Moore (2012), changes to the market that occurred in the region during the first decade of this century had very little impact on the overall efficiency and performance of the market. The outcomes of both investigations indicated an ongoing need for the implementation of more reforms to strengthen institutional structures and enhance disclosure standards.

Many efforts were deployed by countries of the region towards the privatization of its big profit-making firms. Up to today, this journey of privatization is anything but complete and fails to make the big steps similar processes have taken in other developing countries (Nheri, 2014). In a study of post-privatization performance of 75 firms from Morocco, Egypt and Tunisia, Nheri (2014) documented that privatization played a better role in enhancing firm efficiency in environments with higher level of financial liberalization and foreign participation and a lower level of government intervention in the economy.

Table 3-2 MENA Markets: Market Capitalization and Turnover

Country	**Market capitalization (% GDP)**		**Number of firms listed**		**Market Cap (million US$)**		**Volume (Million US$)**		**Turnover**	
	2005	**2017**	**2005**	**2017**	**2005**	**2017**	**2005**	**2017**	**2005**	**2017**
Algeria	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bahrain	108.74	61.48	40	42	17,364.82	21,706.18	702.29	562.99	4%	3%
Egypt		19.78	744	252		46,546.10		14,428.82		31%

Iran	16.09		408	326	36,440.22	108,634.72	7,197.88	11,741.67	20%	11%
Iraq		-								
Israel	86.04	65.85	579	431	122,577.93	231,048.76	42,441.08	69,037.75	35%	30%
Jordan	96.16	59.82	201	194		23,968.56	23,815.60	2,334.52		10%
Kuwait		-	147		103,720.26		92,368.28		89%	
Lebanon	22.38	21.45	11	10	4,809.84	11,491.77	902.10	609.98	19%	5%
Libya		-								
Morocco		61.11	54	73		67,048.48	7,890.60	4,227.43		6%
Oman	49.12	29.32	235	112	15,268.93	21,298.88	3,654.22	2,385.83	24%	11%
Palestinian National Authority	65.43	26.84	28	48	3,161.51	3,891.49	942.80	469.06	30%	12%
Qatar		78.24		45		130,610.06		18,330.18		14%
Saudi Arabia		64.73	77	188		451,378.84	1,103,534.5	218,380.62		48%
Syria		-								
Tunisia	8.73	22.33	45	81	2,816.49	8,922.59				0%
UAE		62.57		127		239,387.43		43,036.01		18%
MENA		51.65	2583	1952		1,371,105.05		385,650.31		28%
MENA (excluding high income)		28.56		984		270,503.71				0%

Source: World Bank

The unique characteristics of MENA stock markets raise an important question on the role they play in corporate governance practices. In the report of the OECD (2009), an examination of the contribution of MENA exchanges to the enhancement of corporate governance practices in the region, revealed the positive impact of the stock markets both as an issuer of listing and disclosure standards and a monitor of listed firms' compliance with them. A second survey by the same organization, in 2012, highlighted however, the limited role MENA bourses play in the implementation and monitoring of listed firms' compliance

with corporate governance codes. With the exception of the Muscat Securities Market, it is the responsibility of each country's Capital Market Authority (CMA) to oversee the level to which listed firms' practices comply with their national regulations and guidelines (OECD, 2012).

3.3 Codes of Corporate Governance

With the beginning of the 21 Century, MENA region countries knew a wave of corporate governance awareness. The necessity for change was fueled by the need to develop the financial markets of the region, and to decrease the pressure faced by banks as the main funders of corporations. Good corporate governance practices were required to build the confidence investors needed to help the economic systems of the region in channeling their resources toward value generating uses.

Management and major shareholders are not an exception in the disclosure-averse culture of the region (Koldertsova, 2011). However, the international market clashes of the first decade of the century did not leave MENA markets' policy makers and institutions indifferent. The international wave of reforms pressured the region to set forth their corporate governance rules (e.g., financial disclosure, accountability, board role, shareholder rights). It was crucial for the region to take this step to attract foreign investments, enhance the efficiency of capital markets, improve firm performance and promote an economic growth (Al-Janadi et al., 2013).

Many codes of corporate governance were issued in the past two decades (Table 3-3). The released guidelines and codes were the result of collaborative efforts. In general, the OECD principles of good corporate governance were utilized as a guide to design the earliest editions of the codes in the region. In addition, active stakeholders (e.g., firms, investors,

business associations) helped in developing policies aiming to improve existing governance practices (OECD 2005).

Significantly, the codes developed by the region's leading countries were basically comparable. The nascent codes of the 2000s grew into more articulated codes in the second half of the current decade. The language used in drafting the codes swing between a language of enforcement and the obligation for conformity and a language that allows for transgressions (Table 3-3). It took few years for some of the recommended principles in countries like Egypt to make their way to the legal framework (Koldertsova, 2011). Other countries are still struggling to encourage their publicly traded firms to adopt good governance practices.

Regarding corporate governance, what currently creates the difference between the situation in MENA countries is the extent to which the rules are enforced. The lack of transparency, disclosure, and information availability has impeded the advancement of research on themes linked to the implementation of corporate governance rules in the region. The power of the MENA stock exchanges in enforcing and promoting good practices of corporate governance remains very limited (Amico 2014) and the degree of voluntary compliance with and disclosure of best practices of corporate governance among MENA listed enterprises is low and varies greatly amongst firms (Sarhan & Ntim, 2018). Capital market authorities play a much more important role in overseeing regulations related to the governance of listed firms. However, according to Amico (2014) most capital market authorities of the region depend in funding their activities on state organizations (e.g., ministry of finance), and therefore luck the motivation to generate revenues via market fees and enforcing activities.

Table 3-3 MENA's Codes of Corporate governance

	Applied to	**Corporate Governance Model[1]**	**Compliance[2]**
Algeria	All type of companies with the exception of all state owner companies	Anglo-American & continental	Encouraged to comply

Bahrain	all joint stock companies	Anglo-American & continental	Comply or explain
Djibouti	N/A	N/A	N/A
Egypt	All type of companies in the Arab republic of Egypt	Anglo-American	Comply or explain
Iraq 1	N/A	N/A	N/A
Jordan	shareholding companies listed at Amman Stock Exchange	Anglo-American & continental	Comply or explain
Kuwait	Companies Regulated by Capital Markets Authority	Anglo-American & Sharia Law	Comply
Lebanon	Joint Stock Companies	Anglo-American & continental	Encouraged to comply
Libya	Joint Stock Companies	Continental	Encouraged to comply
Mauritania	N/A	Continental	N/A
Morocco	Listed Companies	Anglo-American & continental	Encouraged to comply
Oman	all public joint stock companies	Anglo-American	Comply
Palestinian National Authority	Listed Companies	N/A	Comply
Qatar	Companies Regulated by Capital Markets Authority	Anglo-American	Comply
Saudi Arabia	Listed Companies	Anglo-American & continental	Comply
Syria	N/A	N/A	N/A
Tunisia	All type of companies	Continental	Encouraged to comply
UAE	All public joint stock companies	Anglo-American	Comply
Yemen	FOEs	Anglo-American & continental	Encouraged to comply

1 Farah et al. (2021)

2 Nadal 2013, OECD 2019 and other internet sources

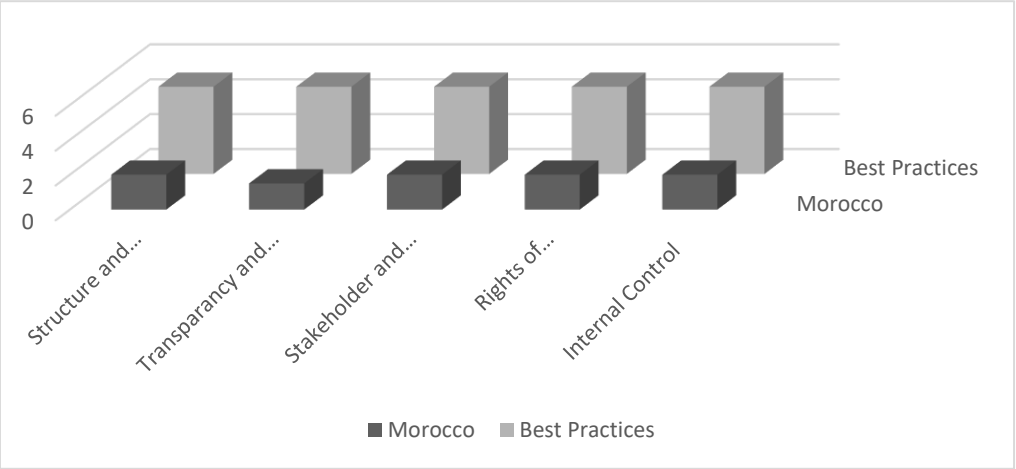
3.4 Corporate governance in Morocco – State-of-the-Art

In Morocco, French protectorate (1912-1956) had a remarkable impact on the future of its economy and left the country with the French language as its language for business. In many aspects and with delays, the Moroccan financial market, and the Moroccan Authority of Financial Markets (AMMC) mimicked their French counterpart. The legislation governing corporate governance is majorly embedded in the texts of Morocco's Investment Charter, Commercial Code and other laws governing different types of business organizations.

The Moroccan Code of Corporate Governance (MCCG) came in response to a wave of legal reforms. The MCCG was drafted in accordance with the principles of the OECD. To corporations, the MCCG is presented as a set of principles that they are recommended but not legally bound to adopt. In practice, according to the assessment report prepared by the EBRD (2016) the MCCG is seldom used by Moroccan corporations as a reference.

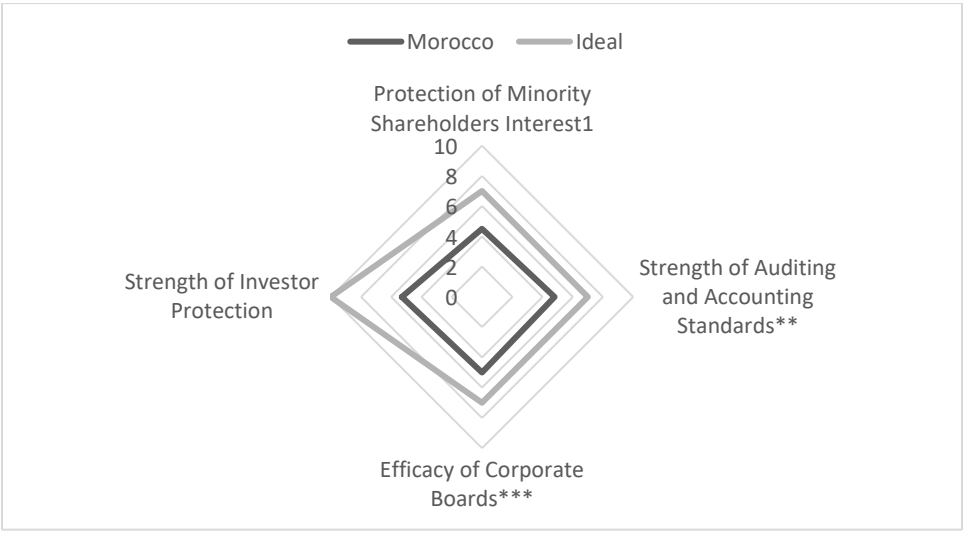
Mapped against standards contained in best international practices (i.e., (1) composition and performance of the board (2) corporate disclosure and transparency (3) shareholders' right and (4) internal control) the state of art in Moroccan corporate governance is generally weak (see Figure 3.1). A survey administered by the World Economic Forum in 2017 and that knew the participation of 89 business leaders in the country, corroborate the above findings (see Figure 3.2). Rigar and Solhi (2008) believe the problem with corporate governance in Morocco are not the principles as stipulated in the MCCG but rather their adoption by firms. The EBRD (2016) also highlighted the absence of a legal body responsible for the enforcement of the good practices of governance among listed firms.

Figure 3.1 A mapping of Corporate Governance Practices in Morocco Against International Standards



Key: (Weakest)Very weak: 1 / Weak: 2 / Fair: 3 / Moderately Strong: 4 / Strong to Very Strong: 5 (Ideal)
Source: EBRD, Corporate Governance Assessment 2016

Figure 3.2 Corporate Governance related Findings of the Global Competitiveness Report 2017-2018



**Based on executive opinion survey question "In your country, to what extent are the interests of minority shareholders protected by the legal system?"*
*** Based on executive opinion survey question "In your country, how strong are financial auditing and reporting standards?"*
**** Based on executive opinion survey question "In your country, to what extent is management accountable to investors and boards of directors?"*
Source: World Economic Forum, The Global Competitiveness Report 2017-2018

In Morocco, the main regulator of corporate governance is the Financial Market Authority (AMMC). At the AMMC, the ruling body of corporate governance is the board of directors. The president of the latter is appointed by royal decree, one of its members represent the central bank and another two members represent the administration of the authority. The National Corporate Governance Commission is a consultative ad-hoc commission in charge of the custodianship of national corporate governance code and principles. Within this framework listed firms are encouraged to "comply or explain" but none of the national and international surveys of corporate governance reports that a company has volunteered so far to explain their deviation from the recommendations of the MCCG.

As far as board of directors is concerned, the current legislation grants Moroccan corporations the flexibility to select between a one-tier and a two-tier board structure. In terms of composition, a significant reform to Law No. 17-95 was made through Law No. 20-19. The law entered into force in April 2019 gave listed companies in Morocco a period of one year to appoint at least one independent director. On the other hand, according to the Moroccan Law the number of non-executive members should exceed 50% of the total number of board members. The total number of directors can go from a minimum of three members to a maximum of 15 members, all of which being shareholders including people and legal entities. It is, however, important to note that laws imposed on banks are often different from those ruling the governance of other corporations.

Assessments of Morocco's progress in complying with the good practices of corporate governance have mainly been conducted by international institutions (i.e., World Bank, EBRD).

At the National level, the Moroccan Institute of Directors (IMA) gets credit for few reports summarizing the achievements and challenges of the country in corporate governance. In comparison to other markets that are further along in their development, the contribution of the IMA to the assessment of corporate governance adoption in the country remains quite modest.

As we develop our hypotheses in chapter 5, we refer to the following findings from the EBRD (2016) assessment of governance in Moroccan listed companies:

- All board members are by law required to be owners and most companies' by-laws, limit this ownership to a small number of shares.
- Except for banks, board independence is not required by law during the period under consideration. The ten largest listed corporations do not report having board members who are independent, nor state a clear definition for independence.
- The narrow disclosure board committees' work limits the clarity of their strategic role in the companies.
- Though not recommended by the MCCG, duality is allowed by law.
- The authority to approve company strategy is not explicitly delegated to the board by the laws in place.

These characteristics are obviously not in alignment with best practices followed in more developed markets such as the United States and the United Kingdom. They may also weaken the importance boards play in the monitoring of management and could increase the demand for what could be good substitutes for effective board structures, committees, and functions in dealing with the agency problem.

3.5 Conclusion

The purpose of this chapter was to provide an overview, in general, of the capital markets in the MENA area and, more specifically, of the Moroccan market. In this chapter we also aimed to give insights on corporate governance in Morocco and the region. The MENA region has commonalities across its countries that are absent in other emerging markets, as well as distinctive institutional characteristics that have a direct impact on how its markets deal with corporate governance. MENA region's states interfere directly (e.g., through direct ownership) or at least indirectly in the regulations that govern its private sector (e.g., capital

provision and appointment of politicians in director and executive positions within firms) (Fainshmidt et al. 2018). This allows for states' direct meddling in the governance of the corporations of the region. The direct and indirect intervention governments exercise in emerging markets also reenforces the idea that "privatization" in the absence or slow accompanying legal reforms is not enough to improve the governance of the firm in these markets (Pargendler 2016)

In Morocco, efforts deployed towards the improvement of corporate governance practices are state-initiated and led. In the US and most European countries, the codes are produced by either investor bodies and networks, bourses or both (Aguilera & Cuervo-Cazurra, 2004; Uyar et al., 2019). The MCCG is issued by the Moroccan Ministry of Economic and General Affairs, demonstrating that exogenous forces rather than endogenous ones promote the implementation of good corporate governance standards in the market. According to the work of Aguilera and Cuervo-Cazurra's (2004) we can theoretically distinguish between (i) countries that adopted corporate governance codes to compete in attracting foreign capital in growing global corporate governance practices- legitimacy theory and (ii) countries where corporate governance code development was triggered by shareholders- efficiency theory. By referring to the two theoretical and to prior work of Tolbert and Zucker (1983) the authors argue that when legitimacy underlies the adoption of corporate governance, little importance is given to the efficiency and effectiveness of the adopted practices.

This theoretical context could be a good explanation for the observed misalignment between governance practices and the quality of the MCCG's directives. The assessment conducted by the EBRD in 2016 reports that corporations are not required to comply with the MCCG under the listing requirements, and companies do not appear to take the MCCG's directives seriously in practice. Moreover, ambiguity surrounds the identity of the regulatory body in charge of overseeing the implementation of and the adherence to the recommendations and the rule of the MCCG (EBRD, 2016).

Moroccan corporations' board composition and functioning has repeatedly been reported as weak when compared to best practices (EBRD, 2016). According to the same report none of the biggest ten listed companies has ever reported the existence of independent members on their boards.

By law, all board members of firms listed in the CSE are required to be shareholders. The number of stocks in the hands of directors are determined in the articles of association of a firm. In practice, most companies in Morocco require that board members own a low number of shares (EBRD,2016). This phenomenon increases the chances of minority shareholders' representative in the board of directors while it shrinks the importance the system gives to the presence of non-executive, independent, diverse and qualified board members. Therefore, we expect even the smallest threshold crossed (i.e., 5%) to impact the market.

Within the environment described above, it is also important to note that, shareholders with equity holdings of 5% can participate in the nomination of new members of the board as they suggest agenda items to the general stockholders' meetings. This threshold is relatively high when compared to other developed markets where there is no threshold requirement (e.g., US and Germany). With 10% holdings, larger stockholders are eligible to call for general meetings (EBRD, 2016). This value is again relatively high when compared to the 5% requirement under other jurisdictions (e.g UK).

The special characteristics summarized in this chapter make an investigation of the wealth effect of a threshold crossing of at least 5% by an investor in a Moroccan firm interesting and enriching to the continuing debate on the effectiveness of concentrated ownership as a governance mechanism under different jurisdictions. Yet in the absence of a serious enforcement of good practices as far as the board of directors, independence, committees' functions and composition we limit our list of the mechanisms of corporate governance to:

1. ownership concentration, a phenomenon that is empirically expected to substitute for weak board structure.

2. CEO duality, a very common practice in Moroccan boards.

3. Auditor quality given the importance the Moroccan jurisdiction gives to this function (i.e., two independent auditors are required to review the quality of Moroccan listed financial statements).

4 Literature

4.1 Introduction

Several studies have reached equivocal findings on the effectiveness of internal mechanisms of governance such as ownership structure, board structure and composition and CEO duality in enhancing firm performance, transparency practices and cost of capital among other things. On another line of literature, the subject matter has been to find the relationship between or the impact of external governance mechanisms such as, legal environment, choice of auditor and bank monitoring on different measures of performance. A relatively newer strand of research investigated how internal mechanisms and external counterparts work together.

At the international level, it has been quite frequently demonstrated that good external governance mechanisms reduce the requirement for firm governance mechanisms to foster the development of firms and economies. But would the same be true in a region where public institutions do not have a high level of credibility, where minority shareholders protection is weak and where most political regimes barely allow any pro-economic growth reforms (Ayres & Macey, 2005)?

In corporate governance regimes, a traditional distinction exists between the "outsider" and the "insider" systems of governance. The "outsider" system is characterized by a relatively low concentration of ownership and therefore, constitutes a suitable ground for a regime that promotes minority shareholders protection and a good corporate disclosure (OECD, 1999). Whereas the "insider" system is characterized by higher levels of ownership concentration and an important role of banks in financing firms. The latter system of governance gives an incentive to blockholders to monitor management and very often changes the problem of

company governance from a principle-agent issue to a "strong voting blockholders, weak minority owners" (OECD, 1999). In an overview on doing business in Morocco, several reports of World Bank commend the continued efforts that the country deploys to improve its minority investors' protection. According to the World Bank (2018), Morocco is 58.33% of the way from the "worst" to the "best" performance for minority investors protection.

Morocco is a typical example of the "insider" model. Listed firms' ownership is concentrated in the hands of few families, banks and big insurance companies of the country. As of 2019, the two major shareholders hold on average 70% of the shares with an average share concentration of 54% in the hand of the major shareholder of the firm. Institutional as well as management ownership are at about 34%, while the floating shares are at 20%. This very concentrated ownership structure negatively affects the liquidity of the Moroccan secondary market. The absence of liquidity decreases market efficiency and lessens the impact of new information on prices. In theory, it is easy to accept that a lack of liquidity hinders the incorporation of new information into the prices of the stocks and therefore challenges the findings of the Efficient Market Hypothesis (EMH) (Dragota and Mitrica, 2004).

Therefore, the low liquidity of the Moroccan market could be a good explanation to our findings if our event study fails to support the EMH. According to Palmiter (2002) and Admati and Pfleiderer (2009) changes in large shareholders position in a firm is another form of activism. Therefore, we expect stock prices in the Moroccan market to show some sensitivity to changes in blockholder equity. We also expect the market to value more information conveyed by changes in the holdings of active shareholders such us institutional blockholders.

4.2 Ownership concentration and firm value

"*dispersed ownership in large public companies is simply a myth"*

La Porta et al. 1998

Contrary to what is commonly believed about the low concentration of ownership in some developed markets, blockholding as a form of ownership is omnipresent which increases the importance of its study. The focus in literature started by the study of issues related to the limited powers of diffuse and therefore weak shareholders (Berle & Means, 1932; Kaysen, 1965; Samuelson, 1970; Grossman & Hart, 1980) in handling managers' opportunism (agent-principal relationship). With some delay and in parallel, work on the topic unveiled another side of the story. a strand of literature raised issues related to dominant shareholders and issues linked to their direct and indirect control of the firm (Jensen & Meckling, 1976; Shleifer & Vishny, 1986).

In their publication Edmans and Holderness (2017) distinguishes between governance issues under a dispersed ownership and issues related to the existence of a considerable number of owners of a firm. The authors argue that the very big number of shareholders per firm, especially in the US, gave rise among researchers to the common believe that most companies have a completely fractured ownership structure and governance issues are directly related to agency theory. Edmans and Holderness (2017) are criticizing this belief and promote the argument that firms with totally dispersed ownership are unlikely to survive despite the existence of other market forces, i.e., reputation and product market competition.

Many studies prior to Edmans and Holderness marked a real departure from the Berle and Means view of corporate control. From a survey of the New York Stock Exchange, American Stock Exchange (AMEX) and Over-the-Counter (OTC) firms Holderness and Sheehan (1988) found that about 35% of the surveyed firms are owned by blockholders with at least 10% equity holdings. The authors also refer in their publication to other researchers who reached similar or complementary conclusion about the extent of ownership concentration in the US (i.e., Demsetz ,1983; Demsetz and Lehn, 1985; and Herman, 1981). At a larger level La Porta et al. (1999) investigated hundreds of large publicly traded firms in 27 of the big economies and found that the picture in the rest of the world is very different

from the one Berle and Means described. Beyond the American market, firms tend to have controlling shareholders that manage and control the business.

A significant number of studies on blockholding put a specific emphasis on the relationship between ownership concentration and country legal origin as well as investor protection (Galve-Górriz & Hernández-Trasobares, 2015; Lepore et al., 2017). Initially, the negative relationship between ownership concentration and legal protections for investors was posited by La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1998). Following the introduction of the premise, other studies empirically investigated the relationship between different indices of legal protection of investors and ownership concentration and reached similar conclusions.

However, there is no apparent agreement among scholars in literature regarding this relationship (Yasser and Mamun, 2017). Aminadav and Papaioanno (2020) attribute this lack of unanimity in literature the following challenges:

1. Sample size and composition. Typically, samples focus on large firms in a limited number of countries.
2. Heterogeneity. Firm sizes of listed companies are not normally distributed.
3. Measurement. Different studies handle the complexity of determining control in different ways (e.g., control in the existence of large shareholders and cash flow vs. voting rights)

Under agency theory, the role ownership structure could play in alleviating the principal-agent problem is commonly highlighted (La Porta et al., 1997). Pulling from the theory, a first strand of literature documents the monitoring role big shareholders play in alleviating Agency Problem Type I and improve firm performance (Nagar and Schoenfeld; 2021). Another line of investigation shows that high levels of ownership concentration expose minority shareholders to the expropriation and convert the agency problem into a principal-principal one (e.g., Aluchna & Kaminski, 2017; Morck et al., 2005), known in literature as Agency Problem Type II. A literature review of the MENA region suggests that the

concentrated ownership in the markets of the region plays a role in the governance of Middle Eastern and North African firms.

Large firms in the region are mostly owned by governments and quasi-governments entities (Harabi, 2007). Throughout the years these firms achieved considerable economies of scale and in some countries monopolized strategic sectors such as infrastructure, oil, utilizes and financial services. Another important number of the firms of the region are owned by families. Even at the international level, these two types of owners tend to have large holdings in the companies they own (Burkart et al., 2003; Claessens et al. 2002; Faccio & Lang, 2002; Kowalski et al., 2013; Pargendler, 2016; Villalonga & Amit, 2020). The two forms of ownership contributed to the high concentration of the structure observed in the different markets of the MENA region. So how does the hitherto corporate governance literature summarize the implications of ownership structure, in general, and ownership concentration, in particular, on the governance of corporations in the region and how do they affect different measures of firm performance (e.g., financial performance, operational performance and disclosure)?

The relationship between ownership structure and owners' identity and firm market and accounting performance in the MENA has been investigated in several empirical studies, by several authors, and using different methods. As a proxy for firm accounting and market performance most studies used ROE, ROA and Torbin's Q.

Internationally, studies that test the relationship between firm performance and ownership structure generate conflicting results (e.g., Chang, 2003; Demsetz, 1983; Demsetz and Villalonga, 2001; Fama and Jensen, 1983; Kapopoulos & Lazaretou, 2007; Perrini et al. 2008; Vintila and Gherghina, 2014; Welch, 2003).

There has been substantial theoretical debate between the alignment and exploitation hypotheses on the effect of ownership concentration on corporate performance (Iwasaki & Mizobata, 2020). Examples of the latest empirical finding that supports the alignment

hypothesis can be found in the work of Ganguli and Guha Deb (2016). The authors explored the relationship between ownership structure and firm performance in the presence of statutory provisions that limit ownership concentration and found a two-way positive relationship. The study further documents the negative effect of significantly high and significantly low ownership levels and relates the former to tunneling and the latter to illiquidity.

In support of the alignment hypothesis Da Cunha and Bortolon (2016) also document the attenuating role concentrated ownership plays in periods of crisis. Another emerging market in which this association has been documented is the Pakistani market in the works Yasser and Mamun (2017) and Khan and Mouman (2017). In China (Khan et al., 2020; Shao, 2018), Taiwan (Kao et al., 2018) different investigations confirmed the role large shareholders play in alleviating agency problems and hence endorsed the alignment hypothesis.

Other studies presented support to the exploitation hypothesis. Barrese et al. (2007) findings in the insurance industry show some consistency with the hypothesis that big equity holders may collude to expropriate minority holders' benefits. Results of the study of Pandey and Sahu (2021) also shade the light on the importance of tightening the regulatory loopholes that allow for lay investor benefits expropriation in market structures with Indian market characteristics. Similar findings were previously documented by Altaf and Shah (2018). The latter study also reports an inverted u-shaped relationship between firm performance and ownership concentration. In Central and Eastern European countries, both Balsmeier and Czarnitzki (2017) and Machek and Kubíček (2018) report the same inverted u-shaped relationship between firm performance and ownership concentration.

A review of existing literature on MENA region discloses the same inconclusive evidence (see Table 4-1 Relationship between Ownership structure and firm performance in the MENA region from existing literature).

Table 4-1 Relationship between Ownership structure and firm performance in the MENA region from existing literature

Author(s) (year)*	**Title**	**Market**	**Ownership: Constituent measures**	**Performance: Constituent measures**	**relationship****	**Method**
Abdallah and Ismail (2017)	"Corporate governance practices, ownership structure, and corporate performance in the GCC countries"	GCC countries	Low ownership concentration	Relationship between good governance and Tobin's Q, ROA and ROE	Positive high	GMM
			High ownership concentration	Relationship between good governance and Tobin's Q, ROA and ROE	Positive low	
Abu-Ghunmi (2015)	"Idiosyncratic risk and corporate governance: evidence from Jordan."	Jordan	ownership concentration	Idiosyncratic risk	Negative	GMM
Ahmed and Hadi (2017)	"Impact of ownership structure on firm performance in the MENA region: an empirical study"	Egypt, Bahrain, Qatar, Kuwait, Tunisia, UAE, Morocco, Oman and Jordan	Insider ownership	ROE	Negative	OLS
			Ownership concentration	Torbin's-Q	Positive	
			Governmental ownership	ROA	Positive	
Al-Ghamdi and Rhodes (2015)	"Family Ownership, Corporate Governance and Performance: Evidence from Saudi Arabia"	Saudi Arabia	Ownership concentration in family firms	Tonin's Q	Positive	GLS
			Managerial ownership in family firms	ROA and Tobin's Q	Positive	
Al-Janadi et al. (2013)	"Corporate governance mechanisms and voluntary disclosure in Saudi Arabia."	Saudi Arabia	Government ownership	Voluntary disclosure	Negative	OLS
Al-Khouri (2006)	"Corporate governance and firms value in emerging markets: The case of Jordan"	Jordan	Board of directors' ownership (> 25%)	Approximate Tobin's Q	Positive	Piecewise regression
			Institutional ownership (> 25%)	Approximate Tobin's Q	Positive	
			CEO ownership (< 5%)	Approximate Tobin's Q	Negative	
Almudehki and Zeitun (2012)	"Ownership structure and corporate performance:	Qatar	Ownership concentration	ROA, ROE and Tobin's Q	Positive	GLS

	evidence from Qatar"		Board ownership	ROA, ROE	Positive	
			Foreign ownership	ROA, ROE	Positive	
			Institutional ownership	Tobin's Q	Negative	
Alnabsha et al. (2018)	"Corporate Boards, Ownership Structures and Corporate Disclosures: Evidence from a Developing Country"	Libya	Foreign ownership	Overall disclosure	Negative	2SLS
			Government ownership		Negative	
			Institutional Ownership	Voluntary disclosure	Positive	
			Director Ownership		Positive	
Al-Shiab and Abu-Tapanjeh (2005)	"Ownership Structure and Firm Performance: The Case of Jordan"	Jordan	Up to 30% ownership concentration	Market to book value	Positive	OLS
			More than 30% ownership	Market to book value	Negative	
Alzoubi (2016)	"Ownership structure and earnings management: evidence from Jordan"	Jordan	Executive directors ownership	Financial reporting quality	Negative	GLS, OLS and 2SLS
			Institutional ownership		Negative	
			External blockholder ownership		Negative	
			Family ownership		Negative	
			Foreign ownership		Negative	
Arayssi and Jizi (2019)	"Does corporate governance spillover firm performance? A study of valuation of MENA companies"	Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Morocco, Oman, Palestinian Territories, Qatar, Saudi Arabia, Tunisia and UAE.	Ownership concentration	ROA	Positive	GLS
			Ownership concentration (in the presence of CG committee	ROA	Negative	
Azzam et al. (2013)	"Foreign ownership and financial performance: evidence from Egypt	Egypt	Foreign ownership	ROA, ROE and debt ratio	Positive	2SLS
Buallay et al. (2017)	Corporate governance and firm performance: evidence from Saudi Arabia"	Saudi Arabia	Ownership of the three largest shareholders	Tobin's Q	Negative	OLS

Elsayed (2007)	"Does CEO Duality Really Affect Corporate Performance?"	Egypt	Institutional ownership	ROA and Tobin's Q	Positive	OLS
			Management ownership	ROA and Tobin's Q	Positive	
Farooq and EL Kacemi (2011)	"Ownership Concentration, Choice of Auditors, and Firm Performance: Evidence from the MENA Region"	Morocco, Jordan, Bahrain, Egypt, Kuwait, United Arab Emirates, Saudi Arabia, and Qatar	Ownership concentration	Choice of big auditor and firm value	Positive	OLS
Khamis et al. (2015)	"The Relationship between Ownership Structure Dimensions and Corporate Performance: Evidence from Bahrain"	Bahrain	Ownership concentration	ROA	Negative	2SLS
			Institutional ownership	Tobin's Q	Positive	
			managerial ownership in declining concentration	ROA and Tobin's Q	Positive	
			Foreign ownership	ROA and Tobin's Q	Negative	
Khanchel El Mehdi (2007)	"Empirical evidence on corporate governance and corporate performance in Tunisia"	Tunisia	Institutional Shareholding	Marginal tobin's Q	Negative	OLS
			Blockholder Shareholding	Marginal tobin's Q	Negative	
			CEO Shareholding	Marginal tobin's Q	Positive	
Mertzanis et al. (2018)	"Social institutions, corporate governance and firm-performance in the MENA region."	Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Saudi Arabia, Tunisia and UAE	Insider ownership	ROA, ROE and Tobin's Q	Positive	OLS
			Institutional ownership	ROA, ROE and Tobin's Q	Positive	
			Foreign ownership	ROE	Positive	
Omran et al. (2008)	"Corporate governance and firm performance in Arab equity markets: Does ownership concentration matter?"	Egypt, Jordan, Oman and Tunisia	Ownership concentration	ROA and ROE	No significant effect	2SLS
Omran et al. (2009)	"Post-privatization corporate governance and firm performance: The role of private ownership concentration, identity and	Egypt	Ownership concentration (Post privatization)	ROS, ROA and ROE	Positive	2SLS
			Institutional Ownership (Post privatization)	ROA and Q-ratio	Positive	

	board composition"		Foreign Ownership (Post privatization)	ROS, ROA, ROE and Q-ratio	Positive	
			Employee ownership	ROS, ROA and Q-ratio	Negative	
Pillai and Al-Malkawi (2018)	"On the relationship between corporate governance and firm performance: Evidence from GCC countries"	GCC countries	Insider shareholding	Tobin's Q	Positive for 3 countries and negative for 2	GLS
				ROA	Positive for 2 countries. Negative for 1	
			Institutional Shareholdings	Tobin's Q	Positive for 1 country. Negative for 1	
				ROA	Positive for 4 countries. Negative for 1	
			Governmental Shareholdings	Tobin's Q	Positive for 2 countries. Negative for 4	
				ROA	Positive for 1 country. Negative for 4	
Wahba (2014)	"Capital structure, managerial ownership and firm performance: evidence from Egypt"	Egypt	Managerial ownership	relationship between Debt and performance (Tobin's Q & ROA)	Negative	GLS
			Managerial ownership	relationship between Debt and performance (Tobin's Q & ROA)	Positive	
Warrad et al. (2013)	"The relationship between ownership concentration and company performance, a case of Jordanian non-financial listed companies"	Jordan	Concentrated Managerial Ownership	Tobin's Q	Positive	OLS

**This table report all relevant studies reported on the systematic literature review on ownership in the MENA region of Farah et al. (2021)*

***With the exception of the study of Omran et al. (2008) only significantly positive and negative relationships are reported*

Ahmed and Hadi (2017) studied nine MENA markets and found that ownership concentration had a positive impact on firm performance when proxied by Torbin-Q. Al-Khouri (2006) argue that when their holdings justify the high monitoring costs, blockholders play an important role in the governance of Jordanians firms. The author used the Piecewise Regression Specification Methodology in positing the existence of a positive significant relationship between the ownership of board of directors and institutions for ownership levels above 25%. The author's results also suggest a negative relationship between low levels of CEO ownership and firm value measured by Approximate Tobin's Q.

Using the two-step dynamic system generalized method of moments (GMM), Almustafa (2017) found a positive correlation between a one-year lagged firm performance and firm current performance and governance practices in Jordan. More specifically, the study provide evidence for the existence of a statistically significant positive effect of family ownership, institutional ownership and ownership concentration on firm performance. The study also suggests that the presence of controlling shareholders plays a substitution role in firm governance both in Jordan and UAE.

Following Demsetz and Villalonga (2001) approach in treating ownership structure as an exogenous variable, Warrad et al. (2013) investigated the relationship between managerial and non-managerial ownership and firm performance in the Jordanian market. The authors found no significant relationship between ownership structure and performance when accounting measures are used to proxy the later and found that large managerial ownership has a statistically significant positive effect on performance when market measures are used. A similar argument is supported by Al Ghamidi and Rhodes (2015). In a comparison between family owned and non-family owned the authors found that, in the Saudi Arabian context, ownership concentration and managerial ownership only matters in family firms.

In the Bahraini market Khamis et al. (2015) assert that ownership concentration has a statistically significant adverse impact on performance, whereas the impact of institutional ownership is positive. The results of Abdallah and Ismail (2017) also challenged the predictions of agency theory with regards to the positive monitoring effect of big equity holders in exchanges with significantly concentrated ownership. The authors used the

governance score[5] created by the Credit Lyonnais Securities Asia to posit that the positive effects of good governance on performance that are observed at low levels of ownership decease in magnitude with high levels of concentration in the GCC markets. The authors' work on GCC markets is rather in line with agency problems type II where large shareholders are accused of gaining private benefits to the disadvantage of smaller shareholders.

Farooq and El Kacemi (2011) document an indirect relationship between ownership concentration and company performance. Using auditor's quality as a proxy for corporate governance, the authors concluded that large shareholders select large auditors with the aim of minimizing the negative message that the size of their equity holdings could send to the public. They also document that selecting one of the big-four auditors lead to superior firm performance for ownership concentration levels above 50%.

As for the relationship between ownership structure and disclosure, agency theory posits that management is closely monitored and information failure is less likely to happen in the existence of a concentrated ownership (Jensen, 1993; Jensen and Meckling, 1976). From the perspective of legitimacy theory, a firm can protect its legitimacy if it succeeds in aligning its norms and values with those of its important stakeholders (Dowling & Pfeffer, 1975). For managers, big equity holders are very influential stakeholders, their opinion and judgement impact the legitimacy of a firm. Big shareholders are a close monitor to the management and therefore, the later does not need to deploy time and resources to support its legitimacy through disclosure.

Relying directly or indirectly on the legitimacy theory to construct its argument a stand of literature on ownership structure in the MENA region, studied the role a concentrated ownership plays in governance of MENA firms though the relationship that exist between block-holding and disclosure practices. Samaha et al. (2012) investigated the determinants of corporate governance voluntary disclosures in Egypt and found that corporate disclosure of Egyptian listed firms is lower for companies with concentrated ownership. These findings

[5] The score includes the following seven categories: "management discipline", "transparency and disclosure", "board independency", "board accountability", "management accountability", and "investor protection and social awareness".

support the argument that narrowly owned firms face less external pressure to disclose more information to reach an acceptable level of legitimacy.

A focus on the literature that directly examined the impact of ownership concentration (regardless of the identity of the owner) on firm performance in one or more MENA countries, we find Ahmed and Hadi (2017), Al-Ghamdi and Rhodes (2015), Almudehki and Zeitun (2012), Al-Shiab and Abu-Tapanjeh (2005)[6], Arayssi and Jizi (2019), Buallay et al. (2017), Khamis et al. (2015), Khanchel El Mehdi (2007), Omran et al. (2009). Two thirds of these studies reported a positive relationship between ownership concentration and firm performance. This confirms the role concentrated ownership plays as an internal mechanism of governance in a market where country governance is at lower levels compared to standards set forward by recommended practices.

4.3 Institutional ownership

According to Edmans and Holderness (2017) most existing research deals with blockholders as a homogeneous whole while the current situation indicates the significant heterogeneity of the group. The author posits that each type of blockholders has its specific determinants, reasons to exist and different outcomes. Works that accounted for ownership heterogeneity document that the impact of ownership concentration on firm value changes significantly with the type of owner (Short, 1994). The classification of blockholders as institutional and noninstitutional has been widely studied. However, whether institutional ownership is a source of value to target firms remains debatable between scholars and practitioners.

Literature demonstrates the impact of institutional ownership on firm performance but handover conflicting results. Each of these conflicting results finds support in one of three perspectives (i.e., active monitoring, passive monitoring and exploitation) (Elyasiani and Jia, 2010). According to the first perspective, institutional owners are active monitors. By making use of their important resources and expertise, they are better placed to oversee management behavior, curb agency costs, and improve firm value (Lin and Fu 2017). The

[6] Ownership beyond 30% was found to have a negative relationship with Market to book value

second view classifies institutional shareholders as passive investors. Under this view, institutional shareholders are believed to prioritize short-term profits and portfolio management needs over management monitoring and firm governance (Elyasiani and Jia, 2010; Lin and Fu 2017). The third standpoint places the emphasis on the ability of institutional shareholders to exploit minority shareholders when the former colludes with management (Elyasiani and Jia, 2010; Lin and Fu 2017).

As argued by Elyasiani and Jia (2010), if institutional investors adopt an active monitoring role the outcome of their informed and sophisticated involvement in the governance of the investee is expected to bring an improvement in the latter's value. Using a sample of close to 3000 Japanese firm-year observations, Sakawa and Watanabel (2020) empirically demonstrate that the presence of institutional shareholders enhances firm value in stakeholder-oriented economies. Similar findings were reported by Thanatawee (2014) in Thailand. From his work's findings the author infers that Thai institutional owners provide an effective monitoring. In consistency with the small empirical literature on the impact of institutional ownership on firm innovation, Aghion et al. (2013) report that firms with more active institutional owners are more engaged in corporate innovation and therefore positively contribute to firm value.

Schmidt and Fahlenbrach (2017) are of the opinion that when institutions passively manage their investee they contribute to worsening the governance of the firm to the disadvantage (advantage) of its owners (managers). According to the two authors passive investors' disengagement from high-cost governance activities such as mergers and acquisitions' monitoring and board member choice shrinks shareholder wealth. Institutional owner passivism is also documented not to have any significant impact on firm value (Agrawal and Knoeber, 1996; Mollah, Farooque, and Karim, 2012). According to Ferreira and Matos (2008), international institutions that have limited ties to their investee have a favorable impact on the latter's supervision, whereas domestic institutional investors have no such impact.

In a meta-analysis of how political stability affects the relationship between the identity of an owner and firm value in the Middle East, Al Janadi (2021) found that institutional ownership among other ownership identities plays a noteworthy role in firm monitoring and hence

positively impact firm performance. With the relatively high institutional ownership concentration in MENA markets, institutions' ownership is also argued to have more positive impact on shareholders wealth (Maug, 1998). This latest argument finds support in more recent studies in the region. Amin and Hamdan (2018) used ROA to document the positive relationship that exists between institutional ownership and firm value in the Saudi market. The institutional ownership-firm value relationship was also found to be positively significant when tested in the Bahraini market and when performance was measured using Tobin's Q (Khamis et al., 2015). The Jordanian and the Omani markets exhibits the same relationship with an increasing firm profitability with increasing institutional ownership (Abu-Serdaneh et al. 2010; Yilmaz, 2018).
Institutional ownership was not found to influence banks performance in the GCC countries value in the study of Arouri et al. (2011).

Findings of other works in literature were not clear-cut findings and necessitated further samples breakdowns and regrouping. Al Khouri (2005) employed piecewise regression analysis to document that a positively related institutional ownership and firm performance exclusively exist at equity holdings above 25%. Al-Janadi (2021) argues that the very concentrated institutional ownership in the MENA region that Amin and Hamdan (2018), Al-Matari et al. (2017), Yilmaz (2018), Zeitun (2014), and Elsayed (2007) independently report in their works plays an important role in enhancing firm performance. According to the author and in line with Maug (1998) premises, large institutional investors play an effective role in the Middle Eastern markets especially in the presence of political stability and investor protection rights (Al-Janadi, 2021).

Along with this large cluster of studies that report a positive relationship between institutional ownership and shareholders' wealth, other studies report the lack of significance in this relationship (e.g., Aljifri and Moustafa, 2007; Al-Matari et al., 2017 and Zeitun, 2014). A third, albeit tiny, group of studies on countries from the MENA region report the negative impact of institutional investors on firm value (e.g., Almudehki and Zeitun, 2012; Khanchel El Mehdi, 2007).

4.4 Conclusion

Corporate law, securities law and corporate governance codes constitute the supporting structures for corporate governance in the MENA region like others around the globe. While these supporting structures are to a great extent compatible with international standards, the enforcement of their rules remains very lenient (Amico, 2014). judicial and the legislative systems as well as media messages are generally controlled in the region by political powers pushing the region's public governance measures of effectiveness to trail behind international averages (belkhir et al., 2016). According to Amico (2014), the enforcement of the rules in the region is limited to warnings and insignificant financial fines. Additionally, the author documents the limited expertise of the authorities in charge of monitoring and enforcing the policies.

International literature provides evidence for the role the legal environment plays in explaining the differences in firm policies, ownership, capital structure and performance in different countries (La Porta, López-de-Silanes and Shleifer 1999; La Porta, López-de-Silanes, Shleifer, and Vishny 1997, 1998, 2000). However, rules of law in the absence of enforcement remain useless. Braendle (2013) used court delays to measure enforcement and found that the enforcement of contracts is generally weak in the countries of the MENA region. The resulting delays constitute an extra cost for parties involved in the conflict and motivate their search for alternative means for conflict settlements (e.g., private adjudication, self-enforcement of contracts) (Braendle, 2013). Bishara (2011) also argues that in the MENA region, social, political and economic conditions combined with legal issues and week corporate governance hinder ethical business practices and creates a glass ceiling to the growth of businesses.

Extending the literature on the relationship between legal environment and firm performance to the special context of the MENA, authors such as Boubakri et al. (2005a), Boubakri et al. (2005b), Naceur et al. (2007) and Mertzanis et al. (2019) document that MENA firms perform better in environment where, for instance, property rights and investor protection are better protected and enforced which complies with

international research findings. These findings are in line with the work of Hasan et al. (2014).

Al Awfi (2017) provides support to the findings of La Porta et al. (1998), La Porta et al. (1999), and Dyck and Zingales (2004) in more developed markets. The negative relationship the author found between the rule of law and corruption control indices and ownership concentration in MENA markets supports the substitutability that exists between internal and external governance mechanisms. With a focus on corporate governance in the post-privatization era and in a sample that include MENA countries among other emerging markets, Boubakri et al. (2005b) also found that the positive impact of ownership concentration matters to a greater extent in countries with weaker investor protection. Using a sample of 300 firms from four MENA countries, Omran et al. (2008) also found that ownership concentration in their sample seems to be negatively related to the existence and implementation of laws that protect investors.

Francis et al. (2012) controlled for country-level creditor protection and investigated the relationship between the level of firm governance and how favorable are the terms a firm gets for its bank loan contracts. The authors' findings imply that firm and country specific governance are substitutes. Hassoun and Aloui (2017) investigated how newly privatized firms' performance relates to ownership structure, board of directors and auditor's quality, and found that monitoring could be successful through different combinations of internal corporate governance and Big Four auditors. The authors posit that auditor's quality substitutes the existence of outside directors and government ownership while it complements the existence of CEO duality.

Substitution theory in MENA region has also been confirmed by the finding of Al Awfi (2017). The author documents that Rule of Law and Corruption Control affect concentration negatively. Using different proxies for both internal and external governance a substitutionary relationship was found to exist between the two types of governance in the work of Hasan et al. (2014). In this scholarly article, the authors controlled for external governance proxies while investigating the relationship between internal governance proxies and performance and they reported a more pronounced effect of property rights on

performance with higher levels of managerial entrenchment, higher cash holding and lower dividend payout.

Baatwah et al. (2015), in a study of the relationship between a selected group of internal and external governance mechanisms and audit report timeliness in the Omani market, reported results in support of a relationship of substitution between Audit committee quality and big auditor choice. In another line of research complementarity prevailed the findings. Sarhan et al. (2019) investigated the effect of both internal governance, proxied by shareholding structure and board size and composition, and external governance, proxied by variables such as rule of law, government effectiveness and regulatory quality, and the quality of audit. What the author provides evidence for suggests that governance quality and external audit quality complement one another in shielding owners' interests by ensuring higher audit quality (Sarhan, 2019).

Given this large agreement among researchers on the substitution relationship that exists between internal and external mechanisms of governance such as ownership concentration (for the former) and legal environment (for the later) we spare a big section of coming chapters to investigate the wealth effect of acquisition and sale threshold crossing in the CSE. Moreover, given the conflicting findings in the literature of institutional ownership, we aim to provide new evidence from an emerging market where other mechanisms of governance are still weak and good practices are barely adopted and disclosed according to the latest reports of the EBDR and OECD.

5 Hypotheses Development

5.1 Introduction

Blockholder disclosure regimes aim to forewarn publicly owned corporations of significant changes in their ownership structure and corporate control. And as a result, allow markets to factor in the effect of the change on the value of exchange-listed firms. In the United States, Section 13 (d) of the Williams Act is the federal law that establishes disclosure requirements for blockholders. Under this law, an issuer is notified when a substantial amount (a minimum of 5%) of its equity securities is being accumulated in the hands of a single shareholder. An equity threshold crossing requires the same in Morocco. The Capital Market Code provides that the traded company, the Moroccan stock market authority (AMMC) and the stock exchange managing company must be notified of the threshold crossing within five business days.

Corporate disclosure has gained interest since the very first financial crisis of 1929 and recent scandals have magnified its importance. However, limited work has been done on ownership disclosure and more focus in literature has been placed on the disclosure of the issuer (Schouten, 2009). Schouten and Siems (2010) argue that over time, in Europe and elsewhere, most countries have drawn tight their ownership disclosure rules. Their findings show a positive correlation between variables such as country development, minority shareholder protection and ownership dispersion and the strictness of disclosure rules.

Rules related to blockholder disclosure have been a thought-provoking topic for market commentators and corporate law scholars. At a broader level, when legal aspects of ownership disclosure requirements are analyzed economically, scholars generally fall into two camps: those who see the information disclosed as a public good that should assist the market in allocating its resources efficiently, and those who view that disclosure reduces the

acquirer's incentive to invest in information that will eventually be used by free riders. (Macey and Netter, 1987 and Ordonez-Calafi, G., & Bernhardt, 2021).

For many years now, at the heart of the debate in the US is the length of the threshold disclosure window (Ordonez-Calafi, G., & Bernhardt, 2021). In March 2011, a petition submitted to the Securities Exchange Commission urged the commission to review section 13 reporting rules. The petition opponents conjectured that the ten days lag leaves ample room for investment manipulation by depriving the market from weighty information. In response to this argument, Bebchuk et al. (2013) analyzed about two thousand fillings by activist hedge funds and found no evidence for pre-disclosure accumulations. In an effort to decompose the effect of hedge funds' trades in stocks into a trading effect and a disclosure effect, Croci and Petrella (2015) document that price change is mainly due to trade effect rather than disclosure effect. However, the very limited number of works that study the topic of blockholder disclosure and yet the continuing debate between law scholars and practitioners (e.g., Emmerich et al., 2013) and activists and their supporters among academists (e.g., Bebchuk et al. (2013) raise the level of importance of studies that shed the light on the reaction of different markets to blockholder disclosure. In addition, research on emerging markets may only enrich the discussion.

5.2 Block trade disclosure and firm value- Hypotheses

Full sample- all block trade disclosures

Unlike common-law countries' financial markets (more developed), civil-law countries' financial markets (less developed) are known for a weak investor protection. Empirically, a less protective legal system such as the one adopted by civil law countries fosters other governance mechanisms. For instance, ownership concentration is a particularly major factor in markets that are regarded as having low levels of investor protection regimes (La porta et al, 1998). This viewpoint is supported by the premise that for blockholders, the advantage of monitoring management outweighs its cost, allowing them to be less concerned about the free-rider issue (Shleifer and Vishny, 1997). La Porta et al (1998) contend that the presence

of a significant shareholder provides management with an incentive to steer clear of the expropriation of shareholders' and creditors' wealth.

In a more fractioned ownership structure however, shareholders have no incentive to monitor the management and would avoid bearing monitoring costs. In a more recent study of the French, Italian, German and Spanish markets Lepore et al. (2017) demonstrate that a more concentrated ownership enhances firm performance and can be viewed as a more efficient mechanism of firm governance in environments with insufficient shareholder protection.

Other empirical research on the role Blockholders play in corporate governance highlights the mechanisms blockholders could use in alleviating agency problems. Traditionally, big Blockholders affect the decisions of company managers via their voting rights. Another strand of research documents the important role both small and big blockholders can play in controlling managerial myopia in modern firms. Trading on insider information, blockholders can "vote with their feet" and sell the stake they hold in the firm when managers trade off long term growth for more attractive short-term economic profits (Edmans, 2009). Blockholders' actions are also constantly evolving and changing (Edmans & Holderness, 2017). For instance, a few decades ago, institutional shareholders behaved less aggressively towards management than they do today (Edmans & Holderness, 2017).

Abudy and Lauterbach (2015) find a significant relationship between the decrease in blockholders' equity in Israeli firms and a decrease in future returns. Barclay and Holderness (1991) argue that block trades result generally in the improvement of firm value and associate the increase with the skills and the incentives of the buyer. For instance, if a change of ownership is anticipated to result in operating synergies between a purchasing corporation and a publicly traded company, the value of the firm will typically improve. With a change in blockholders, investors expect more monitoring and hope for value enhancing corporate restructuring (Trojanowski and Renneboog, 2003). According to Barclay and Holderness (1992), blockholders use their voting rights to enjoy private benefit but at the same time work on improving the management of the firm.

The work of Kaplan and Milton (1994) and Kang and Shivdassani (1995) and more recently the work of Iwasaki et al. (2020) on the impact of concentrated ownership on management

turnover evidence the monitoring role played by blockholders. This role has also been supported by the findings of Bebchuk & Fried (2003) and Pinto and Leal (2013) on the impact of blockholders ownership on the compensation of top executives. Based on managerial power theory, these studies demonstrate how the existence of blockholders facilitates the effective adjustment of prices in the market for entrepreneurial skills. In their study, Balla & Rose (2014) argue that through their effective monitoring large equity holders can influence key corporate policies and decisions.

With the foregoing in mind, and considering our examination of the relevant literature pertaining to the MENA market (Chapter 4), we hypothesize the following:

Ha1: A disclosure of a block purchase leads to positive abnormal returns and improves firm value.

Ha2: A disclosure of a block sale leads to negative abnormal returns and decreases firm value.

Narrowed sample- institutional block trade disclosures

In the second half of the 20th century, there was a major worldwide increase in institutional ownership, which led to the emergence of institutions as a new monitoring body (Chang et al., 2016; Mazumder, 2017). Empirical evidence documents the role institutions' search resources and activities play in differentiating them from other types of investors (Waheed & Malik, 2019b). Both in developed and emerging markets, institutional blockholders constitute an important governance mechanism. To align principle and agent interests an institutional blockholder can influence executives' decisions both directly by asserting their concerns and indirectly by selling their equity holdings in a target firm (Gillan & Starks, 2003).

Different studies on institutional proprietorship suggest a positive effect of its existence on firm value (Chang et al., 2016; Lin & Fu, 2017; Tsai & Gu, 2007). Previous studies also document the relationship between institutional ownership and firm future returns (Nofsinger & Sias 1999; Gompers & Metrick, 2001). In a later study, Yan and Zhang (2009) suggest that institutional investors are a heterogeneous group and find that institutions with short-

term investment horizons are better informed investors and seek to take advantage of that by actively trading.

A similar strand of research differentiates between institutional ownership where the institution acts as a "trader" and the one where it acts as "owner" and associate the first to management myopia and to considerable abnormal returns (Bushee, 1998, 2001). Borochin and Yang (2017) conclude that the impact of institutional ownership on firm value and firm decisions changes with their portfolio turnover and concentration. Their results suggest that dedicated (owner) institutional owners decrease the overvaluation and misevaluation of the firm while transient (trader) institutional owners increase it. Wahal and McConnell (2000) on the other hand, studied how institutional investment influences a target firm's investment in research and development and other long-term assets and found no evidence of management myopia. Gompers and Metrick (2001) report a positive relationship between firm future returns and institutional ownership. A positive relationship was also reported in the study of Latif et al., (2017) between institutional ownership and the quality of earnings. In our study we do not expect Moroccan institutions to be an exception.

In Morocco, institutional ownership in non-financial public firms was on average close to 50% in mid 2010s. One decade later, this value decreased to about 34%. This concentration is low compared to other countries. Despite this decline in equity financing by institutions in our market, institutions continue to be the primary source of debt financing for the economy, allowing them to be considered as adept stock pickers. In this context, institutions are perceived to have more human and technological resources to invest in picking the right stocks for their portfolio of investment.

Based on these prior empirical findings and the literature review in Chapter 4, we hypothesize that:

Hb1: A disclosure of a block purchase by an institutional investor leads to positive abnormal returns and improves firm value.

Hb2: A disclosure of a block sale by an institutional investor leads to negative abnormal returns and decreases firm value.

We also posit that abnormal returns in the Moroccan market will be more pronounced when the trader is an institution.

5.3 Possible Sources of Abnormal Returns- Hypotheses

Literature highlights the role different governance mechanisms play in predicting firm performance. Nonetheless, the literature of corporate governance presents competing results. The importance of the difference in findings increases moving from one market to another, namely, developed to emerging markets. In chapter 3, we detailed the main characteristics of MENA markets to showcase the background of our choice of explanatory variables and the development of our hypothesis.

5.3.1 Monitoring hypothesis- An agency theory perspective

On the relationship between corporate governance and ownership structure, studies on developed markets have mostly looked at these relationships from the perspective of an agency theory as described in Chapter 2. Studies in emerging markets, including the MENA region, have also heavily pulled from agency theory to build their hypothesis and analyze their results (Farah et al., 2021). Some studies on emerging markets point to the importance of studying the questions from the perspective of other theories, namely, the resource-based theory, the institutional theory and the stewardship theory in addition to the agency theory (Basuony et al., 2014; Eisenhardt, 1989; Hoskisson et al., 2000; Mertzanis et al., 2019; Oliver, 1997). However, the agency theory framework remains what underpins the hypothesis posited in most corporate governance studies both in the developed and emerging markets which justifies our use of agency theory as a driver of our analysis under this section.

Ownership Concentration

Before starting to build our hypothesis, it is worth noting that in the literature of firm ownership structure we distinguish between two dimensions of ownership viz. concentration

and owner identity (Groß, 2007). In the current investigation, we focus on the first dimension.

From the very early studies on firm ownership structure, one of the arguments that marked the development of the literature of corporate governance is the one confirmed by Grossman and Hart (1980) and where the two researchers posit that dispersed ownership hinders effective monitoring. High equity ownership justifies costs associated with monitoring and alleviates the free-rider problem small shareholders are keen to avoid. This becomes in literature a common feature of corporate governance models where ceteris paribus, firms with a more concentrated ownership are valued higher compared to their peer firms with a more dispersed ownership structure. This relationship has been often and for a long period tested by how firm performance relates to changes in ownership concentration and the findings were inconclusive (Yasser and Mamun, 2017). Demsetz and Villalonga (2001) relates the conflicting results to the following (i) variables measurement (ii) sample time (iii) estimating techniques and (iv) how and if ownership endogeneity is accounted for.

Demsetz and Lehn (1985) was among the early studies that cast the doubt on the premise of Berle and Means (1932). The two authors put their finger on the endogeneity problem in firm's ownership. The endogeneity of ownership was also supported by other authors such as Cho (1998), Holderness et al. (1999); Demsetz and Villalonga (2001). In their US sample Demsetz and Lehn (1985) found no relationship between large equities of ownership and firms' profit rate. These findings were later confirmed by Demsetz and Villalonga (2001) when endogeneity was accounted for, and performance measured by Tobin's Q. Another seminal work conducted by Mock (1988) reported that even when the endogeneity issue was ignored, no significant relationship exists between ownership structure and performance in the US.

On the same market but in a later study, Konijn et al. (2011) reports that a negative correlation exists between firm value and fragmented blockholder base. In this article Konijn and his co-authors used a scaled version of the Herfindahl index to proxy for blockholder concentration and investigated its correlation with firms' Tobin Q. Prior arguments in line with these findings are Admati et al. (1994), Bolton and von Thadden (1998), Huddart (1993), and Maug (1998).

Around the world, in Australia, Welch (2003) used 2-stage least squares in an attempt to replicate Demsetz and Villalonga (2001) and found no significant relationship between ownership concentration (i.e., ownership of the five largest equity holders in addition to insider ownership) and firm's average Tobin's Q and accounting profit rates.

In smaller capital markets, Perrini et al. (2008) document the positive effect of ownership concentration on Tobin's Q. In a study of 175 firms, Kapopoulos (2007) reached the same conclusions about the Greek market. Another study in a transition economy (i.e., Montenegro), Kalezić (2014) notes a small, yet significant, impact of a concentrated ownership on firm performance in the Montenegrin market and describes ownership concentration as an efficient substitute to other premature corporate governance mechanisms. The same positive relationship was documented by Iwasaki and Mizobata (2020) in a large-scale meta-analysis in emerging economies of Central and Eastern Europe and the former Soviet Union.

Other questions literature lines in this topic considered is the impact of minority shareholders' protection on the nature of the agency problem. In countries with low shareholder protection, big shareholders are more likely to expropriate firm recourses to their advantage (Aluchna & Kaminski, 2017). Big shareholders, in the absence of legal systems that support investor protection, have also the incentive to invest in projects, among other activities, that best serve their interests (Shleifer & Vishny, 1997; Burkart et al., 1998; Li et al., 2017; Wurgler, 2000,). La Porta et al. (2002) and Bhojraj and Sengupta (2003) show that in their attempt to secure private interest larger blockholders can harm firm value at the expense of holders of smaller equities.

Claessens et al. (2002) report that equity ownership of strategic shareholders (i.e., family, holdings, corporations and state) exceeds 40% of firms' ownership in MENA markets leaving minority shareholders, generally, with a stake of less than 50%. The mean of equity holdings of the first and second-biggest shareholder in our sample are slightly above 46% and 12% respectively with a free float generally below 25%.

The above-mentioned descriptive statistics of our sample indicate a high level of concentration in the Moroccan market and give ground to the raise of Type II agency problem, a context generally known as the principal-principal conflict. Porta et al. (2000)

posits that the primary proposition of the protection of investors' right is to avert shift of wealth from the minority equity holders to big ones. In Countries with poor investor protection, materialized profits can readily be monopolized founders who hold onto control of the company after an initial public offering (Burkart et al., 1998; Shleifer & Vishny, 1997; Shleifera & Wolfenzon, 2000). Problems associated with the existence of a large shareholder can even evolve into the development of collusions between the latter and the agent at the expense of smaller shareholders' interests (Burkart and Panunzi, 2006).

In environments where the principal-principal conflict can find fertile ground to grow, new ownership threshold crossing can go beyond a simple transfer of control of shares to a possible change in a company's control. In the US, Barclay and Holderness (1991) document that block trades announcements of at least 5% are followed by a CEO turnover of 33% in the first year and 19% in the second year following the announcement. According to Gregoric and Vespro (2003), empirical findings support the idea that when a security's price keep above a market average several days after the event day, they signal a positive change in the corporation's governance as expected by minority shareholders. The authors conclude that under such circumstances, minority shareholder gain from the change of their firm's blockholder.

Therefore, in an environment where (i) concentrated ownership is very common and, (ii) the principal-principal conflict is likely to exist (iii) enforcement of minority shareholders' protection is not a common currency, an acquisition threshold crossing into a firm with a large first equity holder suggests an opportunity to address the negative effect of agency problem type II on firm value. Our first hypothesis in this subsection of chapter 5 is as follows:

H1: The abnormal returns resulting from an acquisition threshold crossing announcement are positively related to the threshold crossed by the trader.

H2: The abnormal returns resulting from an acquisition threshold crossing announcement are positively related to the stake of the firm's largest shareholder.

On the other hand, an increase in the ownership of the second largest shareholder is expected to lead to opposite results. For instance, In France, a market with relatively concentrated

ownership, Ducassy and Guyot (2017) document that, while the presence of a second large shareholder increases agency type II monitoring costs, it offers effective supplementary monitoring of the agent. In another market with high ownership concentration, viz Germany, Edwards and Weichenrieder (2004) reports that increasing the equity-holding of the second-largest shareholder is beneficial to minority shareholders. In their article, the authors argue that, provided aligned control and cash-flow rights, adequately large ownership of a second-biggest shareholder limits tunneling the benefits from minority shareholders to the largest one.

In line with these findings, we hypothesize that the announcement of an acquisition threshold-crossing in a firm with a second large owner will have a lower wealth effect. Our second hypothesis is as follows:

H3: The abnormal returns are negatively related to the stake of the firm's second-largest shareholder.

CEO Duality

Duality describes a situation in which a firm's CEO occupies the position of a chairman of the board of directors. The stewardship theory, on one hand, predicts that CEO duality would improve a company's performance. Agency theory, on the other hand, predicts a negative effect of duality on performance.

Agency theory was the theory in mind when best practices in corporate governance were drafted and published through the most recognized reports and codes around the world. For instance, the G20/OECD principles of corporate governance published in 2015, set seven principles as pillars for a sound corporate governance framework. Principle seven of the OECD (2015) states that: "Together with guiding corporate strategy, the board is chiefly responsible for monitoring managerial performance and achieving an adequate return for shareholders, while preventing conflicts of interest and balancing competing demands on the corporation." Given that, from an agency theory perspective, it is advisable to separate the position of the CEO and the chairman of the company. Agency theory is based on the idea that the utility functions of the agent and the principle are not aligned. The self-serving type of executive that agency theorists adopt to describe the agent, supports governance mechanisms that do not favor duality.

However, the literature on CEO duality is based on both agency theory and stewardship theory. On one hand, literature arguing for the positive impact of CEO duality on firm value, finds support in the premise of stewardship theory. The relatively new paradigm of stewardship theorists lays the ground for different conclusions. According to the stewardship theory, the utility stewards derive from their choices as managers of the firm is maximized when their behavior is pro-organization.

When managers are trusted by the principle and choose to act as stewards, governance venues that give them more authority (e.g., duality) facilitate pro-organizational behavior (Donaldson and Davis, 1991; Davis et al, 1997). It also gives the steward the opportunity to swiftly react and adapt to the dynamic environment where businesses operate (Duru et al., 2016). According to the authors this agility is in line with the premises of the resource dependence theory and is supported in the arguments posited by Pfeffer and Salancik (1978) in their often-cited book. In China, Varghese and Sasidharan (2020) found that a CEO that holds a chairman's position has unique expertise in the business and its investment potential. This, according to the authors, aids in streamlining decision-making and maximizing income.

In several studies on industries where short-term decision making is crucial (e.g., restaurant and hospitality), CEO duality is proposed to grant management the freedom and agility to respond to industry-specific requirements (Oak & Iyengar, 2009; Guillet & Mattila, 2010; Guillet et al., 2013). Many other studies (i.e., Anderson & Anthony, 1986; Bhagat & Black, 2001; Brickley et al., 1997; Dahya et al., 1996; Donaldson & Davis, 1991; Finkelstein & D'Aveni, 1994) argue for the positive role duality plays in organizational efficiency but remain limited in reporting a clear positive impact of duality on firm performance (Guillet et al., 2013).

On the other hand, the line of literature positing that CEO duality negatively affects firm value finds support in the premise of agency theory. Fama and Jensen (1983) were among the early contributors to existing agency theoretical literature on CEO duality. A CEO that holds simultaneously the position of chairman of the board of directors hinders the effectiveness of the latter in stepping in, when needed, to discipline management greed (Jensen, 1993).

Monitoring management is one of the primary roles of a board of directors. Combining the responsibilities of the monitor and the monitored in the hands of a single individual can only hinder the effectiveness of a board's mission in serving the interests of shareholders. For instance, due to a variety of factors, including a loss in the power of the board, the theft of funds for personal use, and the fabrication of accounts, among others, the CEO and chairman being the same person tends to have unfavorable effects in the case of Indian enterprises (Varghese, G., & Sasidharan, A. (2020). Moreover, at the head of the board, it is most likely for a CEO to select board members with similar goals. In literature, adverse arguments to CEO duality include, but are not limited to, high CEO removal costs (Weisbach, 1988) and the use of poison pills (Mallette & Fowler, 1992).

Agency theory, therefore, promotes the separation of the two positions and argues for the positive impact of this decentralization of power on firm performance (Brickley et al., 1996; Daily & Dalton, 1992; Desai et al., 2003; Duru et al., 2016; Ehikioya, 2009; Fama & Jensen, 1983; Jensen, 1993; Jensen & Meckling, 1976; Lipton & Lorsch, 1992; Shleifer & Vishny, 1997; Shrivastav & Kalsie, 2016). This list of studies empirically investigated how CEO duality impacts firm performance in different types of markets using different firm performance measures (i.e., return on assets, price-earnings ratio, return on equity, return on sales, profit margin, and Tobin's Q), and all reveal that CEO duality adversely impacts firm's performance.

A third group (e.g., Boyd, 1995; Brickley et al., 1997; Dey et al., 2011; Elsayed, 2007;) reached a mixed bag of results. Their findings suggest that neither stewardship theory nor agency theory should be used in isolation from factors that encourage the adoption of one at the expense of the other. Factors like industry, scarcity of resources and environment complexity appears to impact the effect of duality on performance (Boyd, 1995). Another documentation was made by Dey et al. (2009) on the effect of a firm's reasons to switch from a dual to a non-dual form of governance. They found that when the reason for the change in the leadership structure is specifically due to external pressures (e.g., financial scandals) the effect of the separation of chairman and CEO positions on performance is negative.

A final line of findings highlights the absence of any significant relationship between CEO duality and firm value (Adams et al., 2005; Amba, 2013; Braun & Sharma, 2007; Chen et al., 2008; Elsayed, 2007; Lam & Lee, 2008; Meyer, 2006; Moscu, 2013; Omran et al., 2008).

In the MENA region, Ali (1990), advances that the opportunistic behavior of the agent as predicted by the agency theory is expected to be more pronounced in the region. The author argues that the bureaucratic heritage of colonialism coupled with tribal-family traditions affect the management style in the MENA region, give ground to nepotism and therefore, creates a CEO profile with a strong managerial dominance.

According to Omran et al. (2008) separation between the positions of CEO and chairperson does not seem to affect firm performance in the MENA region. Elsayed (2007) reached the same conclusion with an empirical study on 92 Egyptian Firms. The author, however, conducted additional analysis that reveals that industry type matters in this relationship. According to the author, these findings provide partial support to both stewardship theory and agency theory. These results are consistent with the findings of Mohamed et al. (2013) where some industries benefit from duality while others do not.

On the effect of duality on different MENA markets, Chahine and Tohmé (2009) found that underpricing in IPO increases with duality. These results suggest a negative effect of duality on governance and support agency theory. The study also reveals that this negative effect is mitigated in the existence of big strategic equity holders that sets in place an effective monitoring to the management. Agency theory is also supported by the finding of Mertzanis et al. (2019) where roles separation seems to positively and significantly affect performance when the latter is measured by ROA and Tobin's Q. Hassan and Halbouni, (2013) studied the relationship between duality and accounting measures of performance in the United Arab Emirates and, similarly, found a negative relationship between the former and the latter.

Another group of studies investigated the association between CEO and chairperson role duality and disclosure, and revealed non-conclusive results. Samaha et al. (2012) found that duality hinders monitoring powers from promoting managers' decisions to voluntary disclose corporate governance information. Mokhtar and Mellett (2013) also found a significant negative relationship between CEO/chairman duality and mandatory risk

reporting. The authors, however, found that the association between duality and voluntary risk reporting is non-significant.

In a study that covered a bigger number of MENA countries, Moumen et al. (2016) found that investors do not consider information conveyed by voluntary disclosure of importance with regards to future earnings in firms with dual CEO and chairperson roles. The authors, therefore, posit that concentrated leadership is irrelevant with regards to the way investors trust risk disclosure. Similarly, Alnabsha et al. (2018) found no significant association between CEO duality and the overall disclosure level in Libyan corporations' annual reports.

Al Janadi et al. (2013), on the other hand, found that combining the position of a CEO and a chairman in the hands of one person eliminates interventions and contradictions that could negatively affect the quality of a firm's reporting practices. In a study of MENA region's newly privatized firms Ben-Hassoun et al. (2018) document that CEO duality is negatively correlated with the choice of a quality auditor. These findings are in line with what the stewardship theory posits as far as the need of quality auditors in dual structure of leadership is concerned.

The existing contested conclusions regarding the leadership structure in the MENA region is a normal extension to similar contradicting conclusions reached by studies on other markets. Both the stewardship theory and agency theory need to be treated as complementary viewpoints with regard to leadership structure (Elsayed, 2010). The contradicting conclusions also suggest that the impact of role duality on performance and good governance practices should be studied along with other contextual variables.

Due to above inconsistency in findings across the literature, both internationally and in the MENA region the two following hypotheses are posited to test the relationship between our dependent variable and CEO duality:

H4-a: The abnormal returns resulting from an acquisition threshold crossing announcement are positively related to the presence of CEO duality (An agency theory perspective).

H4-b: The abnormal returns resulting from an acquisition threshold crossing announcement are negatively related to the presence of CEO duality (A stewardship theory and resource dependence theory perspective).

Firm Size (control variable)

It is widely agreed among finance scholars and practitioners that the larger is the size of the firm, the smaller is the risk the firm faces. The larger network of large firms and their, generally, higher control over their stakeholders grants them easier access to information and resources. Even in highly competitive markets, large firm sizes have better control systems to face competition compared to small firm sizes (Siahaan, 2014).

Firm size in literature has mostly been proxied by gross revenues, assets, natural log of assets, market capitalization, and number of employees among other variables. In relation to corporate governance, these different proxies are used to empirically test how firm characteristics impact the governance of a firm (De Silva & Wanniarachchige, 2021). For instance, literature reports a positive relationship between firm size and firm disclosure (Buzby, 1975; Freeman, 1987; Lang and Lundholm, 1993; Karim et al., 2013; Singhvi & Desai, 1971).

Owusu-Ansah (1998) reports that the quality of internal reporting increases with the size of the firm to keep executives informed which, intern, decrease the cost associated with voluntary information. Other explanations for the increased level of voluntary disclosure within large firms is the higher availability of resources on-hand compared to their smaller peers as well as the pressure financial analysts exercise on large firms to supply a higher level of disclosure (Hassan et al., 2006; Madhani, 2016; McKinnon & Dalimunthe, 1993).

The higher levels of disclosure large size firms promote represent a prerequisite for good corporate governance. Disclosure reduces the asymmetry of information that exists between managers and the different stakeholders and equips the latter with a tool to monitor the former (Madhani, 2016).

The literature on firm size is also rich with studies that theoretically and empirically investigate its relationship with firm profitability. Within the framework of the theory of

economies of scale, early works on this economics concept highlight how large firms can reap cost advantage from their size (Alexander, 1949; Stekler, 1964; Hall and Weiss, 1967; Scherer, 1973). Many subsequent works on the relationship between firm size and profitability support the existence of a positive relationship between the two variables (Doğan, 2013; Jonsson, 2007; Lee, 2009; Palangkaraya, 2009; Serrasqueiro et al., 2008; Wu, 2006).

Based on the above and because most studies in the literature that quired the subject reports a positive relationship between firm value and profitability (Dogan, 2013), we hypothesize the following:

H5: The abnormal returns resulting from an acquisition threshold crossing announcement are negatively related to firm size.

5.3.2 Insurance hypothesis and lending credibility hypothesis- An auditing theory perspective

Audit Quality

Auditing profession remains underdeveloped in the MENA region, which explains the dominance of the four big international auditing firms in the market (i.e., Deloitte & Touche, Ernst & Young (EY), Klynveld Peat Marwick Goerdeler (KPMG), and PricewaterhouseCoopers (PWC)) (Al-Ajmi, 2009; Shanikat & Abbadi, 2011). This environment allowed for a rich pool of investigations on the effect of auditor choice on different indicators of good performance in the MENA region.

A large strand of literature documents that the quality of an external auditor goes hand in hand with the quality of the financial reporting of a given company (DeAngelo, 1981; Palmrose, 1988; Deis & Giroux, 1992; Mutchler et al.1997; Fuerman, 2004). Big auditors are more prudent in carrying their auditing tasks (McKinley et al., 1985). Two hypotheses namely the reputation hypothesis as posited by De Angelo (1981) and the deep pocket hypothesis as posited by Becker et al. (1998) have taken the center stage in support of the existence of a positive relationship between big auditor choice and audit quality (Pillai &

Al-Malkawi, 2018). Therefore, hiring a big auditor signal the disclosure of more credible information. The importance of an auditor's report on a firm are significantly more important in emerging markets where other channels of disclosure- such as analysts and media releases - are less developed (Baatwah et al., 2015).

Al-Janadi et al. (2013) investigated the association between the choice of one of the four big auditing firms and information disclosure and found a positive relationship between the former and the later. The same positive relationship was posited by Hassoun and Aloui (2017) as they argue for the importance of information about the auditor in the decision-making process of an investor. According to Al Ajmi (2009) financial and credit analysts find auditor reports and opinion important in building their own. The author also documents that the size of the auditor affects the way analysts evaluate the reliability of the financial statements the former produces (Al-Ajmi, 2009).

A considerable number of the empirical investigations that studied the relationship between auditor choice and firm performance in the MENA region reported a positive relationship between the two. Farooq and Chetioui (2012) examined the relationship in seven MENA countries during the 2007-2008 financial crises and reported that firms audited by one of the four big auditors achieved superior stock price performance. These results are in contrast with the finding of Pillai and Al-Malkawi (2017) all GCC countries with the exception of Bahrain and therefore support both the reputation and deep pocket hypothesis.

Farooq and El Kacemi (2011) studied the relationship between the choice of big auditors and ownership concentration and found that firms with high levels of ownership concentration tend to hire big auditors to signal to the market that despite the agency problems rooted in their ownership structure they are still disclosing trustworthy financial information.

One of the different things auditing theory attempts to achieve is to set a framework to explain the relationships that exist between the different stakeholders of the firm. Putting together the propositions of the insurance theory and the lending credibility theory of auditing we hypothesize in this chapter that auditor's reputation will be negatively related to our CAARs.

There is a great agreement among practitioners and researchers on financial reporting on the importance auditing plays in reducing information risk. For an external user of a firm's financial statements (e.g., current and potential shareholders, suppliers and customers) information risk could be defined as the negative impact faulty content of financial disclosures could have on the users' decisions.

In auditing, the insurance hypothesis of auditing is based on the argument that in markets where both the auditor and the audited firm are jointly responsible for shareholders losses that could raise from "wrong" financial reporting, a reputable auditor is a good mechanism of corporate governance (Moizer, 1997). The author argues that bigger auditors are known to have "deeper pockets" that allow them to offer a higher level of insurance to shareholders than would their relatively smaller peers. Menon and Williams (1994) results support the argument that auditor insurance gives investors an incentive to pay a premium when purchasing a stock.

Supporting the propositions of the insurance hypothesis, the lending credibility hypothesis is based on the common agreement that the role of auditing is to improve the credibility of financial information, namely financial statements published by the firm (Ittonen, 2010). External users of financial information, including current shareholders rely on an audit to decrease financial information asymmetry that by default exists between them and the agent (Ittonen, 2010).

In Morocco, as in other emerging markets, the biggest share of a firm generally belongs to a family investor or an influential business group. This type of ownership structure combined with poor minority shareholder protection judicial system generally results in a strong need for a good-quality audit. In such an environment, the quality audit is expected to discourage earning management (Arens et al., 2012; Fan and Wong, 2005). To proxy audit quality, literature has frequently used the four big auditors (hereafter 4-big), namely, Deloitte, Ernst & Young (EY), Klynveld Peat Marwick Goerdeler (KPMG), and PricewaterhouseCoopers (PwC). Though not always operating under the same brand name in emerging markets, the 4-big, in a large literature strand are associated with lower levels of earning management and higher levels of conservatism compared to other audit firms (Becker et al. 1998; Francis et al. 1999; Francis 2004; Francis & Wang 2008; Alzoubi 2016).

Based on the above we hypothesis that:

H6: The abnormal returns resulting from an acquisition threshold crossing announcement are negatively related audit quality.

5.4 Conclusion

Empirical studies show that both common and civil jurisdictions equip, though to different degrees, capital markets with regulations that aim to enhance their corporate governance practices. Many of the corporate governance mechanisms that exist in common law countries are inexistent or not enforced in civil law countries and contrariwise. The two systems, however, witnessed examples of best and worst corporate governance practices. Some of the rules that caught the interest of La porta et al. (1998) are shareholders voting powers, ease to execute voting rights and protection against management use of powers to consume the wealth of the firm. The writers found that corporate governance mechanisms adapt to the pitfalls of a given legal system in protecting shareholders. Other empirical research present pairs of governance mechanisms in which an individual mechanism is a good substitute to the other. For instance, according to Zajac and Westphal (1994) increased monitoring could be a good substitute for incentive compensation contracts.

Researchers also found that governance mechanisms do not only substitute one another but very often bundle to enhance value. In a study of the interdependence between seven internal and external governance tools, Agrawal and Knoeber (1996) suggest the existence of an interdependence between the different explanatory variables they studied. The authors argue that the relationship they find between firm performance and governance mechanisms, when each mechanism is used as a single explanatory variable, disappears when all mechanisms are included in a multiple regression. A similar argument is posited by Rediker and Seth (1995). The writers found that while a given bundle of mechanisms could be positively related to good corporate governance, unbundling the same mechanisms weakens their effectiveness in improving it. Different papers argue that this complementarity exist for example between internal governance and use of external audit (Carcello et al., 2009; Hay et al. 2008).

This ambiguity of empirical evidence with regard to the effect of different governance mechanisms of firm value stimulated our interest in uncovering how the existence or absence of certain governance mechanisms could affect our CARs around the event window.

In this chapter, we started by building hypotheses for shareholder wealth effect of block trades. In line with the literature, our two first hypotheses posit that disclosure of a block acquisition results in positive abnormal returns (Ha1) while a block sale disclosure will result in negative abnormal returns (Ha2). In a more focused step, we distinguish between institutional and non-institutional block trades and argue that the effect of block trade disclosure on firm value should be more Pronounced when the discloser is an institution. We also develop hypotheses regarding the impact of a number of corporate governance mechanisms on the CARs resulting from an investor's disclosure of a significant change (5% or more) in their ownership in a public corporation traded in the CSE.

Driven by the *monitoring hypothesis*, we first hypothesize the relationship between threshold crossed, the ownership stake of the first and second biggest owners and CEO duality, and the CARs. Second, driven by the *lending credibility* and *insurance hypothesis*, we hypothesize the relationship between auditor reputation and the CARs.

Our chose of explanatory variables has mainly been motivated by our review of the literature of governance mechanisms and by the following characteristics of the Moroccan market:

1. A weak board composition and functioning compared to best practices (EBRD, 2016). Therefore, explanatory variables commonly used in literature such as board independence, size and committees are overlooked in our study.
2. CEO duality is a very common practice in Moroccan boards which rises the importance of investigating the impact of its presence on shareholders' wealth.
3. The Moroccan jurisdiction gives a great deal of importance to the function of auditing (i.e., two independent auditors are required to review the quality of Moroccan listed financial statements).

6 Methodology and Sample Data Collection

6.1 Introduction

Since its early days, the event study methodology has been used to assess the impact of a given event on firm value (McWilliams et al., 1999). By measuring the effect of an unanticipated event or announcement on the stock value, event study methods contribute to a better understanding of how stock prices form. Throughout the years, event study was used in the finance literature to measure the effect of events such as mergers and acquisitions, earnings and dividend announcements, and new equity issuance.

It is common practice to trace back the use of event study methodology in research to the 30's (MacKinlay, 1997). In 1933 James Dolley's event study examined the impact of stock splits. While this early study did not use statistical methods to analyze the data on hand, it is considered by some authors like MacKinlay (1997) as an early example of the event study methodology and set the stage for the development of the event study methodology in later years. MacKinlay (1997) also lists publications such as Myers and Bakay (1948), Barker (1956, 1957 and 1958) and Ashley (1962) as early contributions to the event study methodology.

However, many authors consider the study of Fama, Fisher, Jensen and Roll (1969) (FFJR) as the first introduction to event study including Fama himself (Fama, 1998). The study investigated the existence of abnormal returns surrounding the event of stock split but after isolating the event of the split from general market conditions. By combining the modern form of event study and the EMH, FFJR is viewed as a foundational study. Also, Corrado (2010) relates the success of FFJR to the use of the "Market Model" for the first time. FFJR marked the start of a period where the methodology of event study emerged as

the prevailing approach for evaluating the response of security prices to a given announcement or event (Binder, 1998).

The method knew another wave of development in the 70s with works such us, Scholes (1972), Jaffe (1974), Mandelker (1974) and Fama (1976). This group of studies dealt mainly with the issue of the variances of the market model prediction errors across different firms and their independence (Binder, 1998).

The 80s started off with Brown and Warner's (1980) event study that demonstrated the utility of the method in studying the impact of an event on stock prices. This event study analyzed the impact of a 'hypothetical' event on stock prices and was extended in the 1985's study by the same authors to investigate daily stock returns instead of monthly returns. The Brown and Warner (1985) study verified the authors' earlier findings by applying them to daily returns and argued about the importance of precise event dates in increasing the statistical power of the methodology.

Another seminal work of the 80s is the Ball and Torous's (1988) study. In this article, the authors cast light on significant methodological concerns regarding the design of event studies, such as the uncertainty surrounding event days and the multiday technique. The proposed method specifications accounted for the randomness of an event date.

Corrado (1989) is also a very cited publication of the decade. Corrado's study utilized a non-parametric test (i.e., rank test). In a subsequent study, Campbell and Wasley (1993) report that compared to other existing standardized test statistics, Corrado's (1989) rank statistic is found to be more effective under a variety of event conditions. The significance and utility of using suitable statistical tests to evaluate the significance of abnormal returns in event studies were brought to light by the use of the rank test in Corrado's study.

In the 90s, one can count Boehmer, Musumeci, and Poulsen (1991), Salinger (1992), Cowan (1992), and MacKinlay (1997) among the most cited articles in the event study methodology. Boehmer, Musumeci, and Poulsen (1991) changed the preceding event study approach to account for the event-induced increase in stock return volatility. This adjustment is crucial when an event creates additional volatility in stock returns. The new modification gives a more accurate assessment of the significance of abnormal returns by controlling for the

event-induced increase in volatility. This adjustment was later improved in the study of Savickas (2003) by using the Generalized Autoregressive Conditional Heteroskedasticity (GARCH) model. The GARCH model brought more accuracy to the estimates of stock return volatility during the event period, standard errors of abnormal returns, and event significance.

Salinger (1992) proposed a method that accounts for the possibility that the residuals of the stock returns may be correlated over time, and hence worked on the improvement of the accuracy of estimating the standard errors of the abnormal returns. Cowan (1992), on the other hand, provided a significant contribution to the use of the Generalized Sign Test in the event study. The study compared the Generalized Sign Test to the Rank Test and highlighted the power of the former when abnormal returns are small.

For MacKinlay's (1997) work, the main proposition was a standard event study design. The design of MacKinlay (1997) has become the norm in different fields of study but mainly in the fields of finance and accounting and has been applied to the analysis of a broad variety of events (e.g., earning announcements, mergers and acquisitions (M&As), and accounting rule changes announcement).

Based on Aktas et al. (2007), Table 6-1 summarizes the contributions of a selection of publications on the event study methodology. It is however important to note that this list of contributions to the topic is not comprehensive.

Table 6-1 Main contributions to the literature of event study methodology

Author (s)	Year	Main Contributions
Brown and Warner	1980	Using monthly data and under a variety of conditions (e.g., event date clustering, event day uncertainty) the market model performs well.
Brown and Warner	1985	Using daily data, the market model is not systematically a better model in estimating abnormal returns. However, methodologies using the model and basic parametric tests are well specified under different conditions.
Ball and Torous	1988	Investigated event study methods given event day uncertainty. The multiday approach is robust.
Corrado	1989	Introduced rank test as a non-parametric test of significance. With this test, the distribution of cross-sectional excess returns does not have to be symmetric.

Boehmer, Musumeci and Poulsen	1991	Modified prior methodology of event study to control for event-induced increase in the volatility of returns
Salinger	1992	Assuming the non-correlation of abnormal returns results in standard error underestimations. Accounted for intertemporal and contemporaneous correlation of estimated residuals.
Cowan	1992	Documents the power and specifications of the generalized sign test as an alternative to the rank test under nonideal conditions (e.g., long event windows and increased return variance)
Savickas	2003	Used a GARCH-based approach to account for volatility and event-induced variance increases.

6.2 Event Study Design

The design of an event study can take different forms. MacKinlay (1997) outlines a generally used flow of event study that we are summarizing as follows:

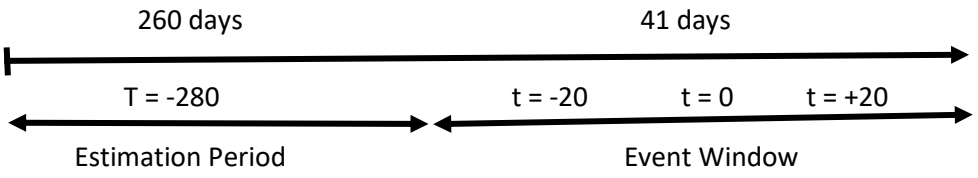
1. Event identification (e.g., earnings announcement)
2. Estimation period and event window identification (e.g., hundred days prior to the event, announcement day and the following day)
3. Individuals' selection (e.g., firm listed in a specific stock market)
4. Event impact measurement (i.e., forecasting normal returns and measuring abnormal returns)
5. Abnormal returns significance testing

1) Event identification: Whether to study the announcement of earnings, mergers and acquisitions, new equity issuance, accounting rule changes announcement, or other corporate events, event study comes in handy as a simple statistical tool to ascertain the impact of such events on the value of firms, values of common equity, debt securities and so forth. Event study literature reveals that finance and accounting are the two disciplines that initially used event study as a statistical tool. However, event study methodology was eventually used in several other disciplines (e.g., economics, law, political science, management, and marketing). In our study, the day a blockholder files for crossing the ownership threshold in a firm (i) is used as the announcement day (t=0).

2) Estimation period and event window identification: Literature on event studies distinguishes between two major periods (i) the estimation window or estimation period (EP) and (ii) the event window also known as the test period (EW). The EP is the period in which one of the competing return estimation models is used. The EW is the interval of time within which the event happens. The point in time the event is announced is generally known, which makes the determination of the beginning and the end of the EW quite straightforward.

Both the EP and the EW are independent periods and very often EW starts when EP ends. However, it is important to choose an EP that is free of the event effect. In practice, the length of the EP has varied from one researcher's work to another. Studies using event study in general and event study of block trading in particular use different estimation windows. Strong (1992) reports that a tradeoff exists between the statistical accuracy that long estimation periods make possible and the stability of market parameters that short periods offer. Periods of 100 to 300 days are typically used with daily stock prices and 24 to 60 months for monthly data (Peterson, 1989). On the other hand, an EW could go from a few hours since the event announcement (Hillmer and Yu, 1979) to a few days as prices continue to absorb the news (Chang and Chen,1989) or even to a year (Lev, 1989). Peterson (1989) reports a typical use of 21 to 121 for daily returns and 24 to 121 for monthly returns.

Following Achleitner et al. (2010), in our study, we use an estimation window of 260 days. This period starts 280 days before the event and ends 20 days before it [- 280; -20, relative to t=0].



Our event window is a constant interval of 41 days for all observations in our sample (from t=-20 to t=+20 including the announcement day t=0). The length of the windows used in event study has rarely been studied in the literature. One paper that thoroughly discussed the choice of the length of the time interval of the EW is Lev (1989). The author posits that a narrow period might lead to an underestimation of the cumulative abnormal earnings. longer windows, on the other hand, might be contaminated with other value-relevant confounding

events resulting in an overstatement of the returns (Lev,1989). In line with literature methods that suggest that when dealing with a large sample of stocks using a constant EW is more practical (Krivin et al., 2003), we chose a fixed EW for our event study.

3) Individuals' selection: In event studies, researchers have used different criteria to select firms to include in their samples. Data availability (listed firms), market development (developed vs. emerging markets), geo-economical region, ownership (family, institutional or other), and industry (financial vs. other) are among the selection criteria often used in the inclusion of firms in an event study. Our study involved 42 firms listed in the CSE.

4) Event impact measurement: In an event study, an array of expected return models could be used to estimate stock returns. In literature, we find four more frequently used models the Capital Asset Pricing Model (CAPM), the Market Model (MM), the Mean Adjusted Returns Model (MARM), and the Market Adjusted Returns or Index Model (IM) (Cable and Holland, 1999). One common purpose of all models is to predict the normal return, also called the expected return, that could be realized in the absence of the event. With any of the above-mentioned models, the way returns are used depends on the period they fall into (i.e., estimation period and event window discussed above).

Being a special case of the MM, the IM gives similar results (Brenner, 1979; Brick et al., 1989; Dyckman et al., 1984 and Brown and Warner, 1985). However, along with the MARM, the MM is many researchers' favorite model. From a pilot study, Cable (1999) findings support the use of regression-based models and reveal that, for instance, the CAPM seldom beats the MM results. The MM is the most commonly used model in event study and its effectiveness was over the years supported by empirical evidence compared to other competing models. In an interesting study, Dyckman et al. (1984) compared different estimation models (i.e., MARM, IM, MM, and two of its derivatives). The authors specifically compared the ability of the three models in detecting abnormal returns under three conditions, namely, portfolio size, event date uncertainty, and the magnitude of the abnormal performance. The findings of the study reveal that the three models have comparable abilities with a modest preference for the MM.

The MM is firstly built on the assumed constant linear relationship between individual stock returns and market returns. This relationship decreases stock return variance by removing variations due to market returns. (Coutts 1994 important here) The MM is also based on a group of critical statistic assumptions that are not very often tested. In some studies adopting event study methodology, assumptions underlying the MM are barely acknowledged. The MM parameters (i.e., α_i and β_i) are estimated using Ordinary Least Square (OLS) regression using daily data from an estimation period that ends before the event window. Among other things, the OLS model assumes the normality and homoscedasticity of the error term. In plain language, the model assumes that the expected value of the error is zero with a constant variance.

In the current study, we first follow Brown and Warner (1980) in using the market model (MM) to estimate expected returns. Abnormal Returns for a single firm (AR_{it}), Average Abnormal Returns (AAR_t) and cumulative abnormal returns for different windows of the event period ($CAAR_{[T1,T2]}$) are calculated using formulas (1), (2) and (3) respectively:

$$AR_{it} = R_{it} - (\hat{\alpha_i} + \hat{\beta_i} R_{mt}) \quad (1)$$

$$AAR_t = \frac{1}{N}\sum_{i=1}^{N} AR_{it} \quad (2)$$

$$CAAR_{[T1,T2]} = \sum_{Ti}^{T2} AARt \quad (3)$$

Where:

R_{it} = daily return of firm i on day t.

R_{mt} = daily return of the market index on day t; we use MASI: a broad-based index comprising all shares as a proxy.

$\hat{\alpha_i}$ and $\hat{\beta_i}$ = ordinary least squares estimate from regression of R_{it} on R_{mt} over the estimation period for every firm i.

The closing prices of stocks were used to calculate daily returns to fully capture and assess the effect of our event of interest on firm value. While daily returns depart from normality compared monthly returns (Fama, 1976), Brown and Warner (1985) describe the use of daily returns as 'straightforward' and assert that their non-normality exhibits no apparent impact

on the methodologies of event studies. This argument is supported by prior work of other authors such as, Morse (1984) and Dyckman et al. (1984).

However, in the modestly liquid Moroccan market, we faced the challenge of missing daily returns. To cope with this issue, we carried forward the most recent stock price and therefore imputed zero returns as commonly used in this type of cases.

5) Abnormal returns significance testing: Several parametric and non-parametric tests exist to examine abnormal returns significance. While parametric tests rely on the assumption that abnormal returns are normally distributed, non-parametric returns have no such requirement about abnormal returns' distribution. It is very common in literature to find studies that use non-parametric tests as complements to their parametric counterparts.

The most used parametric tests in event studies are the ordinary t-statistic, Patell (1976) test, and Boehmer, Musumeci and Poulsen (1991) (BMP-test). As reported by Cowan (2020) research at different points in time (i.e., Graham, Pirie & Powell, 1996; Higgins & Peterson, 1998; Harrington & Shrider, 2007; Campbell, Cowan & Salotti, 2010; Marks & Musumeci, 2017) supports the argument that inferences using the BMP test are more reliable than the standardized abnormal return test developed by Patell (1976). The different authors favor the BMP-test for reasons ranging from its robustness to variance increases in event days (Brown and Warner, 1980, 1985) to its power in overcoming biases related to heteroscedasticity (Harrington and Shrider, 2007).

Non-parametric tests have also gained popularity in event studies because they were proven to be robust against volatility induced by a given event and event clustering (Campbell and Wasley, 1993 and Kolari and Pynnonen, 2010). Even beyond event studies, the literature recommends the use of non-parametric tests with skewed distributions, small samples, and ordinal and nominal data. The non-parametric tests in event studies that are predominantly employed are the rank test introduced by Corrado (1989) and the generalized sign test used by Cowan, Nayar, and Singh (1990) and Sanger and Peterson (1990).

In an evaluation of alternative test statistics commonly used in event studies, Campbell and Wasley (1993), report, for instance, that the specifications of the standardized test statistics

are affected by the distributional properties of daily returns of some markets (e.g., higher variances, higher frequency zero returns and extreme nonzero returns, higher skewness and kurtosis coefficients of the mean standardized abnormal returns). The authors report that under several event conditions Corrado's (1989) rank statistic is found to be the most powerful test statistic compared to existing standardized test statistics.

The power and specification of the generalized sign test were first documented by Cowan (1992). The author documents that the test is well specified in the presence of higher event window variance and is more powerful than the cross-sectional parametric test reported by Brown and Warner (1985).

In our study, the statistical significance of the event window's AARs and CAARs (see Khotari and warner for CAR) is tested using the cross-sectional t-test, the standardized cross-sectional test (BMP-test) of Boehmer, Musumeci, and Poulsen (1991), the non-parametric generalized sign test (Zg-test) of Cowan (1992) and the non-parametric rank test proposed by Corrado (1989).

To test the significance of our results regarding the AAR_t, the cross-sectional t-statistic is calculated by dividing AARs by their cross-sectional standard deviation:

$$t_{AARt} = \sqrt{N}\frac{AAR_t}{S_{AARt}}, where \;\; {S_{AARt}}^2 = \frac{1}{N-1}\sum_{i=1}^{N}(AR_{it} - AAR_t)^2 \qquad (4)$$

To test the significance of our results regarding the $CAAR_{[T1,T2]}$, the cross sectional t-statistic is calculated by dividing AARs by their cross-sectional standard deviation:

$$t_{CAARt} = \sqrt{N}\frac{CAAR}{S_{CAAR}}, where \;\; {S_{CAAR}}^2 = \frac{1}{N-1}\sum_{i=1}^{N}(CAR_i - CAAR)^2 \qquad (5)$$

We use the BMP-test to control for event-induced variance increases. According to Boehmer, Musumeci, and Poulsen (1991) the smallest increases in variances prompted by an event could cause failure of test statistics from prior work to accept the null hypothesis of zero average abnormal returns. The BMP-test statistic is calculated as follows:

$$SR_{it} = \frac{AR_{it}}{S_{it}}, where\ S_{it} = \sqrt{\hat{\sigma}_i^2 \left[1 + \frac{1}{L} + \frac{(R_{mt} - \bar{R}_m)^2}{\sum_{t=-280}^{t=-21}(R_{mt} - \bar{R}_m)^2}\right]} \quad (6)$$

$$t_{Std} = \frac{(1/N)\sum_{i=1}^{N} SR_{it}}{\sqrt{(1/(N(N-1)))\sum_{i=1}^{N}(SR_{it} - 1/N\sum_{j=1}^{N} SR_{jt})^2}} \quad (7)$$

The rank test (equations 8, 9 to test the significance of the AARs and equation 10 to test the significance of the CAARs) and the generalized sign test (equation 11 to test the significance of the AARs and the CAARs) were used for robustness purposes.

$$Z_{rank,t} = \frac{(1/N)\sum_{i=1}^{N}(K_{it} - (\left(\frac{301}{2}\right) + 0.5))}{S(K)} \quad (8)$$

where $$S(K) = \sqrt{\frac{1}{301}\sum_{t=-260}^{t=+20}\left[\sum_{i=1}^{N}\left(K_{it} - (\left(\frac{301}{2}\right) + 0.5)\right)/N\right]^2} \quad (9)$$

Following Corrado (1989), K_{it} refers to the rank of an AR_{it} over the estimation and event periods therefore, $1 \leq K_{it} \leq 301$ and when an AR_{it} is greater than an AR_{jt}, K_{it} is greater than K_{jt}.

The extension of the one days-event window rank test to event windows of few day was introduced by Cowan (1992). We use Cowan's (1992) notation to define the rank statistic as:

$$Z_{rank} = \sqrt{d}\ \frac{\overline{K}_D - 151}{\sqrt{\sum_{t=-260}^{t=+20}(\overline{K}_t - 151)^2/301}} \quad (10)$$

Where $\overline{K}_D$ is calculated by averaging rank values of all sample events over an interval of days from the event window while $\overline{K}_t$ is calculated by averaging rank values for all sample observations over t=-280, t= +20.

The generalized sign test is a refined version of the sign test. The later tests whether the frequency of positive (negative) AARs or CAARs equals 50%. The generalized sign test, on the other hand, compares the actual fraction of ARs or CARs in the event window to an expected fraction derived from the estimation period. The generalized test allows to test the

null hypothesis that the ratio of positive ARs in the event day or positive CARs in an event window is equal to, higher or lower than their ratio in the estimation period.

We define the t statistic of the generalized sign test following Cowan (1992) as follows:

$$Z_{gsign} = \frac{p_{ew} - n\hat{p}}{\sqrt{[n\hat{p}(1-\hat{p})]}} \qquad (11)$$

Where *n* is sample size and p_{ew} is the number of positive (negative) ARs on event days or CARs in the EW while $\hat{p}$ is defined using equation (12) as follows:

$$\hat{p} = \frac{1}{n}\sum_{i=1}^{n}\frac{1}{260}\sum_{t=-20}^{t=-260} p_{ep} \qquad (12)$$

Where p_{ep} is the proportion of the positive (negative) ARs event days or CARs in the EP.

The rank test and the generalized sign test are non-parametric and therefore, do not require a normally distributed probability distribution of returns and allow statistical inference in the absence of this assumption. Moreover, neither Corrado's (1989) rank test, nor Cowan's (1992) generalized sign test require an equal positive and negative abnormal returns when there is no reaction to the event. According to cowan 1992, the shorter the event window the more powerful is the rank test in the detection of abnormal returns. For longer event windows, the generalized sign test has a power advantage over the rank test. Based on Cowan (1992) findings, in our significance testing we used both tests for the one-day event windows and for longer windows.

6.3 Event Study and the Efficient Market Hypothesis

Our review of the literature reveals that the current study is the first to use event study methodology to investigate the impact of threshold crossing announcement in the Moroccan market. An event study methodology has for a long time been used not only to study the impact of a given event on firm value but also to test for market efficiency.

What sets the underpinning framework of event study's use in the study of the impact of a given event on stock prices are the random walk hypothesis and the EMH. Steps taken by a drunk person are unpredictable; this is how the French statistician Louis Bachelier (1900) described the changes in stock prices. Bachelier's analogy describes basically the idea that stock prices show no serial correlation but rather follow a fair game pattern (i.e., follow an unpredictable random walk). The most discussed and debated articles and books on the topic rose in the 50s, 60s and early 70s by reputable economists and statisticians (e.g., Maurice Kendall in 1953, Paul Cootner in 1964, Eugene Fama in 1965 and Burton Malkiel in 1973).

One of the best explanations to the random walk hypothesis is the EMH. The second half of the twentieth century new the upsurge of the theory starting with the work of Fama (1965 and 1970). Founded on the idea that past performance of stock prices does not influence future performance, the EMH posits that stock prices reflect all known information that could possibly have an impact on the performance of the security. Therefore, the observed random walk is the result of the quick adjustment of stock prices to new information about current events or expected ones.

The EMH poses that markets cannot be beaten because they fully reflect existing information. Therefore, an investor cannot use information to make extra return because all information is already "fully" absorbed by the prices in an efficient market. However, according to Sewell (2011) "the definitional 'fully' is an exacting requirement, suggesting that no real market could ever be efficient, implying that the EMH is almost certainly false […] but in spirit is profoundly true".

Based on the classic taxonomy of Harry Roberts (Roberts, 1967), Fama (1970) distinguishes between three levels of market efficiencies: weak, strong, and semi-strong. The weak form of the EMH suggests that stock prices reflect all available data on historical prices, which hinders the utility of using technical analysis to earn some extraordinary returns.

The semi-strong form of the EMH posits that prices at a given point in time instantly reflect all available public data (e.g., earnings and dividend announcements). Therefore, it is impossible for investors to use technical or fundamental analysis to earn abnormal returns.

The strong form of the EMH asserts that stock prices quickly adjust to reflect all available public and non-public relevant information, and that no investor can use 'monopolistically' held information to drive benefits. This later form of market efficiency suggests that no investor can earn extraordinary returns because the quick adjustment of prices to new relevant information leaves the market with neither undervalued nor overvalued securities. Therefore, in line with random walk theory, market efficiency implies that stock prices change cannot take any other form but random. Moreover, there is no way for an investor to make abnormal returns from 'stale' information (Fama, 1970). The nature of the 'stale information' (i.e., past prices and returns, new relevant information release and insider information) is what creates the different levels of market efficiency (i.e., weak, semi-strong and strong efficiency) (Shleifer, 2000).

Over a decade after Fama's 1965's publication, Harvard financial economist Michael Jensen still supported the idea that "there is no other proposition in economics which has more solid empirical evidence supporting it than the Efficient Market Hypothesis" (Jensen 1978). A strong claim presage, according to the opponents of the theory of efficient markets, a wave of challenges to the theory and its empirical results (Shleifer, 2000). Behavioral finance is one of the leading disciplines that challenges the 'rationality' of investors as a fundamental assumption of the EMH. Following what Fischer Black (1986) posits about the rationality of the trading decisions made by investors, and Tahneman and Tversky's (1979) "Prospect Theory", Shleifer (2000) argue that in many instances investors trade on information that is irrelevant (i.e., noise) and display irrational loss aversion. In short, Shleifer (2000) argue that rationality of the investor under the EMH cannot stand psychological evidence.

In our study we assume the semi-strong EMH as an underpinning theory. If the theory holds, we expect information about disclosure of trades involving a threshold crossing to be absorbed by stock prices and to observe statistically significant ARs. However, failure of prices to incorporate of new information might be explained by the irrelevance of the information to shareholder which does not necessarily contradict the premises of the EMH theory.

6.4 Event Study's Sample and Data Collection

Despite its long history, the Moroccan market is a small market where, as of 2019, the securities of 75 issuing companies are traded. Low liquidity is another phenomenon that characterizes the market. The CSE has one of the lowest turnovers of the MENA region and the world. The low liquidity and turnover explain the relatively low number of observations in our sample over a period of 15 years. Between 2005 and 2019 the CSE witnessed slightly over 120 ownership threshold crossing. Our sample includes 87 ownership threshold crossing announcements resulting exclusively from the acquisition or sale in a secondary market of an equity stake greater or equal to 5%. All events took place in the CSE between January 1, 2005 and December 31, 2019. All threshold crossing disclosures are available in the AMMC from where disclosure forms were downloaded.

For more accuracy, information found on the AMMM website was then checked against data disclosed on the CSE's website. The AMMC's threshold disclosures include the date of the transaction, the date of the disclosure, the name of the disclosing party, the name of the target firm and the threshold crossed by the buyer/seller. Financial institutions (i.e., banks and insurance companies) were excluded from the sample due to their special ownership structure. We also excluded from the sample:

1. Threshold crossing that are not result of a purchase or sale of a block of shares (e.g., bond conversion, gifts, mergers and acquisitions).
2. Threshold crossing announcements that took place in less than 280 days from the target firm IPO as it will shorten our estimation and event windows.
3. Threshold crossing announcement of companies that are no longer listed in the Casablanca stock exchange by December 31, 2017.
4. Threshold crossing announcements of transactions that involve simultaneously a block sale and a block acquisition.

Table 6-2 Summary of the sample composition

All threshold crossing announcements	Threshold crossing announcements (Acquisition)	Threshold crossing announcements (Sale)

All	101	64	37
Institutional transactions	62	43	19
Non-institutional transactions	39	21	18

The fact that closely 70% of the transactions in the CSE are conducted by institutions is in line with what is observed in international markets. In the US, for instance, stock exchange trades undertaken by institutions and dealers represent 80 to 90 percent of total trades (Aggarwal and Chen, 1990).

From the change in the stock prices upon the announcement of ownership threshold crossing we infer if the Moroccan market positively or negatively value ownership concentration and if the identity (institutional vs. non-institutional) of the blockholder matters. 67% of the trades observed in this study are disclosures of a 5% threshold crossing. Therefore, in a very concentrated market such as the CSE, in a threshold crossing, the identity of the trader would matter more than the threshold crossed. We differentiated, in the introduction of this chapter, between the insider and outsider systems of governance, and we discussed the main characteristics that support our view of the Moroccan market as an "insider" market where important equity holdings matter.

6.5 Regression's Data Sources and Descriptive Statistics

We used different sources to collect data of interest for our regression study of possible determinants of CARs. Table 6-3 reports the descriptive data for 64 acquisition threshold crossing announcements in the CSE between 2004 and 2019. Data on ownership structure and firm size was retrieved from DataStream. Auditor name was manually collected from financial statements published on CSE website and information on CEO duality was collected from the different publications of firms. These data were also matched with data provided by the Statistics Department of the CSE whenever available.

Table 6-3 Descriptive statistics

Explanatory variable	Mean	Median	Standard	Minimum	Maximum

			Deviation		
Threshold	10%	5%	12%	5%	67%
Share 1	46.46%	51.33%	20.18%	8.97%	81.97%
Share 2	12.62%	11.04%	7.60%	0.00%	31.78%
CEO Duality	0.53	1.00	0.50	0.00	1.00
Audit Quality	0.53	1.00	0.50	0.00	1.00
Size	20.69	20.49	1.42	17.16	24.18

In this table: We define threshold as the threshold crossed and disclosed on the day of the event. We define share 1 as the stake of the largest shareholder in a firm on December 31 that precede the day of the event. Share 2 is the stake of the second largest shareholder in a firm on December 31 that precede the day of the event. CEO duality is a binary variable assigned a value of 1 when the CEO holds the position of a chairman of the board of directors and 0 otherwise. Audit quality is also a binary variable that holds a value of 1 when the firm's financial statements are audited by one of the big auditors (i.e., Deloitte, EY, KPMG, and PwC) and 0 otherwise. Size is calculated as the natural logarithm of total assets of the firm in the year preceding the event.

The disclosed thresholds in our sample are in line with the legal framework in Morocco where traders have to disclose their acquisition or sale of an equity of a given public corporation when they cross thresholds of 5%, 33.33%, 50% or 67%. The mean in our sample is 10% which is very close to the mean of the second shareholding of the second largest equity holder in our sample. In 34 of the 64 events firms have a CEO that simultaneously holds the position CEO and a chairman of the board of directors. Similarly, in slightly over 50% of the events, firms are audited by one of the big four international auditors (i.e., Deloitte, EY, KPMG and PwC).

6.6 Conclusion

Studies using event study methodology demonstrate its usefulness as it allows researchers to investigate the impact of different events such as corporate disclosures on market reaction and shareholder wealth.

However, despite the long history, all the improvements, and the notoriety and usefulness of the methodology, it is sometimes associated with criticism and limitations. A case in point is the study of Chen (2017), who summarizes the limitations of the event study methodology in three points (i) the difficulty in precisely identifying the event day (ii) the upward bias in the calculation of the abnormal returns (iii) the difficulty to detect and quantify the cost.

Another limitation that is very often associated with the event study methodology is its reliance on the premises Market Efficiency Hypothesis (EMH) where it is assumed (at least under the semi-strong form) that market prices reflect all known information that could possibly affect the performance of the security. The EHM is itself often challenged by researchers who account for the psychological and behavioral aspects of stock-price determination (Malkiel, 2003).

Moreover, to measure the impact of an event on a given market, a researcher can choose from an array of expected return models. Therefore, the accuracy of the results could be affected by the model specifications and assumptions which is viewed as another limitation of the method. Furthermore, the method can only be used to detect the impact of an event on abnormal returns which is a partial measure of the performance of a given firm (Gupta, 2016).

Other limitations in the event study methodology are linked to the continuous need to refine long-horizon methods (Kothari & Warner, 2007). According to the author and based on previous studies, such as Brown and Warner (1980), Fama (1969) and Kothari and Warner (1997), long-horizon methods are less straightforward and troublesome when compared to short-horizon methods.

These are just a few examples of documented limitations to the event study methodology. However, literature that uses, recommends, and criticizes the event study methodology continues to grow and widen the scope and the usage of this statistical approach in research. The event study methods are also going through another face of their development in the era of machine learning and artificial intelligence (e.g., Baker & Gelbach, 2020 and Dogra et al., 2021).

7 Results

7.1 Event Study Results

7.1.1 Acquisition threshold crossing announcement- Full sample

Table 7-1 reports the daily average abnormal returns during the [-20,+20] event window. The first column lists the event days relative to the announcement day where "0" is the threshold crossing announcement day. Column 2 presents the daily average abnormal returns (AAR). The remaining columns reports the results of the test statistics (i.e., t-test, BMP-test, rank-test and generalized sign test) corresponding to the different AARs. The statistical significance of every test is symbolized by a * sign where * , ** and *** are significant at 0.10 and 0.05 and 0.01 respectively.

Table 7-2 reports the CAARs for different event windows and the results of their statistical significance using the t-test, the BMP-test, the rank-test and generalized sign-test.

Table 7-1 Daily average abnormal returns for all acquisition threshold crossing announcements (N=64)

Event Days	AAR in %	t-Value	BMP-t-Statistic	Rank-test	Gsign -test
-20	0.10%	0.43	0.44	0.03	0.63
-19	-0.26%	-0.98	-1.10	-1.55	-0.62
-18	0.28%	1.07	0.52	0.47	0.13
-17	-0.10%	-0.48	-0.28	0.02	-0.12
-16	0.00%	0.00	-0.06	-1.26	0.88
-15	-0.25%	-1.12	-0.94	-0.74	-1.88
-14	0.18%	0.70	0.31	0.24	-0.37
-13	-0.11%	-0.42	-1.00	-0.80	-0.12
-12	0.17%	0.74	0.89	0.29	0.38
-11	-0.26%	-1.12	-1.13	-0.54	-0.12
-10	0.18%	0.78	1.22	1.34	0.13
-9	-0.28%	-1.42	-1.29	-0.79	-0.87

-8	0.42%	1.76	**	1.26		0.74	*	0.63		
-7	0.07%	0.24		0.32		0.30	*	0.88		
-6	-0.14%	-0.46		-0.32		-1.79		-0.62		
-5	1.04%	3.94	***	4.60	***	3.45	***	2.13	**	
-4	-0.10%	-0.27		-0.54		-1.60		0.63		
-3	0.03%	0.10		-1.75		-0.38		-0.37		
-2	0.57%	1.98	**	1.98	**	0.75	**	1.38	*	
-1	0.22%	0.76		1.91	**	0.00		-0.12		
0	0.67%	2.43	***	2.77	***	1.18	**	2.64	***	
1	0.15%	0.57		0.51		-0.17		-0.37		
2	0.63%	1.84	**	-0.17		0.86		0.63		
3	-0.03%	-0.09		0.09		-0.72		-1.13		
4	0.21%	0.69		-1.13		-0.17		0.88		
5	-0.21%	-0.85		-0.91		-0.61		-0.62		
6	-0.27%	-0.90		-0.86		-0.76		0.63		
7	0.51%	1.62	*	1.71	**	1.41		0.88		
8	0.11%	0.42		0.24		-0.18		-0.62		
9	-0.34%	-1.09		-0.64		-1.57		-0.62		
10	0.77%	2.85	***	0.75		1.24	***	1.63		
11	-0.20%	-0.93		-0.94		-0.82		-1.13		
12	-0.03%	-0.08		-0.07		0.48		0.63		
13	-0.13%	-0.67		-0.20		-0.18		-0.87		
14	-0.13%	-0.44		-0.18		0.34		0.88		
15	0.02%	0.10		-0.08		-0.14		-0.12		
16	0.33%	1.02		1.53		0.63		0.88		
17	0.00%	0.00		-0.08		-1.15		-0.37		
18	0.19%	0.59		0.12		-0.22		1.13		
19	-0.45%	-2.09		-1.80		-0.32		-1.63		
20	-0.08%	-0.29		-0.13		-1.05		-1.13		

****p < 0.01,* ** $p < 0.05$ and * $p < 0.1$

Table 7-2 Different window's CAARs for all acquisition threshold crossing announcements (N=64)

Event window	CAAR in %	t-Value		BMP-t-Statistic		Rank-test		Gsign-test	
[-5,0]	2.43%	3.54	***	5.80	***	2.90	***	1.88	**
[0,+5]	1.42%	2.36	**	0.21		0.63		1.13	
[-5,+5]	3.18%	3.73	***	2.95	***	1.96	**	1.63	*
[-2,0]	1.46%	3.42	***	5.09	***	2.49	***	1.88	**
[0,+2]	1.45%	3.18	***	1.87	**	1.76	**	-0.12	
[-2,+2]	2.24%	3.81	***	5.55	***	2.33	***	0.63	
[-1,0]	0.88%	2.47	***	3.72	***	1.60		1.63	*
[0,+1]	0.82%	2.17	**	2.82	***	1.25		0.88	

[-1,+1]	1.04%	2.31	**	3.90	***	1.09	1.63	*

****p < 0.01, ** p* < 0.05 and * *p* < 0.1

As hypothesized, Table 7-1 shows that average abnormal returns for acquisition announcements are mostly positive for different days within the event window [-5,+5] and significantly different from zero at t=-5 and t=0 under all used parametric and non-parametric tests. The AARs are also significantly positive on day t=-2 under all tests with the exception of the generalized sign test. The results of Table 7-1 are further supported by the results present in Table 7-2 where the CAARs are significantly positive under different tests for different windows especially for event windows that starts five and two days and end on the event day. Under the latter windows the t-test, the BMP-test and the rank test are all significant at 1% and the generalized sign test is significant test is significant at 5%.

7.1.2 Sale threshold crossing announcement- Full Sample

In support of our hypothesis, average abnormal returns are negative on day t=0 following a blockholder's announcement of a decrease in its equity ownership in a public firm (see Table 7-3). However, negative abnormal returns are only observed 4 times in the ten days prior to the event day and five times in the ten days following the announcement day. During this 21-day period, the statistical significance of the negative abnormal returns is observed on day -4 relative to the announcement day using the BMP-test, days t=-8, t=-1 and t=5 using the generalized sign test and day t=6 using the t-test and the rank test. The CAARs as presented in Table 7-4 are barely negative in the two event windows [0,+2] and [0,+1] and are only significant under the generalized sign test at 5% level.

Table 7-3 Daily average abnormal returns for all sale threshold crossing announcements (N=37)

Event Days	AAR in %	t-Value	BMP-t-Statistic	Rank-test	Gsign - test	
-20	-0.05%	-0.18	-0.03	0.39	-0.39	
-19	-0.38%	-0.93	-0.84	-0.09	0.27	
-18	0.78%	1.77	2.03	1.62	1.93	**
-17	0.50%	0.98	1.19	0.52	1.26	
-16	0.64%	1.55	1.54	0.60	0.27	
-15	0.11%	0.29	-0.04	-0.90	-1.72	

-14	-0.42%	-1.37		-1.58		-0.64		-1.06	
-13	0.70%	1.69		1.72		0.65		0.60	
-12	0.52%	1.43		1.63		1.49		2.26	**
-11	0.19%	0.41		-0.26		-1.07		-1.39	
-10	0.60%	1.55		1.42		0.66		1.26	
-9	-0.21%	-0.51		-0.23		-1.20		-1.06	
-8	0.14%	0.35		0.09		1.10		1.93	**
-7	-0.20%	-0.45		-0.26		0.24		0.60	
-6	-0.16%	-0.33		-1.00		-0.32		-0.06	
-5	0.33%	0.92		1.22		0.34		0.60	
-4	-0.30%	-0.90		-1.69	**	-0.80		0.93	
-3	0.29%	0.70		1.07		0.00		-0.06	
-2	0.81%	1.71		1.94		1.88		1.60	
-1	0.75%	2.28		2.54		1.89		1.93	**
0	-0.16%	-0.46		-0.70		0.29		1.26	
1	0.15%	0.27		0.10		-0.98		-1.06	
2	-0.16%	-0.52		-0.55		-0.25		0.27	
3	-0.07%	-0.20		0.08		0.06		-0.06	
4	0.17%	0.51		1.02		0.45		0.60	
5	0.23%	1.33		0.73		1.15		2.26	**
6	-0.47%	-1.92	**	-1.66		-1.81	**	-2.05	
7	0.25%	1.04		0.45		0.86		1.26	
8	-0.18%	-0.54		-0.37		-0.74		-0.72	
9	0.11%	0.33		0.01		0.14		-0.39	
10	-0.14%	-0.36		-0.12		-0.03		-0.06	
11	-0.13%	-0.38		-0.29		0.72		-0.06	
12	-0.59%	-1.74	**	-1.99	**	-1.80	**	-1.39	
13	-0.11%	-0.29		-0.12		0.13		0.27	
14	0.47%	1.48		2.14		1.96		1.93	**
15	-0.90%	-2.55	***	-2.70	***	-1.85	**	-2.05	
16	0.16%	0.42		0.34		0.58		1.26	
17	-0.11%	-0.37		-0.02		-0.61		0.93	
18	0.54%	1.35		1.42		0.62		0.93	
19	-0.53%	-2.19	**	-1.32		-1.18		-0.39	
20	0.21%	0.66		0.27		0.86		0.60	

****p < 0.01,* ** $p < 0.05$ and * $p < 0.1$

Table 7-4 Different window's CAARs for all sale threshold crossing announcements (N=37)

Event window	CAAR in %	t-Value	BMP-t-Statistic	Rank-test	Gsign -test
[-5,0]	1.72%	2.01	3.16	1.81	-2.26
[0,+5]	0.16%	0.21	0.36	0.36	-0.93
[-5,+5]	2.03%	1.92	3.56	1.50	-1.60

[-2,0]	1.40%	2.10	2.92	2.89		-3.25
[0,+2]	-0.17%	-0.31	-0.88	-0.67	**	-0.60
[-2,+2]	1.39%	1.71	2.50	1.57		-1.60
[-1,0]	0.59%	1.25	1.64	1.90		-2.92
[0,+1]	-0.01%	-0.02	-0.48	-0.60	**	0.39
[-1,+1]	0.74%	1.29	1.59	0.86		-1.60

** $p < 0.05$

7.1.3 Acquisition threshold crossing announcement by institutions- Narrow sample

We hypothesized that an institution's announcement of an increase in its equity stake in a firm should have a positive effect on the target firm value. **Table *7-5*** reports higher average abnormal return on day -5 relative to the event day. In day 0 an average abnormal return of 0.53% is significant at significance level of 5% using the BMP-test and the generalized sign test. The Average abnormal returns in day -5 are statistically significant under all tests at 0.10 level. In Table 7-6 we find a strong support of the positive significance of CAARs when the acquisition threshold crossing is realized by an institution.

Table 7-5 Daily average abnormal returns for institutional acquisition threshold crossing announcements (N=43)

Event Days	AAR in %	t-Value	BMP-t-Statistic		Rank-test	Gsign -test
-20	0.09%	0.26	0.39		0.03	0.29
-19	-0.41%	-1.26	-1.27		-1.59	-0.93
-18	0.40%	1.13	0.54		0.48	0.60
-17	-0.09%	-0.34	-0.22		0.02	-0.02
-16	-0.29%	-1.00	-0.84		-1.29	-0.63
-15	-0.12%	-0.46	-0.19		-0.75	-1.24
-14	0.17%	0.53	0.20		0.24	-0.02
-13	0.07%	0.19	-0.37		-0.82	0.29
-12	0.26%	0.86	1.03		0.30	-0.02
-11	-0.22%	-0.70	-0.80		-0.55	0.60
-10	0.40%	1.53	1.69	**	1.36	0.60
-9	-0.21%	-0.85	-0.80		-0.81	-0.32
-8	0.35%	1.06	0.48		0.75	-0.02
-7	-0.24%	-0.74	-0.45		0.30	0.29
-6	-0.19%	-0.46	-0.33		-1.83	-0.93

-5	1.21%	3.80	***	4.14	***	3.53	***	2.74	***
-4	-0.58%	-1.31		-1.66		-1.63		-0.93	
-3	-0.03%	-0.09		-0.26		-0.39		-0.02	
-2	0.61%	1.56		1.57		0.76		0.60	
-1	0.20%	0.61		0.57		0.00		-0.32	
0	0.53%	1.55		1.77	**	1.21		1.82	**
1	0.27%	0.78		0.93		-0.17		-0.02	
2	0.50%	1.29		1.30		0.88		0.90	
3	-0.27%	-0.83		-0.82		-0.73		-0.63	
4	0.06%	0.15		-0.01		-0.18		0.60	
5	0.08%	0.32		0.27		-0.63		-0.02	
6	-0.19%	-0.54		-0.50		-0.77		0.90	
7	0.52%	1.33		1.35		1.44		0.60	
8	0.36%	1.00		0.91		-0.18		-0.32	
9	-0.49%	-1.33		-1.31		-1.60		-1.24	
10	0.36%	1.73	**	1.51		1.27		0.90	
11	-0.24%	-0.90		-0.98		-0.84		-1.24	
12	-0.20%	-0.43		-0.50		0.49		0.90	
13	0.10%	0.59		0.72		-0.19		0.60	
14	-0.14%	-0.39		-0.18		0.35		0.29	
15	-0.15%	-0.51		-0.64		-0.14		-0.02	
16	0.58%	1.39		1.91	**	0.64		0.90	
17	0.06%	0.17		0.17		-1.18		-0.63	
18	-0.12%	-0.30		-0.50		-0.23		0.60	
19	-0.14%	-0.53		-0.38		-0.33		-0.32	
20	-0.42%	-1.11		-1.02		-1.07		-1.24	

****p < 0.01 and ** p* < 0.05

Table 7-6 Different window's CAARs for institutional acquisition threshold crossing announcements (N=43)

Event window	CAAR in %	t-Value		BMP-t-Statistic		Rank-test	Gsign -test	
[-5,0]	1.93%	2.20	**	3.60	***	1.42	0.60	
[0,+5]	1.16%	1.66		2.36	**	0.15	0.90	
[-5,+5]	2.57%	2.58	***	4.37	***	0.80	1.51	
[-2,0]	1.33%	2.47	***	3.36	***	1.14	2.12	**
[0,+2]	1.30%	2.30	**	3.03	***	1.10	0.90	
[-2,+2]	2.10%	2.96	***	4.45	***	1.20	2.12	**
[-1,0]	0.72%	1.72	**	2.01	**	0.85	0.90	
[0,+1]	0.79%	1.60		2.18	**	0.73	0.90	
[-1,+1]	0.99%	1.84	**	2.46	***	0.60	1.21	

** $p < 0.05$ and * $p < 0.1$

7.1.4 Sale threshold crossing announcement by institutions- Narrow sample

Our investigation using the narrowed sample suggests a higher significance of a negative return on day 0 compared to our findings with a more general sample. The significance level under different statistical tests is also more important for the reduced sample of institutional blockholders. Using the BMP-test and to the rank-test, the results show that a meaningful wealth effect is observed when an institutional investor declares an equity stake decrease in a firm in windows [0,+1] and [0,+2] (

Table **7-8**). Compared to the full sample, more negative and lower CAARs are observed in the different windows of the narrow sample.

Table 7-7 Daily average abnormal returns for institutional sale threshold crossing announcements (N=19)

Event Days	AAR in %	t-Value		BMP-t-Statistic		Rank-test		Gsign - test
-20	-0.21%	-0.49		-0.25		0.67		0.67
-19	-0.21%	-0.45		-0.41		-0.62		-0.25
-18	1.55%	2.18		2.52		2.15		2.05
-17	1.17%	1.66		2.02		1.84		1.13
-16	0.55%	0.98		0.93		0.67		0.67
-15	0.23%	0.36		0.40		-0.16		-0.71
-14	-0.52%	-0.97		-0.98		-1.18		-1.17
-13	1.87%	2.77		3.10		3.18		2.52
-12	0.54%	1.37		1.13		1.60		1.59
-11	-0.87%	-2.55	**	-2.23	**	-2.00	**	-1.17
-10	0.91%	1.82		1.91		1.63		2.05
-9	0.10%	0.36		0.19		-0.34		-0.71
-8	0.10%	0.22		0.09		0.93		1.13
-7	0.24%	0.38		0.45		1.16		1.59
-6	0.58%	0.85		0.58		0.37		0.21
-5	-0.25%	-0.67		-0.67		0.04		0.67
-4	-0.52%	-0.99		-1.29		-1.12		0.21
-3	0.48%	0.72		1.15		0.74		0.21
-2	0.48%	0.82		1.24		1.43		1.59
-1	0.91%	1.73		2.06		1.95		2.05
0	-0.69%	-1.76	**	-1.65		-1.18		0.21
1	0.14%	0.14		-1.37		-1.68		-1.17
2	-0.14%	-0.41		-0.13		-0.30		-0.25

3	-0.08%	-0.13		-0.20	0.58	0.67
4	0.34%	1.01		0.84	0.48	0.67
5	0.14%	0.51		0.42	0.66	1.13
6	-0.56%	-2.10	**	-1.64	-1.87 **	-1.64
7	0.70%	1.84		1.70	2.04	2.05
8	-0.09%	-0.17		-0.32	0.01	0.21
9	-0.48%	-1.33	*	-1.21	-1.23	-1.17
10	0.25%	0.46		0.74	0.96	1.13
11	0.72%	2.01		1.80	2.11	1.13
12	-0.71%	-1.99	**	-1.82	-1.96 **	-0.71
13	0.36%	0.91		1.01	1.13	1.13
14	0.18%	0.55		0.59	0.95	0.67
15	-0.20%	-0.54		-0.66	-0.42	-0.71
16	-0.38%	-0.79		-0.70	-0.19	0.67
17	-0.18%	-0.45		-0.19	-1.40	-0.25
18	0.25%	0.44		0.36	-0.20	0.21
19	-0.37%	-0.94		-0.60	-0.84	0.21
20	-0.06%	-0.13		-0.05	0.52	0.21

** $p < 0.05$ and * $p < 0.1$

Table 7-8 Different window's CAARs for institutional sale threshold crossing announcements (N=19)

Event window	CAAR in %	t-Value	BMP-t-Statistic	Rank-test	Gsign - test
[-5,0]	0.41%	0.49	1.15	0.76	-1.59
[0,+5]	-0.29%	-0.27	-1.78	-0.59	0.25
[-5,+5]	0.82%	0.64	0.55	0.49	-1.59
[-2,0]	0.69%	0.69	1.43	1.27	-1.59
[0,+2]	-0.68%	-0.72	-2.73 **	-1.82 **	-0.21
[-2,+2]	0.70%	0.57	0.39	0.10	-0.67
[-1,0]	0.21%	0.30	0.61	0.55	-1.59
[0,+1]	-0.55%	-0.62	-2.80 **	-2.02 **	1.17
[-1,+1]	0.36%	0.36	-0.53	-0.52	-0.67

** $p < 0.05$

7.1.5 More sub-sample analysis results – Proportions differences test results

We hypothesized that the effect of the announcement of a threshold crossing by an institution (subsample A) will be more pronounced than the impact of a non-institutional trader (subsample B). To assess if the AARs and CAARs are more pronounced for subsample A,

we calculated the AARs and the CAARs of subsample A that solely include equity changes announced by institutional block-traders and AARs and the CAARs of subsample B that holds non-institutional investors' trades. We used the two-sample proportions one-tail z-score to determine whether the difference between to proportions of positive (negative) ARs and CARs of institutional and non-institutional block-trade disclosers is significant. In the following analysis both subsample A and subsample B are further split into subsample A-1 (SS-A1) for institutions acquisition block-trades, subsample A-2 (SS-A2) for institutions sales block-trades, subsample B-1 (SS-B1) for non-institutions acquisition block-trades and subsample B-2 (SS-B2) for non-institutions sales block-trades.

Table 7-9 Difference in proportions of ARs significance test results – Institutional vs. non-institutional acquisition threshold crossing announcements (SS-A1; N=43 vs. SS-B1; N=21)

Event Days	Institutions AARs (in %)	Non-institutions AARs (in %)	Institutions Proportion of ARs>0	Non-institutions Proportion of ARs>0	Pooled proportions	Z-score	
-20	0.09%	0.13%	0.4884	0.5238	0.5000	-0.27	
-19	-0.41%	0.03%	0.3953	0.4762	0.4219	-0.61	
-18	0.40%	0.04%	0.5116	0.3810	0.4688	0.98	
-17	-0.09%	-0.12%	0.4651	0.4286	0.4531	0.28	
-16	-0.29%	0.58%	0.4186	0.7143	0.5156	-2.22	
-15	-0.12%	-0.51%	0.3721	0.2857	0.3438	0.68	
-14	0.17%	0.21%	0.4651	0.3810	0.4375	0.64	
-13	0.07%	-0.49%	0.4884	0.3810	0.4531	0.81	
-12	0.26%	-0.01%	0.4651	0.5238	0.4844	-0.44	
-11	-0.22%	-0.35%	0.5116	0.3333	0.4531	1.35	*
-10	0.40%	-0.27%	0.5116	0.3810	0.4688	0.98	
-9	-0.21%	-0.43%	0.4419	0.3333	0.4063	0.83	
-8	0.35%	0.56%	0.4651	0.5714	0.5000	-0.80	
-7	-0.24%	0.69%	0.4884	0.5714	0.5156	-0.62	
-6	-0.19%	-0.04%	0.3953	0.4762	0.4219	-0.61	
-5	1.21%	0.68%	0.6744	0.4286	0.5938	1.88	**
-4	-0.58%	0.88%	0.3953	0.7143	0.5000	-2.40	
-3	-0.03%	0.17%	0.4651	0.3810	0.4375	0.64	
-2	0.61%	0.50%	0.5116	0.6190	0.5469	-0.81	
-1	0.20%	0.26%	0.4419	0.4762	0.4531	-0.26	
0	0.53%	0.95%	0.6047	0.6667	0.6250	-0.48	
1	0.27%	-0.08%	0.4651	0.3810	0.4375	0.64	
2	0.50%	0.89%	0.5349	0.4286	0.5000	0.80	

3	-0.27%	0.46%	0.4186	0.3333	0.3906	0.66	
4	0.06%	0.53%	0.5116	0.5238	0.5156	-0.09	
5	0.08%	-0.80%	0.4651	0.3333	0.4219	1.00	
6	-0.19%	-0.45%	0.5349	0.4286	0.5000	0.80	
7	0.52%	0.48%	0.5116	0.5238	0.5156	-0.09	
8	0.36%	-0.40%	0.4419	0.3810	0.4219	0.46	
9	-0.49%	-0.02%	0.3721	0.5238	0.4219	-1.15	
10	0.36%	1.63%	0.5349	0.6190	0.5625	-0.64	
11	-0.24%	-0.12%	0.3721	0.4286	0.3906	-0.43	
12	-0.20%	0.33%	0.5349	0.4286	0.5000	0.80	
13	0.10%	-0.59%	0.5116	0.1905	0.4063	2.46	***
14	-0.14%	-0.10%	0.4884	0.5714	0.5156	-0.62	
15	-0.15%	0.39%	0.4651	0.4286	0.4531	0.28	
16	0.58%	-0.17%	0.5349	0.4762	0.5156	0.44	
17	0.06%	-0.13%	0.4186	0.4762	0.4375	-0.44	
18	-0.12%	0.82%	0.5116	0.5714	0.5313	-0.45	
19	-0.14%	-1.08%	0.4419	0.1905	0.3594	1.97	**
20	-0.42%	0.61%	0.3721	0.4286	0.3906	-0.43	

*** $p < 0.01$, ** $p < 0.05$ and * $p < 0.1$

Table 7-10 Difference in proportions of CAARs significance test results – Institutional vs. non-institutional acquisition threshold crossing announcements (SS-A1; N=43 vs. SS-B1; N=21)

vent Window	Institutions CAARs (in %)	Non-Institutions CAARs (in %)	Institutions Proportion of CARs>0	Non-institutions Proportion of CARs>0	Pooled proportions	Z-score
[-5,0]	1.93%	3.44%	0.5116	0.7619	0.5938	-1.91
[0,+5]	1.16%	1.96%	0.5349	0.5714	0.5469	-0.28
[-5,+5]	2.57%	4.44%	0.5814	0.6667	0.6094	-0.66
[-2,0]	1.33%	1.72%	0.6279	0.7143	0.6563	-0.68
[0,+2]	1.30%	1.77%	0.5349	0.6190	0.5625	-0.64
[-2,+2]	2.10%	2.53%	0.6279	0.6667	0.6406	-0.30
[-1,0]	0.72%	1.21%	0.5349	0.6190	0.5625	-0.64
[0,+1]	0.79%	0.88%	0.5349	0.6190	0.5625	-0.64
[-1,+1]	0.99%	1.14%	0.5581	0.6190	0.5781	-0.46

Table 7-11 Difference in proportions of AARs significance test results – Institutional vs. non-institutional sale threshold crossing announcements (SS-A2; N=19 vs. SS-B2; N=18)

Event Days	Institutions AARs (in %)	Non-institutions AARs (in %)	Institutions Proportion of ARs<0	Non-institutions Proportion of ARs<0	Pooled proportions	Z-score
-20	-0.21%	0.12%	0.4211	0.7222	0.5676	-1.85
-19	-0.21%	-0.55%	0.5789	0.5000	0.5405	0.48
-18	1.55%	-0.03%	0.3158	0.5000	0.4054	-1.14
-17	1.17%	-0.21%	0.4211	0.5000	0.4595	-0.48
-16	0.55%	0.74%	0.4737	0.6111	0.5405	-0.84
-15	0.23%	-0.03%	0.6316	0.7778	0.7027	-0.97
-14	-0.52%	-0.32%	0.6842	0.6111	0.6486	0.47
-13	1.87%	-0.54%	0.2632	0.7778	0.5135	-3.13
-12	0.54%	0.49%	0.3684	0.3889	0.3784	-0.13
-11	-0.87%	1.30%	0.6842	0.6667	0.6757	0.11
-10	0.91%	0.28%	0.3158	0.6111	0.4595	-1.80
-9	0.10%	-0.53%	0.6316	0.6667	0.6486	-0.22
-8	0.10%	0.19%	0.4211	0.3889	0.4054	0.20
-7	0.24%	-0.67%	0.3684	0.6667	0.5135	-1.81
-6	0.58%	-0.93%	0.5263	0.6111	0.5676	-0.52
-5	-0.25%	0.93%	0.4737	0.5556	0.5135	-0.50
-4	-0.52%	-0.07%	0.5263	0.4444	0.4865	0.50
-3	0.48%	0.09%	0.5263	0.6111	0.5676	-0.52
-2	0.48%	1.17%	0.3684	0.5000	0.4324	-0.81
-1	0.91%	0.58%	0.3158	0.5000	0.4054	-1.14
0	-0.69%	0.40%	0.5263	0.3889	0.4595	0.84
1	0.14%	0.16%	0.6842	0.6111	0.6486	0.47
2	-0.14%	-0.19%	0.5789	0.5000	0.5405	0.48
3	-0.08%	-0.06%	0.4737	0.6667	0.5676	-1.18
4	0.34%	-0.02%	0.4737	0.5556	0.5135	-0.50
5	0.14%	0.34%	0.4211	0.3333	0.3784	0.55
6	-0.56%	-0.38%	0.7368	0.7222	0.7297	0.10
7	0.70%	-0.21%	0.3158	0.6111	0.4595	-1.80
8	-0.09%	-0.27%	0.5263	0.7222	0.6216	-1.23
9	-0.48%	0.73%	0.6842	0.5000	0.5946	1.14
10	0.25%	-0.55%	0.4211	0.7222	0.5676	-1.85
11	0.72%	-1.03%	0.4211	0.7222	0.5676	-1.85
12	-0.71%	-0.46%	0.6316	0.7222	0.6757	-0.59
13	0.36%	-0.60%	0.4211	0.6667	0.5405	-1.50
14	0.18%	0.78%	0.4737	0.3333	0.4054	0.87
15	-0.20%	-1.64%	0.6316	0.8333	0.7297	-1.38
16	-0.38%	0.72%	0.4737	0.4444	0.4595	0.18
17	-0.18%	-0.03%	0.5789	0.3889	0.4865	1.16
18	0.25%	0.85%	0.5263	0.4444	0.4865	0.50

19	-0.37%	-0.70%	0.5263	0.6667	0.5946	-0.87
20	-0.06%	0.50%	0.5263	0.4444	0.4865	0.50

Table 7-12 Difference in proportions of CAARs significance test results – Institutional vs. non-institutional sale threshold crossing announcements (SS-A2; N=19 vs. SS-B2; N=18)

Event Window	Institutions CAARs (in %)	Non-institutions CAARs (in %)	Instituions Proportion of CARs<0	Non-instituions Proportion of CARs<0	Pooled proportions	Z-score
[-5,0]	0.41%	3.10%	0.3684	0.3889	0.3784	-0.13
[0,+5]	-0.29%	0.62%	0.5789	0.3889	0.4865	1.16
[-5,+5]	0.82%	3.32%	0.3684	0.5000	0.4324	-0.81
[-2,0]	0.69%	2.15%	0.3684	0.2222	0.2973	0.97
[0,+2]	-0.68%	0.37%	0.5263	0.5000	0.5135	0.16
[-2,+2]	0.70%	2.12%	0.4737	0.3889	0.4324	0.52
[-1,0]	0.21%	0.98%	0.3684	0.2778	0.3243	0.59
[0,+1]	-0.55%	0.56%	0.6842	0.5000	0.5946	1.14
[-1,+1]	0.36%	1.14%	0.4737	0.3889	0.4324	0.52

Table 7-9 and Table 7-10 report the results of our analysis of the difference in the proportion of positive ARs and CARs, respectively, between SS-A1 and SS-B1 acquisition announcements. Table 7-11 and Table 7-12 report similar results for sale threshold closing and the significance of the difference in the proportion of the negative ARs and CARs between SS-A2 and SS-B2. The second and third column of Table 7-9 and Table 7-11**Error! Reference source not found.** report the AARs in the one-day event windows of SS-A1 and SS-B1, and SS-A2 and SS-B2 respectively. Column 2 and 3 in Table 7-10 and Table 7-12 report the CAARs in event windows between 2 and 11 days of SS-A1 and SS-B1, and SS-A2 and SS-B2 respectively. Columns 4 in Table 7-9 (Table 7-11) reports the proportion of positive (negative) ARs while column 5 of Table 7-10 (Table 7-12) reports the proportion of positive (negative) CARs. Column 6 reports the pooled proportions from both pairs of subsamples used to generate the z-score for results significance testing.

The difference in the proportion of positive abnormal returns between SS-A1 and SS-B1 is significant at a 1% level on day 13, at a 5% level on day -5 and 19, and at 10% level on day -11 relative to the event day. The difference is, however, not significant at any event window

longer than one day. Finally, neither the proportion of negative abnormal returns between SS-A2 and SS-B2 nor the difference between the proportion of negative CARs in SS-A2 compared to SS-B2 is significant.

7.2 Regression Analysis Results

7.2.1 Determinants of the CARs

In this section of chapter 7 we examine the results of possible determinants of the eleven-days window of [-5,+5] Cumulative Abnormal Returns. We picked the former window because it is the event window in which we reported the highest significant CAARs resulting from an acquisition threshold crossing announcement in chapter 5. Although not reported here we regressed other windows CARs against the same explanatory variables, but the results were insignificant. In addition, and to sequentially discern the importance of different combinations of the explanatory variables, we report the coefficients for nested model specifications. The comprehensive model regresses the CARs against all independent variables described in the previous section. The regression model could be represented as follows:

$$CAR[-5,+5]_i = \alpha + \beta_1 * Threshold_i + \beta_2 * Share1_i - \beta_3 * Share2_i +/- \beta_4 * Dual_i - \beta_5 * AudQ_i - \beta_6 * Size_i + \varepsilon_i$$

Where $CAR[-5,+5]_i$ is the cumulative abnormal return for firm(i).

In a first step, we considered the whole sample of acquisition threshold crossing regardless of the identity of the trader. In Table 7-13, we report the OLS estimates for the coefficient on the explanatory variable(s). We report the R-squared for the different models as a measure of the explanatory power of regressions one through six. We importantly note how the R-squared jumps when we move from Model 1 to Model 2. As hypothesized, the relationship between the threshold crossed and the CARs is positive and significant at the 5% level.

However, opposite to what we hypothesized, the CARs are negatively related to the equity stake of the largest shareholder. This result is particularly interesting because it implies that our results find support in the monitoring hypothesis of agency theory where the market values the existence of a larger shareholder on dealing with type I agency theory.

Across the models only the variable "Threshold" and the "Share 1" show a consistently significant relationship with CAR[-5,+5].

Table 7-13 Nested CAR regression's estimated coefficients and t-statistics (All Acquisition Threshold Crossing)

Variables	Expected	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Constant		0.017 (1.584)	0.077 (3.802)***	0.063 (2.251)**	0.065 (2.298)**	0.066 (2.287)**	-0.033 (-0.265)
Threshold	+	0.143 (2.083)**	0.152 (2.381)**	0.155 (2.142)**	0.145 (2.212)**	0.142 (2.082)**	0.148 (2.148)**
Share1	+		-0.001 (-3.399)***	-0.001 (-3.04)***	-0.001 (-2.532)**	-0.001 (-2.317)**	-0.001 (-2.447)**
Share2	-			0.001 (0.735)	0.001 (0.729)	0.001 (0.753)	0.001 (0.616)
Duality	+/-				-0.012 (-0.693)	-0.013 (-0.717)	-0.015 (-0.801)
Audit Quality	-					-0.004 (-0.210)	-0.008 (-0.801)
Size	-						0.005 (0.809)
N-obs		64	64	64	64	64	64
R-squared		0.06	0.21	0.22	0.23	0.23	0.24
F-Statistic (*p*-value)		4.338 (0.04)	8.316 (0.00)	5.682 (0.00)	4.345 (0.00)	3.429 (0.00)	2.949 (0.01)

*** and **denote statistical significance at the 1% and 5% level

In a second step, we narrowed our sample of acquisition threshold crossing to trades conducted by investors other than the first and second largest shareholders. However, the results were not significantly different from the ones found in the larger sample (Table 7-14). Therefore, our findings continued to support the monitoring hypothesis.

Table 7-14 Nested CAR regression's estimated coefficients and t-statistics (Narrowed Sample)

Variables	Expected	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Constant		0.008 (0.532)	0.065 (2.478)**	0.040 (1.139)	0.041 (1.156)	0.042 (1.11)	-0.082 (-0.538)
Threshold	+	0.362	0.142	0.297	0.296	0.291	0.297

		(2.458)**	(1.993)**	(2.08)**	(2.05)**	(1.833)*	(1.865)*
Share1	+		-0.001 (-2.554)**	-0.001 (-2.05)**	-0.001 (-1.592)	-0.001 (-1.47)	-0.001 (-1.678)*
Share2	-			0.001 (0.735)	0.001 (0.971)	0.001 (0.962)	0.001 (0.798)
Duality	+/-				-0.009 (-0.434)	-0.01 (-0.422)	-0.01 (-0.425)
Audit Quality	-					-0.002 (-0.083)	-0.006 (-0.274)
Size	-						0.007 (0.842)
N-obs		49	49	49	49	49	49
R-squared		0.11	0.22	0.24	0.24	0.24	0.26
F-Statistic (*p*-value)		6.041 (0.02)	6.637 (0.00)	4.775 (0.01)	3.564 (0.01)	2.7888 (0.03)	2.426 (0.04)

***, ** and * denote statistical significance at the 1%, 5% and 10% level

7.2.2 Robustness Checks

Our study makes use of different explanatory variables, therefore, testing for multicollinearity is important. We first calculate and report pairwise correlation coefficients for the total of our explanatory variables. Table 7-15 reports the aforementioned coefficients and show no strong multicollinearity between the different pairs of explanatory variables. However, it is important to highlight the existence of a moderate correlation coefficient value between the equity of the largest shareholder and CEO duality (0.383718). The same moderate correlation exists between the equity of the largest shareholder and firm size and between the latter and audit quality (0.3570 and 0. 3533, respectively).

Table 7-15 Correlation matrix

	Threshold	Share1	Share2	CEO Duality	Audit Quality	Size
Threshold	1					
Share1	0.0380	1				
Share2	-0.0697	-0.2854	1			

CEO Duality	-0.1718	0.3837	-0.1013	1		
Audit Quality	-0.1588	0.0904	0.2410	-0.2549	1	
Size	-0.1581	0.3570	0.1197	0.1657	0.3533	1

This table reports the pairwise correlation coefficients of all explanatory variables used in Model 6.

For robustness check we also calculated the Variance Inflation Factors (VIF). While the correlation test is a test for the bivariate relationship that exists between the independent variable the VIF is multivariate test for that relationship. Therefore, the VIF helps us test the inter-association that may exist among more than two explanatory variables which the pairwise correlation test come short of achieving in a multiple regression model. As proposed by Marquardt (1970) the VIF is calculated as follows:

$$VIF_J = \left(1 - R_j^2\right)^{-1}$$

Where R_j^2 is the multiple coefficient of determination of (Explanatory Variable)j regressed on all the other Explanatory Variables of the model.

Table 7-16 All explanatory variable and their corresponding VIFs

Variable	VIF	1/VIF
Threshold	1.122044	0.891
Stake 1	1.566461	0.638
Stake 2	1.2244	0.817
Duality	1.438738	0.695
Auditor	1.427622	0.700
Size	1.381693	0.724

While the rule of thumb suggests that a VIF greater than 4 warrants additional investigation VIF values reported in Table 7-16 indicate no sign of serious multicollinearity among our predictors. We also calculated the 1/VIF. Column 3 of table X indicates that about 90% of "threshold" vary independently from the remaining five explanatory variables. To a great degree the same independence is also observed for other variables in the model. Therefore, we can assess the effect of every single explanatory variable while controlling for the others.

Another concern when using a linear regression model is heteroscedasticity. Heteroscedasticity may bias estimates of the variance of the OLS coefficient estimates even if it does not affect coefficient estimate themselves. A violation of the homoscedasticity as an OLS assumption may results in a biased test statistic leading in turn to biased inferences. To

avoid any possible rejection of a null hypothesis (type II error) we checked for heteroscedasticity as part of our analysis. To test for heteroscedasticity, we used A Breusch-Pagan Test. With a Chi-Square test statistic 12.1678 and a borderline p-value of 0.06, we fail to reject the null hypothesis and conclude that we do not have evidence for the presence of heteroscedasticity in our data.

7.3 Conclusion

Event study results

The purpose of the preceding study was to investigate the effect of threshold crossing disclosure on firm value. We considered the announcement day as the day when the trader discloses crossing a threshold of 5%, 10%, 20%, 33.33%, 50% or 66.66%. We used the event study methodology to investigate the impact of this change in the ownership structure on the value of the firm measured by abnormal returns. We hypothesized that an acquisition threshold crossing disclosure leads to an increase in firm value. We also hypothesized that a sale threshold crossing disclosure results in negative abnormal returns in different days and event windows. We broke our sample into two subsamples (a) acquisition announcements and (b) sales announcements, because combining the two in one group would obscure the wealth effect of the announcement.

Both agency theory and the monitoring hypotheses suggest that the wealth effect associated with the two sub-samples is expected to be in opposite courses. Our empirical findings support our hypotheses and confirm the importance a market, with the characteristics of the Moroccan market, gives to the existence of blockholders. This welcoming of the increase in block-holding equities by the market can be explained by the monitoring hypothesis. Every market in which shareholders' rights are not properly protected, the existence of large equity holders can be a good substitute. Large shareholders in Morocco are therefore expected to play a monitoring role of management whenever the interest of the latter diverge from the interests of the shareholders. Our findings also lead to the conclusion that the Moroccan market seems to react even to small and partial controls of the firm.

It is also important to point out to the relatively higher value and higher significance of the AARs in day -5 compared to other pre and post-event day. A possible reason for this relatively stronger significance could be related to the 5-day disclosure window granted by the Moroccan jurisdiction an equity buyer or a seller to disclose the occurrence of threshold crossing. This makes day -5 relative to the announcement day, in most cases, the transaction day. Which explains the higher values of the AAR on that specific day. We have also to note that market reactions to acquisition threshold crossing announcements is more significant than its reactions to sale threshold crossing announcements.

Our results are supported by Kraus and Stoll (1972) findings on the difference between the effect of block trades initiated by buyers and those initiated by the sellers. In their study of the price impact of block trades in the New York Stock Exchange, the authors demonstrate that in block trades initiated by the buyer price changes reflect changes in the underlying value of the stock while the opposite is not true for block trades initiated by the seller.

In a narrowed sample composed of institutional block-traders, empirical findings are not conclusive regarding the effectiveness of institutional monitoring. More specifically, the role institutional shareholders play in firm governance depends on how large their holdings are and on their investment horizon (Yan and Zhang, 2009). To assess whether more pronounced announcement effects could be attributed to the institutions as a special type of investors, in a different section of this chapter, we investigated the effect of announcement of threshold crossing by institutional investors.

In line with our full sample findings, our results evidence that acquisition threshold crossing announcements resulted in significantly positive (C)AARs, but in less significant negative (C)AARs in sales transactions. This evidence is also consistent with the argument that institutional acquisitions are more informed than institutional sales as asserted by Chiyachantana et al. (2004).

We also investigated whether the difference between the proportions of positive (negative) ARs and CARs resulting from institutional and non-institutional acquisition (sale) threshold crossing disclosure are significant. Our significance test for the differences in proportions between institutional and non-institutional acquisitions, was significant a 5% level in day -5

relative to the event day and no significance is observed for longer event window. The significance also vanishes when the institutional and non-institutional sale threshold crossing were compared. These findings could be the result of the small size of our sub-samples. It is also important to note that in our sample the threshold crossing of institutions is 5% for 80% of our observations. Based on the "trader" vs. "owner" categorization of Bushee (1998), we can posit that the Moroccan market might view institutions as a "trader" with less incentives to contribute to the governance of the target firm in the existence of relatively very large first and even second equity holders.

Regression Analyses results

Literature on corporate governance mechanisms suggests that investors value more equity holdings in markets with higher levels of shareholder right protection. In markets with low shareholder protection, as it is generally the case in emerging markets, large shareholding stakes are observed as a natural phenomenon.

In this chapter, we found empirical evidence that the wealth effect of important (5% or more) acquisitions threshold crossing into firms with existing first large shareholder, are negatively and significantly related to the later. These findings suggest that the existing levels of ownership concentration are most likely valued by the market as effective monitoring mechanisms to management behavior and decisions. The large equities held by the largest shareholders of the Moroccan public firms give them enough incentive to bear the costs associated with the function of monitoring and care less about the existence of free riders. This explains also the positive relationship we found between the wealth effect and the threshold crossed. Our findings vindicate the views of several authors who worked on the topic in other MENA markets (Ahmed and Hadi, 2017; Al-Ghamdi and Rhodes, 2015; Almudehki and Zeitun, 2012; Arayssi and Jizi, 2019; Omran et al., 2009). From our analysis of the results of our study we can conclude that, If the so often advocated ownership dispersion is desired in emerging markets, more resources need to be spared on developing the legal protection of shareholders.

While other studies brought also evidence on the importance second large shareholders play in dealing with type II agency problems, we were not able to find evidence for this effect in the Moroccan market. Therefore, we cannot argue in favor of the monitoring role of a second

large shareholder. Similarly, neither duality nor audit quality seem to affect the abnormal returns in our sample.

8 Research Contributions, Limitations and Conclusions

8.1 Introduction

"One of the main challenges facing policy makers is how to develop a good corporate governance framework which can secure the benefits associated with controlling shareholders acting as direct monitors, while at the same time, ensuring that they do not expropriate excessive rents at the expense of other stakeholders."

Maher and Andersson (2000)

Twenty years after the above-mentioned quote developing good corporate governance is still a challenge for most jurisdictions and markets around the globe. To date, empirical evidence does not document the existence of "a one size fits all" effective corporate governance practices. While literature on corporate governance distinguishes between Anglo-American system and the Continental system, it never reached consensus on which system is to be emulated. With recurrent defaults in the governance structures of both system they were subject to several critics and reassessments and no one system seems to fully respond to the expectations of the different stakeholders of a firm.

Evidence on the effectiveness of governance mechanisms from both systems is generally ambiguous. The level of the ambiguity raises further when the scrutinized market belongs neither to the Anglo-American nor to the Continental group of markets. The main objective of this thesis was to investigate how the Moroccan market values concentrated ownership. In this research we identified wealth effect of threshold crossing as a measure of the change in ownership structure of Moroccan listed firms.

Studies investigating whether ownership concentration is conducive to superior firm performance are inconclusive. According to our extent review of the literature on the MENA Region and according to Farah (2021), exclusive studies on this topic on the Moroccan

market are inexistent. We also relate the novelty in our work to the absence of studies on corporate governance in the Moroccan market using event study methodology and their scantiness in the MENA region. To our knowledge our study is also the first that investigates possible determinants of abnormal returns resulting from an increase of equity holding concentration by shedding the light on factors that are generally considered substitutes to ownership concentration in dealing with the agency problem.

8.2 Research Contributions

Our study contributes to filling the significant gap in the research on corporate governance in Morocco. The key role large shareholders play in corporate governance continues to be an important piece of the puzzle in understanding how firms are governed and how they can be best governed. Another important piece to this puzzle is the role institutional investors play in the governance of firms around the globe.

Our results support the premises of agency theory. We found that disclosure of acquisition threshold crossing into public firms in Morocco generates positive wealth effects. We also found that the later are positively and significantly related to the value of the disclosed threshold. The market reaction is particularly significant for different windows between t=-5 and t=+5. Trades typically take place five days prior to the announcement day. Therefore, we relate this early (t=-5) observed significant abnormal returns and cumulative abnormal returns to expected information leakages on the trade.

Our study also adds to hitherto literature on the impact of blockholder identity on firm wealth by narrowing the sample of threshold crossing disclosures undertaken by institutional investors. Our findings support Hendry et al. (2006) conclusions that classify institutional investors as traders who vote and exercise control over resources through their trading decisions. Our results' support to the line of literature that cast institutions as important players in the governance of firms is relatively small. This argument is also supported by Roe (1990) findings that suggest that institutional owners generally luck the entrepreneurial skills needed to lead and guide operating activities of a firm and conclude that institutional ownership would be larger in companies that would benefit from their monitoring while it

would be smaller in companies that needs entrepreneurial guidance. Therefore, the possible "trader" nature of institutional ownership in Morocco could hinder reducing the risk of benefits tunneling.

Our study of the main determinants of the wealth effect of acquisition threshold crossing announcement in the Moroccan market was driven by the monitoring hypothesis as well as the insurance and lending credibility hypothesis. We associate the positive relationship that we found between the value of the threshold crossed and the generated wealth to the additional monitoring of management the market expects from newer large shareholders. Consistent with this, we found a significant negative relationship between the CAARs and the equity holdings of the largest shareholder. We interpret the relationship we found as a confirmation to the effect of the supplementary monitoring the newcomers could bring to the principal-agent relationship. It is interesting to notice that despite the very high levels of ownership concentration in our market, the latter does not seem to be skeptical of higher levels of concentration. With this positive attitude towards ownership concentration, the market seems to prioritize a mechanism that it expects to deal with the agency problem over liquidity.

With reference to theories, one major contribution of our study is the fact that agency theory continuous to explain a market adoption of internal mechanisms of governance such as ownership concentration as they cope with week investor protection. It is foreseen that this study can be an eye opener to policy makers in Morocco about the urgency of improving investor protection to improve the liquidity of the market among other things. Beyond Morocco this study benefits the literature of emerging markets in which high ownership concentration, weak investor protection and less sophisticated bourses are a common currency.

8.3 Research Limitations

One major limitation of this research is the number of events in our sample. Despite the length of the period the study covers, our full sample includes 64 and 37 acquisition

threshold crossing announcements and sale threshold crossing announcements, respectively. Our sample gets even smaller when we limit our investigation to institutional investors. Another limitation relates to the low liquidity of the Moroccan markets. Brown and Warner (1985) provided evidence that a week liquidity causes bias in measuring ARs.

In our study we also observed different delays of to announce a threshold crossing event. The longer delays in disclosing the threshold crossing grant longer periods to possible leakages which can leave the event day with a little bit of impact if any. This also implies information about the trade may get into the markets at different points in time between the day of the trade and the day of the announcement that is not necessarily day +5 from that day of the trade.

Another problem that could impact the results in event study in general is the liquidity of the market. In CSE not all stocks are not traded daily. Periods of non-trading in the estimation window or the event window may result in problems when the market model is used in the event study. We also relate this phenomenon to the possible inefficiency that characterizes many emerging markets. Inefficiency may result in prices that to not fully or at least immediately absorb available information.

8.4 Conclusion

A better understanding of what mechanisms currently shape corporate governance in emerging markets is a cornerstone in building the future shape a large number of countries' guidelines for best practices. It is therefore important to continue to investigate the specific characteristics of this special category of markets. Whereas in more developed markets the in and out of the different mechanisms of corporate governance have been the topic of a considerable number of studies, as yet studies on emerging markets did not reach the same level of richness and comprehensiveness.

In this work, we investigated the wealth effect of threshold crossing disclosure on firm value in the CSE. Our work provides evidence of the market's general perception of a concentrated ownership and reconfirm the premises of the agency theory. From our work we

can infer that even in the presence of corporate governance codes an emerging market still rely on the monitoring of large equity holders. It would be interesting to investigate the same wealth effect in other MENA countries. A larger pool of events from markets that share relatively similar characteristic can improve the significance of our findings as it can allow for more breakdowns in the identities of the blockholder.

Future research could also investigate the observed difference between the strength of the market reaction to the acquisition threshold crossing "good news" and to a sale threshold crossing "bad news". And it is worth noting that explanations of what we observed could also be drawn from theories that differ from mainstream economic theories such as the Rational Actor Theory. For instance, by drawing from behavioral finance theories important inferences could be made in this regard.

Bibliography

Abdallah, A. A.-N., & Ismail, A. K. (2017). Corporate governance PRACTICES, ownership structure, and corporate performance in the GCC countries. *Journal of International Financial Markets, Institutions and Money*, *46*, 98–115.

Abdmoulah, W. (2010). Testing the EVOLVING efficiency of Arab stock markets. *International Review of Financial Analysis*, *19*(1), 25-34.

Abudy, M. M., & Lauterbach, B. (2015). Changes in Controlling Shareholders' Holdings: Do They Entail Financial Tunneling?. In *International Corporate Governance*. Emerald Group Publishing Limited.

Abu-Serdaneh, J., Zuriekat, M., & Al-Sheikh, I. (2010). Ownership Structure and Corporate performance in the Jordanian manufacturing companies. *Jordan Journal of Business Administration*, *6*(3), 426-440.

Achleitner, A. K., Andres, C., Betzer, A., & Weir, C. (2010). Wealth effects of private equity investments on the German stock market. *The European Journal of Finance*, *17*(3), 217-239.

Adams, R. B., Almeida, H., & Ferreira, D. (2005). Powerful CEOs and their impact on corporate performance. *The Review of Financial Studies*, *18*(4), 1403-1432.

Adawi, M., & Rwegasira, K. (2011). Corporate boards and voluntary implementation of best disclosure practices in emerging markets: Evidence from the UAE listed companies in the Middle East. *International Journal of Disclosure and Governance*, *8*(3), 272-293.

Admati, A. R., Pfleiderer, P., & Zechner, J. (1994). Large shareholder activism, risk sharing, and financial market equilibrium. *journal of Political Economy*, *102*(6), 1097-1130.

Admati, A. R., & Pfleiderer, P. (2009). The "Wall Street Walk" and shareholder activism: Exit as a form of voice. *The Review of Financial Studies*, *22*(7), 2645-2685.

Ahmed, N., & Hadi, O. A. (2017). Impact of ownership structure on firm performance in the MENA region: an empirical study. *Accounting and Finance Research*, *6*(3), 105-115.

Aggarwal, R., & Chen, S. N. (1990). The adjustment of stock returns to block trading information. *Quarterly Journal of Business and Economics*, 46-56.

Aghion, P., Van Reenen, J., & Zingales, L. (2013). Innovation and institutional ownership. *American economic review*, *103*(1), 277-304.

Agrawal, A., & Knoeber, C. R. (1996). Firm performance and mechanisms to control agency problems between managers and shareholders. *Journal of financial and quantitative analysis*, *31*(3), 377-397.

Aguilera, R. V., & Cuervo-Cazurra, A. (2004). Codes of good governance worldwide: what is the trigger?. *Organization studies*, *25*(3), 415-443.

Aguilera, R. V., Filatotchev, I., Gospel, H., & Jackson, G. (2008). An organizational approach to comparative corporate governance: Costs, contingencies, and complementarities. *Organization science*, *19*(3), 475-492.

Aguilera, R. V., & Jackson, G. (2010). Comparative and international corporate governance. *Academy of Management annals*, *4*(1), 485-556.

Aguilera, R. V., Marano, V., & Haxhi, I. (2019). International corporate governance: A review and opportunities for future research. *Journal of International Business Studies*, *50*(4), 457-498.

Aktas, N., De Bodt, E., & Cousin, J. G. (2007). Assessing the power and size of the event study method through the decades. *Available at SSRN 1018641*.

Aktas, N., De Bodt, E., & Roll, R. (2004). Market response to European regulation of business combinations. *Journal of Financial and Quantitative Analysis*, *39*(4), 731-757.

Al-Ajmi, J. (2009). Audit firm, corporate governance, and audit quality: Evidence from Bahrain. *Advances in accounting*, *25*(1), 64-74.

Al Awfi, Y. N. S. (2017). *Ownership Concentration: Its Determinants and the Impact on Firm Performance: Evidence from MENA Region* (Doctoral dissertation, University of Portsmouth).

Alexander, S. S. (1949). The effect of size of manufacturing corporation on the distribution of the rate of return. *The Review of Economics and Statistics*, 229-235.

Al-Ghamdi, M., & Rhodes, M. (2015). Family ownership, corporate governance and performance: Evidence from Saudi Arabia. *International Journal of Economics and Finance*, *7*(2), 78-89.

Alhazaimeh, A., Palaniappan, R., & Almsafir, M. (2014). The impact of corporate governance and ownership structure on voluntary disclosure in annual reports among listed Jordanian companies. *Procedia-Social and Behavioral Sciences*, *129*, 341-348.

Ali, A. J. (1990). Management theory in a transitional society: The Arab's experience. *International studies of management & Organization*, *20*(3), 7-35.

Al-Janadi, Y. (2021). Ownership Structure and Firm Performance in the Middle East: A Meta-Analysis. *Journal of Risk and Financial Management*, *14*(12), 577.

Al-Janadi, Y., Rahman, R. A., & Omar, N. H. (2013). Corporate governance mechanisms and voluntary disclosure in Saudi Arabia. *Research Journal of Finance and Accounting*, *4*(4).

Aljifri, K., & Moustafa, M. (2007). The impact of corporate governance mechanisms on the performance of UAE firms: an empirical analysis. *Journal of Economic and administrative sciences*.

Al-Khouri, R. (2006). Corporate governance and firms value in emerging markets: The case of Jordan. *Journal of Transnational Management*, *12*(1), 25-49.

Alkulaib, Y. A., Najand, M., & Mashayekh, A. (2009). Dynamic linkages among equity markets in the Middle east and North African countries. *Journal of Multinational Financial Management*, *19*(1), 43-53.

Al-Matari, E. M., Al-Matari, Y. A., & Saif, S. A. (2017). Association between ownership structure characteristics and firm performance: Oman evidence. *Academy of Accounting and Financial Studies Journal*, *21*(1), 11.

Almustafa, H. (2017). *National governance, corporate governance and firm performance: empirical evidence from two MENA countries–Jordan and UAE* (Doctoral dissertation, University of Salford).

Alnabsha, A., Abdou, H. A., Ntim, C. G., & Elamer, A. A. (2018). Corporate boards, ownership structures and corporate disclosures: Evidence from a developing country. *Journal of Applied Accounting Research*.

Altaf, N., & Shah, F. A. (2018). Ownership concentration and firm performance in Indian firms: does investor protection quality matter?. *Journal of Indian Business Research*, *10*(1), 33-52.

Aluchna, M., & Kaminski, B. (2017). Ownership structure and company performance: a panel study from Poland. *Baltic Journal of Management*. *12*(4), 485-502.

Alzoubi, E. S. S. (2016). Audit quality and earnings management: evidence from Jordan. *Journal of Applied Accounting Research*.

Amba, S. M. (2013). Does CEO duality enhance firms business performance? Empirical evidence from Bahrain. *International journal of business and social science*, *4*(6).

Amico, A. (2014). Corporate governance enforcement in the Middle East and North Africa: Evidence and priorities. OECD corporate governance working papers, no. 15. OECD Publishing.

Amin, A. A., & Hamdan, A. M. (2018). Evaluating the effect of ownership structure on firm performance: Evidence from Saudi Arabian listed companies. *Journal of Economic Cooperation & Development*, *39*(3), 65-92.

Aminadav, G., & Papaioannou, E. (2020). Corporate control around the world. *The Journal of Finance*, *75*(3), 1191-1246.

Anderson, C. A., & Anthony, R. N. (1986). The corporate director.

Arens, A. A., Elder, R. J., & Mark, B. (2012). *Auditing and assurance services: an integrated approach*. Boston: Prentice Hall.

Armitage, S., Hou, W., Sarkar, S., & Talaulicar, T. (2017). Corporate governance challenges in emerging economies. *Corporate Governance: An International Review, Forthcoming*.

Arouri, H., Hossain, M., & Muttakin, M. B. (2011). Ownership structure, corporate governance and bank performance: evidence from GCC countries. *Corporate Ownership and Control*, *8*(4 D), 365-372.

Ashley, J. W. (1962). Stock prices and changes in earnings and dividends: some empirical results. *Journal of Political Economy*, *70*(1), 82-85.

Audretsch, D. B., & Lehmann, E. E. (2013). Corporate governance in newly listed companies. *Handbook of Research on IPOs,* 179-206.

Ayres, I., & Macey, J. R. (2005). Institutional Evolutionary Failure and Economic Development in the Middle East. *Yale J. Int'l L.*, *30*, 397.

Baatwah, S. R., Salleh, Z., & Ahmad, N. (2015). Corporate governance mechanisms and audit report timeliness: empirical evidence from Oman. *International Journal of Accounting, Auditing and Performance Evaluation*, *11*(3-4), 312-337.

Bachelier, L. (1900), 'Théorie de la spéculation', Annales scientifiques de l'École Normale Supérieure, 3rd series, 17, 21–85, reprinted 1995, Sceaux: Jacques Gabay.

Ball, C. A., & Torous, W. N. (1988). Investigating security-price performance in the presence of event-date uncertainty. *Journal of financial economics*, *22*(1), 123-153.

Balla, E., & Rose, M.J. (2014). Loan loss provisions, accounting constraints, and bank ownership structure. *Journal of Economics and Business, 78*, 92–117

Balsmeier, B., & Czarnitzki, D. (2017). Ownership concentration, institutional development and firm performance in Central and Eastern Europe. *Managerial and Decision Economics*, *38*(2), 178-192.

Barber, B. M., Odean, T., & Zhu, N. (2008). Do retail trades move markets?. *The Review of Financial Studies*, *22*(1), 151-186.Barclay, M. J., & Holderness, C. G. (1989). Private benefits from control of public corporations. *Journal of Financial Economics, 25*(2), 371-395.

Barclay, M. J., & Holderness, C. G. (1991). Negotiated block trades and corporate control. *The Journal of Finance*, *46*(3), 861-878.

Barker, C. A. (1956). Effective stock splits. *Harvard Business Review*, *34*(1), 101-106.

Barker, C. A. (1957). Stock splits in a bull market. *Harvard Business Review*, *35*(3), 72-79.

Barker, C. A. (1958). Evaluation of stock dividends. *Harvard Business Review*, *36*(4), 99-114.

Basuony, M. A., Elseidi, R. I., & Mohamed, E. K. (2014). The impact of corporate social responsibility on firm performance: Evidence form a MENA country. *Corporate Ownership & Control*, *12*(1-9), 761-774.

Bebchuk, L. A., & Fried, J. M. (2003). Executive compensation as an agency problem. *Journal of economic perspectives*, *17*(3), 71-92.

Bebchuk, L. A., Jackson Jr, R. J., & Jiang, W. (2013). Pre-disclosure accumulations by activist investors: Evidence and policy. *J. Corp. L.*, *39*, 1.

Becker, C. L., DeFond, M. L., Jiambalvo, J., & Subramanyam, K. R. (1998). The effect of audit quality on earnings management. *Contemporary accounting research*, *15*(1), 1-24.

Belkhir, M., Maghyereh, A., & Awartani, B. (2016). Institutions and corporate capital structure in the MENA region. *Emerging Markets Review*, *26*, 99-129.

Ben-Hassoun, A., Aloui, C., & Ben-Nasr, H. (2018). Demand for audit quality in newly privatized firms in MENA region: Role of internal corporate governance mechanisms audit. *Research in International Business and Finance*, *45*, 334-348.

Bergen, M., Dutta, S., & Walker, O. C. (1992). Agency relationships in marketing: A review of the implications and applications of agency and related theories. *Journal of Marketing*, *56*(3), 1-24.

Berle, A. A., & Means, G. C. (1932). The Modern Corporation and Private Property, New York: Macmillan.

Bhagat, S., & Black, B. (2001). The non-correlation between board independence and long-term firm performance. *J. CorP. l.*, *27*, 231.

Bhojraj, S., & Sengupta, P. (2003). Effect of corporate governance on bond ratings and yields: The role of institutional investors and outside directors. *The journal of Business*, *76*(3), 455-475.

Boehmer, E., Masumeci, J., & Poulsen, A. B. (1991). Event-study methodology under conditions of event-induced variance. *Journal of financial economics*, *30*(2), 253-272.

Bishara, N. D. (2011). Governance and corruption constraints in the Middle East: Overcoming the business ethics glass ceiling. *American Business Law Journal*, *48*(2), 227-283.

Bloomfield, R., O'hara, M., & Saar, G. (2009). How noise trading affects markets: An experimental analysis. *The Review of Financial Studies*, *22*(6), 2275-2302.

Bolton, P., & Von Thadden, E. L. (1998). Liquidity and control: a dynamic theory of corporate ownership structure. *Journal of Institutional and Theoretical Economics (JITE)/Zeitschrift für die gesamte Staatswissenschaft*, 177-211.

Borochin, P., & Yang, J. (2017). The effects of institutional investor objectives on firm valuation and governance. *Journal of Financial Economics*, *126*(1), 171-199.

Boubakri, N., Cosset, J. C., Fischer, K., & Guedhami, O. (2005a). Privatization and bank performance in developing countries. *Journal of Banking & Finance*, *29*(8-9), 2015-2041.

Boubakri, N., Cosset, J. C., & Guedhami, O. (2005b). Postprivatization corporate governance: The role of ownership structure and investor protection. *Journal of Financial economics*, *76*(2), 369-399.

Braendle, U. C. (2013). Corporate governance in the Middle East–Which way to go. *Journal of Governance and Regulation*, *2*(1), 57-64.

Braun, M., & Sharma, A. (2007). Should the CEO also be chair of the board? An empirical examination of family-controlled public firms. *Family business review*, *20*(2), 111-126.

Brenner, M. (1979). The sensitivity of the efficient market hypothesis to alternative specifications of the market model. *The Journal of Finance*, *34*(4), 915-929.

Brenner, S. N., & Cochran, P. (1991). The stakeholder theory of the firm. *Proceedings of the International Association for Business and Society*, *2*, 897-933.

Brenner, S. N. and Molander, E. A. (1977). Is the Ethics of Business Changing?. *Harvard Business Review*, January/February, 57–71.

Brick, I. E., Statman, M., & Weaver, D. G. (1989). Event studies and model misspecification: Another look at the benefits of outsiders from public information about insider trading. *Journal of Business Finance & Accounting*, *16*(3), 399-424.

Brickley, J. A., Coles, J. L., & Jarrell, G. (1997). Leadership structure: Separating the CEO and chairman of the board. *Journal of corporate Finance*, *3*(3), 189-220.

Brickley, J., Jarrell, G., & Cole, J. (June, 1996). Checks and balances in the boardroom? Chief Executive, 114, 66-67.

Brown, S. J., & Warner, J. B. (1980). Measuring security price performance. *Journal of financial economics*, *8*(3), 205-258.

Brown, S. J., & Warner, J. B. (1985). Using daily stock returns: The case of event studies. *Journal of financial economics*, *14*(1), 3-31.

Burkart, M., Gromb, D., & Panunzi, F. (1998). Why higher takeover premia protect minority shareholders. *Journal of political Economy*, *106*(1), 172-204.

Burkart, M., Gromb, D., & Panunzi, F. (2000). Agency conflicts in public and negotiated transfers of corporate control. *The Journal of Finance*, *55*(2), 647-677.

Burkart, M., & Panunzi, F. (2006). Agency conflicts, ownership concentration, and legal shareholder protection. *Journal of Financial intermediation*, *15*(1), 1-31.

Bushee, B. J. (1998). The influence of institutional investors on myopic R&D investment behavior. *Accounting review*, 305-333.

Bushee, B. J. (2001). Do institutional investors prefer near-term earnings over long-run value?. *Contemporary Accounting Research*, *18*(2), 207-246.

Buzby, S. L. (1975). Company size, listed versus unlisted stocks, and the extent of financial disclosure. *Journal of accounting research*, 16-37.

Cable, J., & Holland, K. (1999). Regression vs. non-regression models of normal returns: Implications for event studies. *Economics Letters*, *64*(1), 81-85.

Campbell, C. J., Cowan, A. R., & Salotti, V. (2010). Multi-country event-study methods. *Journal of Banking & Finance*, *34*(12), 3078-3090.

Campbell, C. J., & Wesley, C. E. (1993). Measuring security price performance using daily NASDAQ returns. *Journal of financial economics*, *33*(1), 73-92.

Carcello, J. V. (2009). Governance and the common good. *Journal of Business Ethics*, *89*(1), 11-18.

Chahine, S., & Tohmé, N. S. (2009). Is CEO duality always negative? An exploration of CEO duality and ownership structure in the Arab IPO context. *Corporate Governance: An International Review*, *17*(2), 123-141.

Chang, K., Kang, E., & Li, Y. (2016). Effect of institutional ownership on dividends: An agency-theory-based analysis. *Journal of Business Research*, *69*(7), 2551-2559.

Chang, S. J. (2003). Ownership structure, expropriation, and performance of group-affiliated companies in Korea. *Academy of Management Journal*, *46*(2), 238-253.

Chang, S. J., & Chen, S. N. (1989). A Study of Call Price Behavior under a Stationary Return Generating Process. *Financial Review*, *24*(3), 335-354.

Chen, C. W., Lin, J. B., & Yi, B. (2008). CEO duality and firm performance: An endogenous issue. *Corporate ownership and control*, *6*(1), 58-65.

Chiyachantana, C. N., Jain, P. K., Jiang, C., & Wood, R. A. (2004). International evidence on institutional trading behavior and price impact. *The Journal of Finance*, *59*(2), 869-898.

Christen, M., Iyer, G., & Soberman, D. (2006). Job satisfaction, job performance, and effort: A reexamination using agency theory. *Journal of Marketing*, *70*(1), 137-150.

Cho, M. H. (1998). Ownership structure, investment, and the corporate value: an empirical analysis. *Journal of financial economics*, *47*(1), 103-121.

Claessens, S., Djankov, S., Fan, J. P., & Lang, L. H. (2002). Disentangling the incentive and entrenchment effects of large shareholdings. *The journal of finance*, *57*(6), 2741-2771.

Corrado, C. (1989). A nonparametric test for abnormal security-price performance in event studies. *Journal of Financial Economics*, *23*, 385–395

Corrado, C. J. (2010). Event studies: A methodology review. *Accounting & Finance*, *51*(1), 207-234.

Cowan, A. R. (1992). Nonparametric event study tests. *Review of Quantitative Finance and accounting*, *2*(4), 343-358.

Cowan, A. R. (2020). Goodbye to the Patell Test in Eventus (retrieved from: https://www.researchgate.net/publication/321304366_Goodbye_to_the_Patell_Test_in_Eventus)

Cowan, A. R., Nayar, N., & Singh, A. K. (1990). Stock returns before and after calls of convertible bonds. *Journal of Financial and Quantitative Analysis*, *25*(4), 549-554.

Croci, E., & Petrella, G. (2015). Price changes around hedge fund trades: disentangling trading and disclosure effects. *Journal of Management & Governance*, *19*(1), 25-46.

Cullen, M., Kirwan, C., & Brennan, N. (2006, May). Comparative analysis of corporate governance theory: The agency-stewardship continuum. In *20th annual conference of the Irish Accounting & Finance Association, Institute of Technology, Tralee* (pp. 10-11).

Dahya, J., Lonie, A. A., & Power, D. M. (1996). The case for separating the roles of chairman and CEO: An analysis of stock market and accounting data. *Corporate Governance: An International Review*, *4*(2), 71-77.

Daily, C. M., & Dalton, D. R. (1992). The relationship between governance structure and corporate performance in entrepreneurial firms. *Journal of Business Venturing*, *7*(5), 375-386.

Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a stewardship theory of management. *Academy of Management Review*, *22*(1), 20-47.

DeAngelo, L. E. (1981). Auditor size and audit quality. *Journal of accounting and economics*, *3*(3), 183-199.

Deis Jr, D. R., & Giroux, G. A. (1992). Determinants of audit quality in the public sector. *Accounting review*, 462-479.

De Long, J. B., Shleifer, A., Summers, L. H., & Waldmann, R. J. (1989). The size and incidence of the losses from noise trading. *The Journal of Finance*, *44*(3), 681-696.

Demsetz, H. (1983). The structure of ownership and the theory of the firm. *The Journal of law and economics*, *26*(2), 375-390.

Demsetz, H., & Lehn, K. (1985). The structure of corporate ownership: Causes and consequences. *Journal of political economy*, *93*(6), 1155-1177.

Demsetz, H., & Villalonga, B. (2001). Ownership structure and corporate performance. *Journal of corporate finance*, *7*(3), 209-233.

Desai, A., Kroll, M., & Wright, P. (2003). CEO duality, board monitoring, and acquisition performance: A test of competing theories. *Journal of Business Strategies*, *20*(2), 137.

Desender, K. A., Aguilera, R. V., Crespi, R., & GarcÍa-cestona, M. (2013). When does ownership matter? Board characteristics and behavior. *Strategic Management Journal*, *34*(7), 823-842.

De Silva, L. D., & Wanniarachchige, M. K. (2021). Corporate Governance Compliance in Firms Listed in Colombo Stock Exchange: Does Size Matter?.

Dey, A., Engel, E., & Liu, X. (2011). CEO and board chair roles: To split or not to split?. *Journal of corporate finance*, *17*(5), 1595-1618.

Dodd, E. M. (1932). For whom are corporate managers trustees? *Harvard Law Review*, *45*(7), 1145.

Doğan, M. (2013). Does firm size affect the firm profitability? Evidence from Turkey. *Research Journal of Finance and Accounting*, *4*(4), 53-59.

Dolley, J. C. (1933). Characteristics and Procedure of Common Stock Split-Ups. *Harvard Business Review*, *11*, 316-326

Donaldson, L., & Davis, J. H. (1991). Stewardship Theory or Agency Theory: CEO Governance and Shareholder Returns. *Australian Journal of Management*, *16*(1), 49–64.

Donaldson, T., & Preston, L. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *Academy of Management Review, 20*, 65-91.

Dowling, J., & Pfeffer, J. (1975). Organizational legitimacy: Social values and organizational behavior. *Pacific sociological review*, *18*(1), 122-136.

Dragotă, V., & Mitrică, E. (2004). Emergent capital markets' efficiency: The case of Romania. *European Journal of Operational Research*, *155*(2), 353-360.

Ducassy, I., & Guyot, A. (2017). Complex ownership structures, corporate governance and firm performance: The French context. *Research in International Business and Finance*, *39*, 291-306.

Duru, A., Iyengar, R. J., & Zampelli, E. M. (2016). The dynamic relationship between CEO duality and firm performance: The moderating role of board independence. *Journal of Business Research*, *69*(10), 4269-4277.

Dyck, A., & Zingales, L. (2004). Private benefits of control: An international comparison. *The journal of finance*, *59*(2), 537-600.

Dyckman, T., Philbrick, D., & Stephan, J. (1984). A comparison of event study methodologies using daily stock returns: A simulation approach. *Journal of Accounting Research*, 1-30.

Earle, J. S., Kucsera, C., & Telegdy, Á. (2005). Ownership concentration and corporate performance on the Budapest stock exchange: do too many cooks spoil the goulash?. *Corporate Governance: an international review*, *13*(2), 254-264.

Edmans, A. (2009). Blockholder trading, market efficiency, and managerial myopia. *The Journal of Finance*, *64*(6), 2481-2513.

Edmans, A., & Holderness, C. G. (2017). Blockholders: A survey of theory and evidence. *The handbook of the economics of corporate governance*, *1*, 541-636.

Edwards, J. S., & Weichenrieder, A. J. (2004). Ownership concentration and share valuation. *German Economic Review*, *5*(2), 143-171.

Ehikioya, B. I. (2009). Corporate governance structure and firm performance in developing economies: evidence from Nigeria. *Corporate Governance: The international journal of business in society*.

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of management review*, *14*(1), 57-74.

Elsayed, K. (2007). Does CEO duality really affect corporate performance?. *Corporate governance: an international review*, *15*(6), 1203-1214.

Elsayed, K. (2010). A multi-theory perspective of board leadership structure: what does the Egyptian corporate governance context tell us?. *British Journal of Management*, *21*(1), 80-99.

Elyasiani, E., & Jia, J. (2010). Distribution of institutional ownership and corporate firm performance. *Journal of banking & finance*, *34*(3), 606-620.

Emmerich, A. O., Mirvis, T. N., Robinson, E. S., & Savitt, W. (2013). Fair markets and fair disclosure: some thoughts on the law and economics of blockholder disclosure, and the use and abuse of shareholder power. *Harv. Bus. L. Rev.*, *3*, 135.

Fainshmidt, S., Judge, W. Q., Aguilera, R. V., & Smith, A. (2018). Varieties of institutional systems: A contextual taxonomy of understudied countries. *Journal of World Business*, *53*(3), 307-322.

Fan, J. P., & Wong, T. J. (2005). Do external auditors perform a corporate governance role in emerging markets? Evidence from East Asia. *Journal of accounting research*, *43*(1), 35-72.

Fama, Eugene F., 1976, Foundations of Finance, New York: Basic Books

Fama, E. F. (1980). Agency problems and the theory of the firm. *Journal of Political Economy*, *88*(2), 288-307.

Fama, E. F., Fisher, L., Jensen, M. C. & Roll, R. (1969) The Adjustment of Stock P r i c e s t o N e w Information. *International Economic Review, 10,* 1- 21.

Fama, E. F., & Jensen, M. C. (1983). Agency problems and Residual Claims. *The Journal of Law and Economics, 26*(2), 327-349.

Farah, B., Elias, R., Aguilera, R., & Abi Saad, E. (2021). Corporate governance in the Middle east and North Africa: A systematic review of current trends and opportunities for future research. *Corporate Governance: An International Review*.

Farooq, O., & Chetioui, Y. (2012). Corporate governance and stock price performance of firms during the crisis: evidence from the MENA region. *International Journal of Business Governance and Ethics*, *7*(4), 331-349.

Farooq, O., & El Kacemi, Y. (2011). Ownership concentration, choice of auditors, and firm performance: evidence from the MENA region. *Review of Middle East Economics and Finance*, *7*(2), 1-17.

Filatotchev, I., Jackson, G., & Nakajima, C. (2013). Corporate governance and national institutions: A review and emerging research agenda. *Asia Pacific Journal of Management*, *30*, 965-986.

Finkelstein, S., & D'aveni, R. A. (1994). CEO duality as a double-edged sword: How boards of directors balance entrenchment avoidance and unity of command. *Academy of Management journal*, *37*(5), 1079-1108.

Flynn, A. (Apr.5, 2018). Stewardship Theory of Corporate Governance. AZcentral. Retrieved from: https://yourbusiness.azcentral.com/stewardship-theory-corporate-governance-29164.html

Francis, J. R. (2004). What do we know about audit quality?. *The British accounting review*, *36*(4), 345-368.

Francis, J. R., Stokes, D. J., & Anderson, D. (1999). City markets as a unit of analysis in audit research and the re-examination of Big 6 market shares. *Abacus*, *35*(2), 185-206.

Francis, J. R., & Wang, D. (2008). The joint effect of investor protection and Big 4 audits on earnings quality around the world. *Contemporary accounting research*, *25*(1), 157-191.

Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston: Pitman.

Freeman, R. N. (1987). The association between accounting earnings and security returns for large and small firms. *Journal of accounting and economics*, *9*(2), 195-228.

Fuerman, R. D. (2004). Accountable accountants. *Critical Perspectives on Accounting*, *15*(6-7), 911-926.

Galve-Górriz, C., & Hernández-Trasobares, A. (2015). Institutional framework, concentration of ownership and results of large family corporations in Latin America and Spain. *Corporate Governance*, *15*(4), 409-426.

Ganguli, S. K., & Guha Deb, S. (2016). Board composition, ownership structure and firm performance: new Indian evidence in a unique regulatory environment. *Ownership Structure and Firm Performance: New Indian Evidence in a Unique Regulatory Environment (March 12, 2016)*.

Gillan, S., & Starks, L. T. (2003). Corporate governance, corporate ownership, and the role of institutional investors: A global perspective. *Weinberg Center for Corporate Governance Working Paper*, (2003-01).

Globerman, S., Peng, M. W., & Shapiro, D. M. (2010). Corporate governance and Asian companies. *Asia Pacific Journal of Management*, *28*(1), 1–14.

Gompers, P. A., & Metrick, A. (2001). Institutional investors and equity prices. *The quarterly journal of Economics*, *116*(1), 229-259.

Gordon, J. N. (2017). Convergence and persistence in corporate law and governance. *Forthcoming, Oxford Handbook of Corporate Law and Governance (Jeffrey Gordon and Georg Ringe, eds.), ECGI-Law Working Paper*, (370).

Graham, A. S., Pirie, W. L., & Powell, W. A. (1996). Detecting abnormal returns using the market model with pre-tested data. *Journal of Financial Research*, *19*(1), 21-40.

Gregoric, A., & Vespro, C. (2003). Block trades and the benefits of control in Slovenia. *Available at SSRN 444500*.

Groß, K. (2007). *Equity ownership and performance: An empirical study of German traded companies*. Springer Science & Business Media.

Grossman, S. J., & Hart, O. D. (1980). Takeover bids, the free-rider problem, and the theory of the corporation. *The Bell Journal of Economics*, 42-64.

Grossman, S. J., & Hart, O. D. (1988). One SHARE-ONE vote and the market for corporate control. *Journal of Financial Economics*, *20*, 175-202.

Grundei, J. (2008). Are managers agents or stewards of their principals? *Journal Für Betriebswirtschaft*, *58*(3), 141-166.

Guillet, B. D., & Mattila, A. S. (2010). A descriptive examination of corporate governance in the hospitality industry. *International Journal of Hospitality Management*, *29*(4), 677-684.

Guillet, B. D., Seo, K., Kucukusta, D., & Lee, S. (2013). CEO duality and firm performance in the US restaurant industry: Moderating role of restaurant type. *International Journal of Hospitality Management*, *33*, 339-346.

Gutiérrez, M., & Saez Lacave, M. (2018). Strong shareholders, weak outside investors. *Journal of Corporate Law Studies*, *18*(2), 277-309.

Hall, M., & Weiss, L. (1967). Firm size and profitability. *The Review of Economics and Statistics*, 319-331.

Harabi, N. (2007). State of corporate governance in Arab Countries: An overview.

Harrington, S. E., & Shrider, D. G. (2007). All events induce variance: Analyzing abnormal returns when effects vary across firms. *Journal of Financial and Quantitative Analysis*, *42*(1), 229-256.

Harrison, B., & Moore, W. (2012). Stock Market Efficiency, Non-Linearity, Thin Trading and Asymmetric Information in MENA Stock Markets. *Economic Issues Journal Articles, 17*, 77-93.

Hasan, I., Kobeissi, N., & Song, L. (2014). Corporate governance, investor protection, and firm performance in MENA countries. *Middle East Development Journal, 6*(1), 84-107.

Hassan, M. K., & Halbouni, S. S. (2013). Corporate governance, economic turbulence and financial performance of UAE listed firms. *Studies in Economics and Finance*.

Hassan, O. A., Giorgioni, G., & Romilly, P. (2006). The extent of financial disclosure and its determinants in an emerging capital market: the case of Egypt. *International Journal of Accounting, Auditing and Performance Evaluation, 3*(1), 41-67.

Hassoun, A. B., & Aloui, C. (2017). The complementary/substitution effects of post-privatization corporate governance mechanisms on firm performance in selected MENA countries. *Journal of Accounting in Emerging Economies*.

Hay, D., Knechel, W. R., & Ling, H. (2008). Evidence on the impact of internal control and corporate governance on audit fees. *International Journal of Auditing, 12*(1), 9-24.

Hendry, J. (2001). Missing the Target: Normative Stakeholder Theory and the Corporate Governance Debate. *Business Ethics Quarterly, 11*(1), 159-176.

Hendry, J., Sanderson, P., Barker, R., & Roberts, J. (2006). Owners or traders? Conceptualizations of institutional investors and their relationship with corporate managers. *Human Relations, 59*(8), 1101-1132.

Herman, E. S. (1981). *Corporate control, corporate power* (Vol. 98, p. 1). New York: Cambridge University Press.

Herzberg, F., Mausner, B., & Snyderman, B. (1959). *The motivation to work* (2nd ed.). John Wiley.

Higgins, E. J., & Peterson, D. R. (1998). The power of one and two sample t-statistics given event-induced variance increases and nonnormal stock returns: A comparative study. *Quarterly Journal of Business and Economics*, 27-49.

Hillman, A. J., Cannella, A. A., & Paetzold, R. L. (2000). The resource dependence role of corporate directors: Strategic adaptation of board composition in response to environmental change. *Journal of Management Studies, 37*(2), 235-256.

Hillman, A. J., Withers, M. C., & Collins, B. J. (2009). Resource Dependence Theory: A Review. *Journal of Management, 35*(6), 1404–1427.

Hillmer, S. C., & Yu, P. L. (1979). The market speed of adjustment to new information. *Journal of Financial Economics, 7*(4), 321-345.

Holderness, C. G., Kroszner, R. S., & Sheehan, D. P. (1999). Were the good old days that good? Changes in managerial stock ownership since the great depression. *The Journal of Finance, 54*(2), 435-469.

Holderness, C. G., & Sheehan, D. P. (1988). The role of majority shareholders in publicly held corporations: An exploratory analysis. *Journal of financial economics, 20*, 317-346.

Holmstrom, B., & Kaplan, S. (2001). Corporate governance and MERGER activity in the U.S.: Making sense of the 1980s and 1990s.

Hoskisson, R. E., Eden, L., Lau, C. M., & Wright, M. (2000). Strategy in emerging economies. *Academy of management journal*, *43*(3), 249-267.

Huddart, S. (1993). The effect of a large shareholder on corporate value. *Management Science, 39*(11), 1407-1421.

Hung, H. (1998). A typology of the theories of the roles of governing boards. *Corporate Governance: An International Review, 6*(2), 101-111.

Ittonen, K. (2010). A theoretical examination of the role of auditing and the relevance of audit reports.

Irawati, N., Maksum, A., Sadalia, I., & Muda, I. (2019). Financial performance of Indonesian's banking industry: The role of good corporate governance, capital adequacy ratio, non-performing loan and size. *International Journal of Scientific and Technology Research*, *8*(4), 22-26.

Isaksson, M. (1999, October). Investment, financing and corporate governance: the role and structure of corporate governance arrangements in OECD Countries. In *Seminar on Corporate Governance in the Baltics* (pp. 21-22).

Iwasaki, I., Ma, X., & Mizobata, S. (2020). Corporate ownership and managerial turnover in China and Eastern Europe: A comparative meta-analysis. *Journal of Economics and Business*, *111*, 105928.

Iwasaki, I., & Mizobata, S. (2020). Ownership concentration and firm performance in European emerging economies: A meta-analysis. *Emerging Markets Finance and Trade*, *56*(1), 32-67.

Jensen, M. C. (1993). The modern industrial revolution, exit, and the failure of internal control systems. *the Journal of Finance, 48*(3), 831-880.

Jensen, M. (1986). Agency Costs of Free Cash Flow, Corporate Finance, and Takeovers. *The American Economic Review, 76*(2), 323-329.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305-360.

Johnson, J. L., Daily, C. M., & Ellstrand, A. E. (1996). Boards of Directors: A Review and Research Agenda. *Journal of Management*, *22*(3), 409–438.

Jonsson, B. (2007). Does the size matter?: the relationship between size and porfitability of Icelandic firms.

Kalezić, Z. (2014). *Ownership concentration and firm performance in transition economies: Evidence from Montenegro* (Doctoral dissertation, Staffordshire University).

Kang, J. K., & Shivdasani, A. (1995). Firm performance, corporate governance, and top executive turnover in Japan. *Journal of financial economics*, *38*(1), 29-58.

Kaplan, S. N., & Minton, B. A. (1994). Appointments of outsiders to Japanese boards: Determinants and implications for managers. *Journal of financial economics*, *36*(2), 225-258.

Kapopoulos, P., & Lazaretou, S. (2007). Corporate ownership structure and firm performance: evidence from Greek firms. *Corporate Governance: An International Review*, *15*(2), 144-158.

Karim, K. E., Pinsker, R., & Robin, A. (2013). Firm size and the voluntary disclosure of nonfinancial information by private versus public firm managers. *Managerial Auditing Journal*.

Kao, M. F., Hodgkinson, L., & Jaafar, A. (2018). Ownership structure, board of directors and firm performance: evidence from Taiwan. *Corporate Governance: The international journal of business in society*.

Kaysen, C. (1965). Another view of corporate capitalism. *The Quarterly Journal of Economics*, *79*(1), 41-51.

Khamis, R., Hamdan, A. M., & Elali, W. (2015). The relationship between ownership structure dimensions and corporate performance: Evidence from Bahrain. *Australasian Accounting, Business and Finance Journal*, *9*(4), 38-56.

Khan, R., Khidmat, W. B., Hares, O. A., Muhammad, N., & Saleem, K. (2020). Corporate governance quality, ownership structure, agency costs and firm performance. Evidence from an emerging economy. *Journal of Risk and Financial Management*, *13*(7), 154.

Klapper, L. F., & Love, I. (2004). Corporate governance, investor protection, and performance in emerging markets. *Journal of corporate Finance*, *10*(5), 703-728.

Kochhar, R. (1996). Explaining firm capital structure: The role of agency theory vs. transaction cost economics. *Strategic Management Journal*, *17*(9), 713-728.

Kolari, J. W., & Pynnönen, S. (2010). Event study testing with cross-sectional correlation of abnormal returns. *The Review of financial studies*, *23*(11), 3996-4025.

Koldertsova, A. (2011). The second corporate governance wave in the Middle East and North Africa. *OECD Journal: Financial Market Trends*, *2*, 1-8.

Konijn, S. J., Kräussl, R., & Lucas, A. (2011). Blockholder dispersion and firm value. *Journal of Corporate Finance*, *17*(5), 1330-1339.

Kraus, A., & Stoll, H. R. (1972). Price impacts of block trading on the New York Stock Exchange. *The Journal of Finance*, *27*(3), 569-588.

Krivin, D., Patton, R., Rose, E., & Tabak, D. (2003). Determination of the appropriate event window length in individual stock event studies. *Available at SSRN 466161*.

Lagoarde-Segot, T., & Lucey, B. M. (2008). Efficiency in EMERGING MARKETS—EVIDENCE from the MENA region. *Journal of International Financial Markets, Institutions and Money*, *18*(1), 94-105.

Lam, T. Y., & Lee, S. K. (2008). CEO duality and firm performance: evidence from Hong Kong. *Corporate Governance: The international journal of business in society*.

Lan, L. L., & Heracleous, L. (2010). Rethinking agency theory: The view from law. *Academy of Management Review*, *35*(2), 294-314.

Lang, M., & Lundholm, R. (1993). Cross-sectional determinants of analyst ratings of corporate disclosures. *Journal of accounting research*, *31*(2), 246-271.

La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (1999). Corporate ownership around the world. *The journal of finance*, *54*(2), 471-517.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. W. (1997). Legal determinants of external finance. *The journal of finance*, *52*(3), 1131-1150.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. W. (1998). Law and finance. *Journal of political economy*, *106*(6), 1113-1155.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. (2000). Investor protection and corporate governance. *Journal of financial economics*, *58*(1-2), 3-27.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. (2002). Investor protection and corporate valuation. *The journal of finance*, *57*(3), 1147-1170.

Larcker, D. F., & Tayan, B. (2019). Loosey-goosey governance: Four misunderstood terms in corporate governance. *Rock Center for Corporate Governance at Stanford University*

Closer Look Series: Topics, Issues and Controversies in Corporate Governance No. CGRP-79.

Latif, A. W., Latif, A., & Abdullah, F. (2017). Influence of institutional ownership on earnings quality: Evidence for firms listed on the Pakistan stock exchange. *Pakistan Business Review, October*.

Lee, J. (2009). Does size matter in firm performance? Evidence from US public firms. *international Journal of the economics of Business*, *16*(2), 189-203.

Lepore, L., Paolone, F., Pisano, S., & Alvino, F. (2017). A cross-country comparison of the relationship between ownership concentration and firm performance: does judicial system efficiency matter?. *Corporate Governance: The International Journal of Business in Society*.

Lev, B. (1989). On the usefulness of earnings and earnings research: Lessons and directions from two decades of empirical research. *Journal of accounting research*, *27*, 153-192.

Li, S., Wu, H., & Song, X. (2017). Principal–principal conflicts and corporate philanthropy: Evidence from Chinese private firms. *Journal of business ethics*, *141*(3), 605-620.

Lin, Y. R., & Fu, X. M. (2017). Does institutional ownership influence firm performance? Evidence from China. *International Review of Economics & Finance*, *49*, 17-57.

Lipton, M., & Lorsch, J. W. (1992). A modest proposal for improved corporate governance. *The business lawyer*, 59-77.

Macey, J. R. (2008). *Corporate governance: Promises kept, promises broken*. Princeton University Press.

Macey, J. R., & Netter, J. M. (1987). Regulation 13D and the Regulatory Process. *Wash. ULQ*, *65*, 131.

Machek, O., & Kubíček, A. (2018). The relationship between ownership concentration and performance in Czech Republic. *Journal of International Studies*, *11*(1).

MacKinlay, A. C. (1997). Event studies in economics and finance. *Journal of economic literature*, *35*(1), 13-39.

Madhani, P. M. (2016). Firm size, corporate governance and disclosure practices: Inter-relations. *Corporate Governance and Disclosure Practices: Inter-Relations (July 1, 2016). SCMS Journal of Indian Management*, *13*(2), 17-39.

Madhani, P. M. (2017). Diverse roles of corporate board: Review of various corporate governance theories. *The IUP Journal of Corporate Governance*, *16*(2), 7-28.

Maher, M., & Andersson, T. (2000). Corporate governance: effects on firm performance and economic growth. *Available at SSRN 218490*.

Mallette, P., & Fowler, K. L. (1992). Effects of board composition and stock ownership on the adoption of "poison pills". *Academy of Management journal*, *35*(5), 1010-1035.

March, J. G. and Simon, H. A. (1958). *Organizations*, Wiley, New York.

Marks, J. M., & Musumeci, J. (2017). Misspecification in event studies. *Journal of Corporate Finance*, *45*, 333-341.

Marie L'Huillier, B. (2014). What does "corporate governance" actually mean? *Corporate Governance*, *14*(3), 300-319.

Marquardt, D. W. (1970) Generalized inverse, ridge regression, biased linear estimation, and nonlinear estimation, *Technometrics, 12*, 591-612.

Matinez-Garcia, I., Basco, R., Gomez-Anson, S., & Boubakri, N. (2020). Ownership concentration in the Gulf cooperation council. *International Journal of Emerging Markets*.

Maug, E. (1998). Large shareholders as monitors: Is there a trade-off between liquidity and control?. *The journal of finance*, *53*(1), 65-98.

McClelland, V. C. (1961). *The achieving society*. Princeton: Van Nostrand.

McKinley, S., Pany, K., & Reckers, P. M. (1985). An examination of the influence of CPA firm type, size, and MAS provision on loan officer decisions and perceptions. *Journal of Accounting Research*, 887-896.

McKinnon, J. L., & Dalimunthe, L. (1993). Voluntary disclosure of segment information by Australian diversified companies. *Accounting & Finance*, *33*(1), 33-50.

Menyah, K. (2013). Stewardship theory. *Encyclopedia of Corporate Social Responsibility*, 2322-2329.

Menon, K., & Williams, J. D. (1994). The use of audit committees for monitoring. *Journal of accounting and public policy*, *13*(2), 121-139.

Mertzanis, C., Basuony, M. A., & Mohamed, E. K. (2019). Social institutions, corporate governance and firm-performance in the MENA region. *Research in International Business and Finance*, *48*, 75-96.

Meyer, K. E. (2006). Asian management research needs more self-confidence. *Asia Pacific journal of management*, *23*(2), 119-137.

Mohamed, E., Basuony, M., & Badawi, A. (2013). The impact of corporate governance on firm performance in Egyptian listed companies. *Corporate Ownership and Control*, *11*(1), 691-705.

Moizer, P. (1997). Auditor reputation: The international empirical evidence. *International Journal of Auditing*, *1*(1), 61-74.

Mokhtar, E. S., & Mellett, H. (2013). Competition, corporate governance, ownership structure and risk reporting. *Managerial Auditing Journal*.

Mollah, S., Al Farooque, O., & Karim, W. (2012). Ownership structure, corporate governance and firm performance: Evidence from an African emerging market. *Studies in Economics and finance*.

Morck, R., & Steier, L. (2005). The global history of corporate governance: An introduction.

Morse, D. (1984). An econometric analysis of the choice of daily versus monthly returns in tests of information content. *Journal of Accounting Research, 22*,605-623.

Moscu, R. G. (2013). Does CEO duality really affect corporate performance?. *International journal of academic research in economics and management sciences*, *2*(1), 156.

Moumen, N., Othman, H. B., & Hussainey, K. (2016). Board structure and the informativeness of risk disclosure: Evidence from MENA emerging markets. *Advances in accounting*, *35*, 82-97.

Mutchler, J. F., Hopwood, W., & McKeown, Jb. M. (1997). The influence of contrary information and mitigating factors on audit opinion decisions on bankrupt companies. *Journal of Accounting research*, *35*(2), 295-310.

Myers, John H. & Archie J. Bakay (1948). Influence of stock split-ups on market price. *Harvard Business Review 26*:2, 251—265.

Naceur, S. B., & Ghazouani, S. (2007). Stock markets, banks, and economic growth: Empirical evidence from the MENA region. *Research in International Business and Finance*, *21*(2), 297-315.

Nadal, N. I. C. K. (2013). Corporate governance post 'Arab spring'in the Middle East and North Africa. *Law in transition*, *6*, 52-61.

Nagar, V., & Schoenfeld, J. (2021). Shareholder monitoring and discretionary disclosure. *Journal of Accounting and Economics*, *72*(1), 101422.

Nguyen, T., Locke, S., & Reddy, K. (2015). Ownership concentration and corporate performance from a dynamic perspective: Does national governance quality matter?. International Review of Financial Analysis, 41, 148-161.

Nheri, O. (2014). Economic reforms, corporate governance and privatization method as determinants in performance changes of new privatized firms: the case of MENA countries. *Journal of Management & Governance*, *18*(1), 95-127.

Nicholson, G. J., & Kiel, G. C. (2007). Can directors impact PERFORMANCE? A case-based test of three theories of corporate governance. *Corporate Governance: An International Review*, *15*(4), 585-608.

Nofsinger, J. R., & Sias, R. W. (1999). Herding and feedback trading by institutional and individual investors. *The Journal of finance*, *54*(6), 2263-2295.

Oak, S., & Iyengar, R. J. (2009). Investigating the differences in corporate governance between hospitality and nonhospitality firms. In *Advances in hospitality and leisure*. Emerald Group Publishing Limited.

OECD (1999), OECD Principles of Corporate Governance, Organisation for Economic Cooperation and Development, Paris

OECD (2019), OECD Survey of Corporate Governance Frameworks in the Middle East and North Africa, http://www.oecd.org/corporate/OECD-Survey-of-Corporate-Governance-Frameworks-in-MENA.htm

Oliver, C. (1997). Sustainable competitive advantage: combining institutional and resource-based views. *Strategic Management Journal*, *18*, 697–713.

Omran, M. (2009). Post-privatization corporate governance and firm performance: The role of private ownership concentration, identity and board composition. *Journal of comparative Economics*, *37*(4), 658-673.

Omran, M. M., Bolbol, A., & Fatheldin, A. (2008). Corporate governance and firm performance in Arab equity markets: Does ownership concentration matter?. *International review of law and economics*, *28*(1), 32-45.

Ordonez-Calafi, G., & Bernhardt, D. (2021). Blockholder Disclosure Thresholds and Hedge Fund Activism. Journal of Financial and Quantitative Analysis, forthcoming.

Oviatt, B. M. (1988). Agency and transaction cost perspectives on the manager-shareholder relationship: Incentives for congruent interests. *Academy of Management Review*, *13*(2), 214-225.

Owusu-Ansah, S. (1998). The impact of corporate attribites on the extent of mandatory disclosure and reporting by listed companies in Zimbabwe. *The International Journal of Accounting*, *33*(5), 605-631.

Palangkaraya, A., Stierwald, A., & Yong, J. (2009). Is firm productivity related to size and age? The case of large Australian firms. *Journal of Industry, Competition and Trade*, *9*(2), 167-195.

Palmiter, Alan R. (2002): "Mutual Fund Voting of Portfolio Shares: Why Not Disclose?," Cardozo Law Review, Vol. 23, No. 4, 1419-1491.

Palmrose, Z. V. (1988). 1987 competitive manuscript co-winner: an analysis of auditor litigation and audit service quality. *Accounting review*, 55-73.

Pargendler, M. (2016). The corporate governance obsession. *J. Corp. L.*, *42*, 359.

Parum, E. (2005). Does disclosure on corporate governance lead to openness and transparency in how companies are managed?. *Corporate Governance: An International Review*, *13*(5), 702-709.

Patell, J. M. (1976). Corporate forecasts of earnings per share and stock price behavior: Empirical test. *Journal of accounting research*, 246-276.

Perrini, F., Rossi, G., & Rovetta, B. (2008). Does ownership structure affect performance? Evidence from the Italian market. *Corporate Governance: an international review*, *16*(4), 312-325.

Perrow, C. (1986). Economic theories of organization. *Theory and Society*, *15*(1-2), 11-45.

Peterson, P. P. (1989). Event studies: A review of issues and methodology. *Quarterly journal of business and economics*, 36-66.

Pfeffer, J and Salancik, G. (1978) The External Control of Organizations: A Resource-dependence Perspective. New York: Harper & Row.

Piesse, J., Strange, R., & Toonsi, F. (2011). Is there a distinctive Mena model of corporate governance? *Journal of Management & Governance*, *16*(4), 645-681.

Pillai, R., & Al-Malkawi, H. A. N. (2018). On the relationship between corporate governance and firm performance: Evidence from GCC countries. *Research in International Business and Finance*, *44*, 394-410.

Pinto, M. B., & Leal, R. P. C. (2013). Ownership concentration, top management and board remuneration. *Revista de Administração Contemporânea*, *17*(3), 304-324.

Prentice, D. D., & G., H. P. (1993). *Contemporary issues in corporate governance*. Clarendon Press.

Roberts, H. (1967). Statistical Versus Clinical Prediction of the Stock Market. Unpublished manuscript, CRSP, University of Chicago.

Stekler, H. O. (1964). The variability of profitability with size of firm, 1947–1958. *Journal of the American Statistical Association*, *59*(308), 1183-1193.

Rediker, K. J., & Seth, A. (1995). Boards of directors and substitution effects of alternative governance mechanisms. *Strategic management journal*, *16*(2), 85-99.

Rene ADEROMOU, B., & SALL, M. B. (2019). The Minority investor protection and corporate governance practices: Evidence from West Africa regional stock exchange (BRVM). *Journal of Academic Finance*, *10*(2), 102-117.

Rigar,S M. & Solhi, S. (2008) . Structure du capital et gouvernance des sociétés cotées au Maroc. *Working paper series*, 431, 22

Roe, M. J. (1990). Political and legal restraints on ownership and control of public companies. *Journal of financial economics*, *27*(1), 7-41.

Ross, S. (1973). The Economic Theory of Agency: The Principal's Problem. *The American Economic Review*, *63*(2), 134-139. Retrieved August 13, 2021, from http://www.jstor.org/stable/1817064

Salinger, M. (1992). Standard errors in event studies. *Journal of Financial and Quantitative Analysis*, *27*(1), 39-53.

Samaha, K., Dahawy, K., Hussainey, K., & Stapleton, P. (2012). The extent of corporate governance disclosure and its determinants in a developing market: The case of Egypt. *Advances in Accounting*, *28*(1), 168-178.

Samuelson, P.A. 1970. Economics. New York: McGraw-Hill.

Sarhan, A. A., & Ntim, C. G. (2018). Firm-and country-level antecedents of corporate governance compliance and disclosure in MENA countries. *Managerial Auditing Journal*.

Sarhan, A. A., Ntim, C. G., & Al-Najjar, B. (2019). Antecedents of audit quality in MENA countries: The effect of firm-and country-level governance quality. *Journal of International Accounting, Auditing and Taxation*, *35*, 85-107.

Savickas, R. (2003). Event-induced volatility and tests for abnormal performance. *Journal of Financial Research*, *26*(2), 165-178.

Scafarto, V., Ricci, F., Della Corte, G., & De Luca, P. (2017). Board structure, ownership concentration and corporate performance: Italian evidence. *Corporate Ownership & Control*, *15*(1-2), 347-359.

Scherer, F. M. (1973). The determinants of industrial plant sizes in six nations. *The Review of Economics and Statistics*, 135-145.

Schmidt, C., & Fahlenbrach, R. (2017). Do exogenous changes in passive institutional ownership affect corporate governance and firm value?. *Journal of financial economics*, *124*(2), 285-306.

Schouten, M. C. (2009). The case for mandatory ownership disclosure. *Stan. JL Bus. & Fin.*, *15*, 127.

Schouten, M. C., & Siems, M. M. (2010). The evolution of ownership disclosure rules across countries. *Journal of Corporate Law Studies*, *10*(2), 451-483.

Serrasqueiro, Z. S., & Nunes, P. M. (2008). Performance and size: empirical evidence from Portuguese SMEs. *Small Business Economics*, *31*(2), 195-217.

Shahid, M. S., & Abbas, M. (2019). Does corporate governance play any role in investor confidence, corporate investment decisions relationship? Evidence from Pakistan and India. *Journal of Economics and Business*, *105*, 105839.

Shanikat, M., & Abbadi, S. S. (2011). Assessment of corporate governance in Jordan: An empirical study. *Australasian Accounting, Business and Finance Journal*, *5*(3), 93-106.

Shao, L. (2018). Dynamic study of corporate governance structure and firm performance in China: Evidence from 2001-2015. *Chinese Management Studies*. *13*(2), 299-317.

Shleifer, A. (2000). Inefficient markets: An introduction to behavioural finance. Oup Oxford.

Shleifer, A., & Vishny, R. W. (1986). Large shareholders and corporate control. *Journal of Political Economy*, *94*(3, Part 1), 461-488.

Shleifer, A., & Vishny, R. W. (1989). Management entrenchment. *Journal of Financial Economics*, *25*(1), 123-139.

Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. *The Journal of Finance*, *52*(2), 737-783.

Shleifer, A., & Wolfenzon, D. (2002). Investor protection and equity markets. *Journal of financial economics*, *66*(1), 3-27.

Shrivastav, S. M., & Kalsie, A. (2016). The relationship between CEO duality and firm performance: An analysis using panel data approach. *IUP Journal of Corporate Governance*, *15*(2).

Siahaan, F. O. (2014). The effect of good corporate governance mechanism, leverage, and firm size on firm value. *GSTF Journal on Business Review (GBR)*, *2*(4).

Singhvi, S. S., & Desai, H. B. (1971). An empirical analysis of the quality of corporate financial disclosure. *The Accounting Review*, *46*(1), 129-138.

Sternberg, E. (2019). The Defects of Stakeholder Theory1. In *Corporate Governance* (pp. 391-400). Gower.

Kahneman, D., & Tversky, A. (1979). Prospect Theory: An Analysis of Decision under Risk. Econometrica, 47, 313-327.

Thanatawee, Y. (2014). Institutional ownership and firm value in Thailand. *Asian Journal of Business and Accounting*, *7*(2).

The World Bank, Doing Business (2018). Retrieved from https://archive.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2018-Full-Report.pdf

Tolbert, P. S., & Zucker, L. G. (1983). Institutional sources of change in the formal structure of organizations: The diffusion of civil service reform, 1880-1935. *Administrative science quarterly*, 22-39.

Tosi, H., & Gomez-Mejia, L. (1989). The Decoupling of CEO Pay and Performance: An Agency Theory Perspective. *Administrative Science Quarterly*, *34*(2), 169-189.

Trojanowski, G., & Renneboog, L. (2003). The managerial labor market and the governance role of shareholder control structures in the UK. *Available at SSRN 389002*.

Tuấn, N. V. (2021). Mainstream theories of corporate governance and the corporate governance–firm performance relationship. *Science & Technology Development Journal-Economics-Law and Management*, *5*(3), 1638-1647.

Turnbull, S. (1997). Corporate governance: Its scope, concerns and theories. *Corporate Governance*, *5*(4), 180-205.

Uyar, A., Elbardan, H., & Yam, A. (2019). Drivers of convergence/divergence of corporate governance codes of MENA countries. *International Journal of Business Governance and Ethics*, *13*(3), 217-243.

Varghese, G., & Sasidharan, A. (2020, November). Impact of ownership structure and board characteristics on firm value: Evidence from China and India. In *Financial Issues in Emerging Economies: Special Issue Including Selected Papers from II International Conference on Economics and Finance, 2019, Bengaluru, India*. Emerald Publishing Limited.

Villalonga, B., & Amit, R. (2020). Family ownership. *Oxford Review of Economic Policy*, *36*(2), 241-257.

Vintilă, G., & Gherghina, Ş. C. (2014). The impact of ownership concentration on firm value. Empirical study of the Bucharest Stock Exchange listed companies. *Procedia Economics and Finance*, *15*, 271-279.

Wahal, S., & McConnell, J. J. (2000). Do institutional investors exacerbate managerial myopia?. *Journal of corporate Finance*, *6*(3), 307-329.

Wang, K., & Shailer, G. (2015). Ownership concentration and firm performance in emerging markets: A meta-analysis. *Journal of Economic Surveys*, *29*(2), 199-229.

Wang, J., & Dewhirst, H. D. (1992). Boards of directors and stakeholder orientation. *Journal of Business Ethics, 11*(2), 115-123.

Warrad, L., Almahamid, S. M., Slihat, N., & Alnimer, M. (2013). The relationship between ownership concentration and company performance, a case of Jordanian non-financial listed companies. *Interdisciplinary Journal of Contemporary Research in Business*, *4*(9), 17-38.

Watts, R. L., & Zimmerman, J. L. (1983). Agency problems, auditing, and the theory of the Firm: Some evidence. *The Journal of Law and Economics*, *26*(3), 613-633.

Weisbach, M. S. (1988). Outside directors and CEO turnover. *Journal of financial Economics, 20*, 431-460.

Welch, E. (2003). The relationship between ownership structure and performance in listed Australian companies. *Australian journal of management*, *28*(3), 287-305.

Williamson, O. E. (1979). Transaction-cost economics: the governance of contractual relations. *The journal of Law and Economics*, *22*(2), 233-261.

Wu, M. L. (2006). Corporate social performance, corporate financial performance, and firm size: A meta-analysis. *Journal of American Academy of Business*, *8*(1), 163-171.

Wurgler, J. (2000). Financial markets and the allocation of capital. *Journal of financial economics*, *58*(1-2), 187-214.

Yan, X., & Zhang, Z. (2009). Institutional investors and equity returns: Are short-term institutions better informed?. *The Review of Financial Studies*, *22*(2), 893-924.

Yasser, Q. R., & Mamun, A. A. (2017). The impact of ownership concentration on firm performance: Evidence from an emerging market. *Emerging Economy Studies*, *3*(1), 34-53.

Yilmaz, I. (2018). Corporate governance and financial performance relationship: Case for Oman companies.

Zahra, S. A., & Pearce, J. A. (1989). Boards of Directors and Corporate Financial Performance: A Review and Integrative Model. *Journal of Management*, *15*(2), 291–334.

Zajac, E. J., & Westphal, J. D. (1994). The costs and benefits of managerial incentives and monitoring in large US corporations: When is more not better?. *Strategic management journal, 15*(S1), 121-142.

Zattoni, A., Witt, M. A., Judge, W. Q., Talaulicar, T., Chen, J. J., Lewellyn, K., ... & van Ees, H. (2017). Does board independence influence financial performance in IPO firms? The moderating role of the national business system. *Journal of World Business*, *52*(5), 628-639.

Zeitun, R. (2014). Corporate governance, capital structure and corporate performance: evidence from GCC countries. *Review of Middle East Economics and Finance*, *10*(1), 75-96.