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Independent directors in family PLCs in the majority world – insights from a Middle Eastern country

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ABSTRACT

This paper critically examines the concept of board member ‘independence’ by drawing on Max Weber’s notion of traditionalism to theorise its practice in non-Western or Majority World contexts. Using family-owned public limited companies (PLCs) in Kuwait as a case study, we explore how cultural norms, political-economic histories, and kinship-based authority structures shape the recruitment, roles, and influence of supposedly independent committee members.

Based on qualitative data – including interviews, archival materials, and field observations – we find that independence is largely symbolic. Independent members are often selected through Diwaniya-based social networks and valued more for their loyalty and discretion than for providing impartial oversight. The relationship between family owners and independent members reflects Weber’s chief–subject model, with board processes grounded in personalist logics rather than the institutional rationalities of Western capitalist governance.

This study contributes to the corporate governance literature by rethinking independence through a cultural-political lens and calls for policies and research that promote context-sensitive, decolonial approaches to governance in the Majority World.

1. Introduction

In recent decades, Anglo-American Corporate Governance Codes (hereafter “the Code”) have become central instruments for promoting good corporate governance, emerging in response to a succession of corporate scandals, changing ownership structures, and the intensifying forces of globalisation (Cossey et al., 2023). In particular, calls for enhancing the independence of directors have gained prominence, with the expectation that independent oversight will curb unethical practices such as fraud, accounting irregularities, and organisational failures (Brandes et al., 2022). Independence is widely regarded as critical for ensuring that directors can exercise objective judgement, challenge executive decisions when necessary, and protect the interests of general shareholders (Brandes et al., 2022; Pascual-Fuster & Crespi-Cladera, 2022; Rashid, 2015).

Key governance structures – most notably the Audit Committee (AC) and the Board of Directors (BoD) – are considered central to corporate oversight and are frequently tasked with upholding the principles of accountability and transparency in Western large corporations (Alhossini et al., 2021; Ghafraan & O’Sullivan, 2013; Cadbury Committee, 1992). The effectiveness of these committees is closely linked to the composition and quality of the boards that establish and oversee them (Vafeas, 1999; Brandes et al., 2022). As a

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result, regulatory frameworks have prioritised the inclusion of independent directors within these committees (Mazzotta & Veltri, 2014). Various influential regulatory bodies and reports – including the Smith Report, FRC Guidance on ACs, the Blue Ribbon Committee, the CFA Institute, and the American Institute of Certified Public Accountants – have consistently underscored the significance of committee independence in reinforcing investor confidence in corporate governance systems.

A substantial body of research has examined whether independent members are effective in safeguarding shareholder interests and in reinforcing trust in corporate governance (Carcello et al., 2011; Bruynseels & Cardinaels, 2014). However, scholars have increasingly argued that committee independence is contingent upon institutional conditions – such as active capital markets, robust accounting professions, and democratic governance structures – that support genuinely independent oversight (Ararat et al., 2021; Zattoni et al., 2020; Pascual-Fuster & Crespi-Cladera, 2022; Nakpodia & Adegbite, 2018). Even within Western institutional contexts, concerns persist over the substantive independence of committee members (Sikka & Stittle, 2019). For instance, empirical studies have shown how CEOs may control the flow of information to ACs or influence the appointment of committee members aligned with their interests, thus compromising independence (Lisic et al., 2016; Carcello et al., 2011). Nevertheless, the ideal of independent oversight continues to enjoy normative and institutional support, especially within Western governance models.

In contrast, in the Majority World – or non-Western economies – where family-owned public limited companies (PLCs) and business groups dominate, the notion of board independence becomes increasingly tenuous (Uddin, forthcoming; Moses & Hopper, 2022; Mohamad-Yusof et al., 2018; Avina-Vazquez & Uddin, 2016). In these contexts, major shareholders – typically founding families – are deeply involved in both operational and strategic aspects of the business. This creates an inherent contradiction: independent directors are formally expected to protect the interests of all shareholders, yet they are often appointed by the dominant family itself (Ahmed & Uddin, 2024). Where such concentrated ownership exists, strong and contextually relevant institutional mechanisms are needed to curtail the disproportionate power of family owners and to safeguard minority shareholder interests (Aguilera & Crespi-Cladera, 2016; Aguilera et al., 2024). However, the absence of appropriate institutional foundations to support Western corporate governance frameworks in many non-Western contexts has been well documented (Ahmed & Uddin, 2024).

In addition, the functioning – and even the meaning – of board and committee independence is significantly shaped by prevailing cultural traditions and socio-political norms. For instance, Uddin and Chowdhury (2008) illustrate how entrenched social hierarchies and traditional authority structures in Bangladesh constrain board independence in family-dominated firms. Similarly, Mohamad-Yusof et al. (2018) and Kimani et al. (2021) show that ethnic affiliations, kinship ties, and political allegiances often undermine the formal aims of corporate governance reforms in Malaysia and Kenya, respectively. Yet, despite such findings, the concept of independence itself – how it is constructed, perceived, and enacted within different cultural and institutional contexts – remains undertheorised (Kimani et al., 2021).

This study seeks to contribute to this gap by examining how cultural traditions shape notions and practices of independence within governance committees of family-owned PLCs – a dominant corporate form outside the Anglo-American world (Aguilera et al., 2024). Drawing on Weber's notion of traditionalism, we conceptualise cultural tradition not as static heritage but as a dynamic set of values and power relations that intersect with corporate governance. This approach responds to Aguilera et al.'s (2024) call for a more context-sensitive theorisation of corporate governance practices within global business groups. Our qualitative inquiry – guided by the interpretive lens of Gendron (2018) – centres on the political, economic, and cultural conditions that enable or constrain independence within committees.

We argue that in contexts where capital markets and institutions required for Western centric corporate governance committees are weak or non-existent, cultural traditions exert significant influence over corporate governance practices, including the nomination and behaviour of committee members (Mohamad-Yusof et al., 2018). Our empirical focus is Kuwait – a setting where family, tribal relationship, traditional authority and kinship significantly shape both corporate and political institutions. Kuwait thus offers a compelling context for examining how such traditions intensify family control over governance mechanisms and challenge the applicability of Western governance ideals (Buanaputra & Uddin, 2024).

Utilising Weber's (1923) theory of traditional authority, we investigate how family and kinship-based power structures shape committee dynamics. In societies where traditionalism prevails, rational capitalistic institutions, if at all exist, often take a secondary role to personalised authority structures (Uddin et al., 2018). This may lead independent members to prioritise loyalty to founding family and major shareholders over obligations to general shareholders or indeed regulatory bodies. Our study, therefore, interrogates the epistemic limits of Western-centric notions of independence and corporate governance frameworks when applied in non-Western contexts, drawing on culturally grounded perspectives. Adopting a decolonial approach, we further explore what forms of corporate governance might be more appropriate and meaningful within the distinct socio-economic and socio-cultural realities of many non-Western countries/Majority World.

This study contributes to corporate governance scholarship by showing how board “independence” in Kuwait's family-controlled firms is largely symbolic, rooted in trust-based, kinship, and Diwaniya networks rather than legal or procedural detachment. By drawing on Weber's notion of traditionalism, it uncovers how extended family systems, tribal affiliations, and social traditions underpin the decoupling of formal independence from substantive influence, with independent members expected to act as loyal, fictive kin. The study further advances debates on governance reform in the Majority World by highlighting the cultural and political misalignment of Anglo-American models, calling for a decolonial and context-sensitive approach. It encourages scholars and policymakers to rethink stock exchange requirements, ownership structures, and the very utility of Western governance templates in family-dominated, small-economy contexts.

The paper is structured as follows. We begin with a review of the literature on independent directors and contextual influences on their effectiveness, followed by a discussion of Weberian traditionalism. We then outline our research methodology and present empirical findings from the Kuwaiti case. The paper concludes by reflecting on the theoretical and practical implications of rethinking

corporate governance and by outlining possible pathways for developing more contextually relevant frameworks in Majority World economies.

2. Independent members, contextual challenges, and theoretical gaps

Contemporary corporate governance reforms place considerable emphasis on board composition, particularly the inclusion of independent members, as a mechanism to enhance board effectiveness and accountability. Independent members are expected to bring objectivity, strategic insight, and a willingness to challenge dominant interests within the boardroom (Brandes et al., 2022; Pascual-Fuster & Crespi-Cladera, 2022; Rashid, 2015). They are frequently positioned as neutral actors who can uphold the board's fiduciary duties and protect shareholders against managerial or majority abuse.

Despite the widespread adoption of corporate governance codes – including the stipulation for independent board membership – in both Western and Majority World contexts (Armitage et al., 2017), the practical effectiveness of independent members in non-Western settings remains deeply contested (Samara, 2021; Farah et al., 2021; Ahmed & Uddin, 2024; Reed, 2002; Siddiqui, 2010; West, 2006). This discrepancy is often attributed to institutional infrastructures, particularly in terms of detection, deterrence, and enforcement of governance norms (Aguilera et al., 2024; Moses & Hopper, 2022). In these contexts, formal adoption of corporate governance reforms may mask deeper structural and cultural limitations that undermine their substantive impact.

A growing body of literature emphasises that corporate governance practices are shaped by contextual factors, including the strength of capital markets, regulatory enforcement, legal protections, and political accountability (Pascual-Fuster & Crespi-Cladera, 2022; Zattoni et al., 2020). The institutional and market conditions prevalent in many countries often limit the capacity of independent members to exert genuine oversight. A central challenge arises from the widespread dominance of family-owned firms in these economies (Claessens, 2006; Ahmed & Uddin, 2018). While independent members are formally tasked with checking family influence and enhancing transparency, empirical evidence frequently suggests that such reforms do not achieve their intended aims (Ahmed & Uddin, 2024; Astrachan et al., 2020).

In many family-dominated corporate settings, the requirement to include independent members is viewed as an external imposition – one that threatens the internal cohesion and authority of family elites (Ahmed & Uddin, 2024; Ahmad & Mahmood, 2024). Consequently, families often engage in symbolic compliance, appointing individuals from within trusted personal or political networks who nominally meet independence criteria but remain aligned with the interests of controlling shareholders (Piesse et al., 2012; Ahmed & Uddin, 2023). These individuals may serve more as allies than as monitors, prioritising familial loyalty over fiduciary accountability (Bebchuk & Hamdani, 2017; Samara, 2021). Furthermore, concentrated ownership and overlapping directorships often blur the boundaries between family control and board governance, making the task of independent oversight structurally constrained (Ahmed & Uddin, 2024).

Although research on board independence is expanding, persistent theoretical and empirical gaps remain regarding how independence functions across diverse cultural, economic, and legal environments (Nakpodia & Adegbite, 2018). In particular, the role of sociocultural norms in shaping governance practices remains underexplored (Farah et al., 2021). The cultural construction of independence – how it is understood, enacted, and contested – differs significantly across settings. For instance, in certain African or Middle Eastern contexts, traditional norms such as deference to elders, collective decision-making, or hierarchical respect may render it inappropriate or culturally insensitive for independent directors to openly challenge dominant board members (Kimani et al., 2021). These tensions between imported governance ideals and indigenous cultural practices remain insufficiently theorised in existing scholarship.

This study seeks to address these lacunae by critically examining the role and function of independent board members within family-owned public limited companies in Kuwait. By engaging with Weberian notions of traditionalism, the study explores how kinship, cultural authority, and informal networks shape the enactment – or erosion – of independence within governance committees. Kuwait presents a compelling case for investigating how traditional values and familial control interact with corporate governance reforms that presume impersonal, rule-based oversight. This is elaborated below.

3. Analytical framework: rationalities, traditionalism, and Kuwait

Weber (1923) identified several foundational elements necessary for the development of rational capitalism. These include control over the physical means of production, market freedom, free labour, rational technology, calculable legal systems, and the commercialisation of economic law. Crucially, Weber argued that rational calculation – a defining feature of capitalism – requires the existence of specific structural and institutional conditions. In his view, the ideal type of capitalism was only partially realised during the industrial revolutions of the eighteenth and nineteenth centuries, predominantly in parts of Western Europe and the Anglo-American world.

Weber's historical analysis sought to identify the societal forces that enable or hinder the emergence of rational capitalism and modern enterprises. He emphasised that ideas, conflicts, institutions, and value systems – particularly those rooted in religion, law, and social organisation – shape the trajectories of capitalist development. While rational forms of capitalism became dominant in Western contexts, Weber observed that various forms of *traditional capitalism* persisted elsewhere, including structures akin to those prevalent in pre-industrial Europe. Traditionalism, in this sense, functioned as an impediment to the institutionalisation of rational, impersonal, rule-bound capitalist practices.

Weber maintained that *traditionalism* – emerging from particular historical, political, and cultural trajectories – often hinders the development of rational markets and modern institutions and organisational forms. The case of Kuwait exemplifies this phenomenon,

where enduring social structures such as kinship networks, tribal affiliations, and customary norms intersect with formal economic and political institutions to shape governance practices in distinctive ways.

3.1. Kinship, merchant Families, independent members and the Diwaniya

The historical roots of Kuwait are entwined with patterns of kinship, tribal affiliation, and political accommodation. The name “Kuwait” derives from *kut*, an Arabic term for a fortified settlement established by nomadic tribes from what are now Saudi Arabia, Iraq, and Iran in the seventeenth century. According to historical records, governance in Kuwait was initially shared among three prominent families – Al-Sabah, Al-Khalifa, and Al-Jalahima – from 1650 until 1765. In 1766, the Al-Sabah family assumed sole rulership, a status they retain to this day. A foundational political arrangement emerged in which merchant families provided financial support to the ruling Al-Sabahs, who, in return, consulted these elites through a *Shura* (consultation) mechanism (Moore & Salloukh, 2007). Historically, merchant families viewed themselves not as subordinates, but as co-governors – partners in power and policy.

This long-standing alliance enabled Kuwait’s wealthy business families to maintain direct influence over state affairs and appointments (Peterson, 2001). For example, prominent merchant family members have held key political roles, including the Speakership of Parliament. The Kuwaiti polity, therefore, reflects an informal but enduring power-sharing arrangement between ruling and commercial elites, shaped over three centuries. Kinship, tribal loyalty, and the *Diwaniya* – a uniquely Kuwaiti social institution – are central to sustaining this arrangement.

In Kuwaiti society, the notion of “family” extends beyond the nuclear household to include extensive kinship and tribal networks (Al-Thakeb, 1985). Social identity and political legitimacy are closely tied to these extended familial ties. When Kuwaitis refer to their “family,” they often mean their entire tribe or lineage (Torstrick & Faier, 2009). Loyalty to these networks is foundational to social life and is mirrored in political and business practices (Almutairi & Kruckeberg, 2019; Sidani and Thornberry, 2010). The loyalty and trust-based orientation extends into business structures, where companies are frequently family-owned and managed. Hiring from within one’s extended family or tribe is both culturally normative and strategically valued as a safeguard of loyalty and trust (Berger et al., 2015).

The *Diwaniya* serves as both an extension and an institutional expression of these kinship networks. Typically, it is a separate room or hall in a family’s home where Kuwaiti men host male relatives, friends, and guests. Functioning as a key node in Kuwait’s socio-political fabric, the *Diwaniya* fosters strong interpersonal bonds and facilitates informal dialogue on a wide range of issues, from business and politics to religion and sport (Chay, 2016). While its format varies – from daily gatherings to weekly or occasion-specific meetings – its social significance remains deeply entrenched.

The *Diwaniya* also plays a formalised political role. Historically, it was in such a gathering that the Al-Sabah family was nominated to rule (Weiner, 2016). In contemporary Kuwait, it serves as a vital platform for political mobilisation. Parliamentary candidates frequently launch their campaigns through visits to *Diwanis*, using these spaces to engage in open discussions with constituents. These forums offer relatively unfiltered spaces for critique, debate, and consensus-building. Diplomats and observers often describe them as “mini-parliaments” due to their grassroots democratic function (Aqabas, 2016).

Even with the rise of social media, the *Diwaniya* remains a primary channel for information exchange and political discourse. In some cases, it functions as an informal news hub, offering access to politically sensitive or censored information that may be absent from mainstream media (Kuwait News Agency, 2002). As we explore in subsequent sections, this deeply embedded social institution has profound implications for the recruitment and functioning of board members – particularly those designated as “independent.” These appointments often reflect existing kinship and tribal affiliations, raising critical questions about the viability of Western models of independence and rational corporate governance in such traditionalist contexts.¹

Weber’s (1923) exploration of traditionalism – initiated through his early studies of Indian societies – offers a powerful lens through which to understand how sociocultural, historical, and political contexts shape economic organisation and accountability mechanisms. He characterised traditional societies as those where economic and political activities are organised around family or clan-based ownership and control, with obligations rooted in loyalty, obedience, and personal relationships rather than in the formalised, impersonal systems characteristic of the West. In such settings, economic behaviour is not aimed at maximising profit through rational calculation, but rather at maintaining the status, authority, and cohesion of familial or tribal units.

In contexts like Kuwait – where kinship, familial loyalty, and tribal affiliation remain foundational to the organisation of society—rationalities take a different, more substantive form. Here, preserving the interests of family and clan often supersedes abstract legal principles or formal accountability mechanisms (Sidani & Thornberry, 2010). As Weber (1947, p. 341) explains:

“The person exercising authority is not a ‘superior’, but a personal ‘chief’. His administrative staff does not consist primarily of officials but of personal retainers. Those subject to authority are not ‘members’ of an association, but are either his traditional ‘comrades’ or his ‘subjects’. What determines the relations of the administrative staff to the chief is not the impersonal obligations of office, but personal loyalty to the chief. Obedience is not owed to enacted rules, but to the person who occupies a position of authority [...] who has been chosen for such a position.”

¹ Given that diwanis are predominantly male spaces, women are often excluded from these influential informal networks. This exclusion can limit their access to the social capital and informal relationships that play a critical role in board nominations and appointments, thereby reducing their chances of being selected as board members. Based on our review of board composition from 2016 to 2024, we found that women comprised, on average, only 4.5% of board members during this period.

Applying this to Kuwait, we posit that family owners – who often function as dominant shareholders and executive leaders – may resist rational-legal corporate governance mechanisms. Corporate governance reforms rooted in legalistic, Western ideals may thus remain nominal – confined to written codes and documents, rather than genuinely institutionalised in practice. Within such a setting, personal loyalty rather than formal oversight becomes the dominant logic shaping the behaviour of board and committee members.

This has direct implications for the role and effectiveness of independent members in corporate governance committees. While these individuals are formally entrusted with providing objective oversight but their capacity to do so is often clashes with the traditional expectation of loyalty to the “chief” – typically the head of the family or executive. In such contexts, loyalty is not only socially expected but is often necessary for personal advancement and social mobility (Uddin et al., 2018). The cost of disloyalty can be social exclusion, diminished access to networks, or reputational damage.

Dyball et al. (2006) note, in their Weberian analysis, that in traditional societies the institutions of the community, market, and state are deeply intertwined. Loyalty to the family or clan, obligations to a personal chief, and subordination to informal hierarchies continue to shape economic and political life. In this study, we explore whether such elements help explain the decoupling between the roles assigned to independent members under corporate governance codes and their actual influence within Kuwaiti firms. The Western ideal of independent oversight presupposes a rational-legal framework facilitating capitalistic institutions what Weber termed ‘capitalistic rationality’. However, in Kuwait, a society embedded in traditionalism, what passes for independence may in practice reflect a different kind of rationality—one governed by personal ties, communal expectations, and the imperative to protect social harmony within extended kinship networks.

We do not seek to dismiss other theoretical perspectives in corporate governance studies. However, we argue that Weber’s account of traditionalism is particularly useful for illuminating the complex dynamics underpinning the failure – or limited success – of corporate governance reforms in traditional societies. First, his attention to historical path-dependency and the cultural embeddedness of institutions enhances the explanatory power of institutional analyses of decoupling (Yonekura et al., 2012; Uddin et al., 2017). Rather than treating decoupling as a technical failure of enforcement, this lens enables a more textured understanding of how cultural norms and historical arrangements shape institutional practice.

Second, elements of traditionalism – such as extended family dominance – are deeply rooted in Kuwait’s sociopolitical landscape. The longstanding influence of royal and merchant families, as well as cultural institutions like the Diwaniya, illustrate how informal authority continues to rival or override formal mechanisms of corporate governance. This traditionalism directly conditions how independent members are selected, how they operate, and to whom they are ultimately accountable.

Finally, while relatively few corporate governance studies have engaged deeply with Weberian theory, this research responds to calls by Uddin and Choudhury (2008) and others to revisit corporate governance failures through the lens of traditional domination, kinship, and clan-based authority. By doing so, this study offers both a theoretical contribution – by extending the use of Weberian traditionalism to the field of corporate governance – and an empirical contribution, by showing how traditional authority structures in Kuwait reshape the meaning and practice of independence within corporate boards.

4. Research methods

In response to the growing critique of methodological homogeneity in corporate governance research, this study adopts a qualitative approach that is contextually grounded and theoretically informed. Aguilera et al. (2024) observe that nearly 90 per cent of corporate governance studies rely on quantitative methods, often neglecting the sociocultural and historical dimensions that shape institutional behaviour. We respond to calls for deeper, interpretive analyses – particularly in Majority World contexts – where corporate governance practices are shaped not only by formal regulation but also by informal norms, cultural traditions, and personalised power structures.

Our methodological strategy is shaped by the need to uncover both the *external institutional layers* – including formal codes, laws, and public narratives – and the *internal sociocultural layers* that inform everyday corporate governance practice. This dual-layered approach is rooted in Weberian tradition, which highlights the significance of embedded authority relations and traditional norms in shaping institutional behaviour.

4.1. Documentary analysis

A key data source was documentary and archival material, which enabled us to contextualise the field and trace the formal institutional landscape. These included, for example, the Commercial Law, the Civil Law, the Capital Markets Authority’s (CMA) Corporate Governance Code (2013; revised 2016), reports and statements issued by the Kuwait Chamber of Commerce and Industry (KCCI), annual reports and board charters of listed firms, corporate governance reports, audit committee reports, minutes and agendas from Annual General Meetings (AGMs), and press coverage from several newspapers such as Al-Qabas and Al-Anba.

The regulatory and policy documents – such as the Commercial Law, the Civil Law, and the CMA’s Corporate Governance Code – were used to map the formal institutional framework and trace its evolution over time. Moreover, these documents enabled us to compare the formal provisions and expectations outlined in the regulations with the actual governance practices observed in the field, including Annual General Meetings (AGMs), the process of appointing board members, and the role of independent directors.

We used companies’ annual reports, board charters of listed firms, corporate governance reports, audit committee reports, and data from the Kuwait Stock Exchange (KSE) archive) to obtain detailed information on the ownership and board structures of the companies, including the number of independent members. This information helped us identify suitable interviewees and select the AGMs that were most relevant to the aims of our study. These documents were therefore instrumental in linking the formal governance

Table 1

List of interviewees.

Code	Chairman or Board member	Ex/ Current Regulator	Independent memebr	Audit Committee member	Academic	External/ Internal Auditor	Board Member/ Executive in Professional bodies	Family Owner	Executive Manager
INT 1	✓	✓	✓	✓					
INT 2	✓			✓					
INT 3	✓			✓					
INT 4	✓			✓				✓	
INT 5									
INT 6		✓							
INT 7		✓	✓		✓				
INT 8		✓			✓				
INT 9		✓			✓				
INT 10			✓				✓		✓
INT 11							✓		✓
INT 12	✓		✓			✓	✓		
INT 13						✓			
INT 14					✓	✓			
INT 15					✓	✓			
INT 16						✓			
INT 17									✓
INT 18	✓			✓					✓
INT 19	✓		✓	✓					✓
INT 20							✓		
INT 21									✓
INT 22	✓			✓					✓
INT 23	✓								✓
INT 24									✓
INT 25					✓				
INT 26			✓						
INT 27	✓		✓				✓		
INT 28			✓		✓				

Note: The majority of the interviewees in this research have various experiences and background.

structures to the fieldwork and ensuring that our interviews and observations were grounded in the actual organisational context.

We also drew upon political, legal, and historical literature, along with media and archival sources such as the [Kuwait News Agency \(2002\)](#), to interpret how enduring cultural traditions – such as *Diwaniya* and familial authority – shape Kuwait's governance landscape and to contextualise socio-cultural practices of trust and loyalty that underpin governance relations.

4.2. Semi-structured interviews

We conducted in-depth interviews in three stages. The first phase focused on the institutional field, targeting key actors involved in shaping or interpreting corporate governance in Kuwait. These included academics, regulators, former directors of the KSE and CMA, and representatives of the Kuwait Association of Accountants and Auditors (KAAA). These interviews provided an overview of corporate governance expectations, reforms, and challenges.

The second and third phases involved interviews at the firm level to explore the lived experiences and perceptions of those directly involved with or affected by independent board membership. Participants were purposively selected based on their roles—internal auditors, external auditors, non-independent board members, compliance officers, board chairpersons, and executive directors—with a preference for those holding multiple positions (e.g., board member and academic), to increase depth and triangulation. Selection was guided by regulatory texts, the Commercial Law, and prior research (see [Table 1](#)).

Semi-structured interview guides were developed based on extensive desk research covering corporate governance literature, political and historical contexts, and cultural practices in Kuwait. Questions were open-ended to allow flexibility and accommodate interviewees from varied institutional positions. The interview questions aimed to understand how the notion of board member “independence” is interpreted and practiced in the Kuwaiti context. Participants were asked to describe how board members are nominated and appointed, the reasons for selecting independent members, and how these members relate to owners and family members. They were also encouraged to reflect on board and committee practices – including meeting arrangements, decision-making dynamics, and the degree of influence exercised by independent members. For participants who were not board members, the questions centred on their perceptions of how independent members are chosen, whether they are genuinely independent, and whether the CMA's rules (such as restrictions on first-degree relatives) are adequate to secure independence. In doing so, the interviews offered diverse insights into how formal regulatory definitions of independence interact with social expectations grounded in kinship, loyalty, and trust.

Interviews were conducted primarily by the first author in Arabic, with six conducted jointly by both authors in English during the second phase. Interviews lasted between 30 and 90 min and were held in locations chosen by participants—often their offices, coffee shops, or *Diwanis*. Interviewees were assured of confidentiality and anonymity, and informed consent was obtained.

From October 2016 to June 2017 and again from October 2022 to January 2023, we conducted 28 interviews. Seven participants were interviewed twice to clarify points raised by others or to explore emerging themes. Most interviews were recorded, and in cases where this was declined, detailed notes were taken. Interviews were transcribed and translated by a professional translator. Transcripts were reviewed by the researchers, and interviewees were given the opportunity to review translated versions. Where inconsistencies arose, participants were contacted for clarification, enhancing both the reliability and authenticity of the data.

4.3. Observations from AGMs

To further interrogate how corporate governance is enacted in practice, the first author attended two AGMs in family-owned companies in May 2024. These meetings were selected for their inclusion of board elections, particularly for independent members. AGMs were brief—lasting 10 and 12 min respectively—and held in small hotel conference rooms. Attendance was minimal (10–12 individuals, mostly board members and management), and the proceedings were largely procedural. One AGM involved electing the entire board; the other focused solely on electing an independent member. Observations included attendance, interactions, voting processes, and the performative nature of these meetings.

4.4. Data analysis

Data from interviews, documents, and observations were thematically coded and analysed using an iterative, theory-informed process. Our coding framework was shaped by the analytical concerns raised in our theoretical discussion—particularly the tensions between legal-rational models of corporate governance and traditionalist forms of authority. As patterns and themes emerged, we refined our codes to theorise processes such as decoupling, symbolic compliance, and loyalty-based appointments.

Triangulation was employed across multiple data sources to enhance validity. We systematically cross-checked documentary evidence with interview data and participant observations. Internal validity was reinforced through *pattern matching*, comparing empirical observations with theoretical constructs drawn from Weberian theory and relevant literature on traditionalism and corporate governance. Reliability was strengthened through transcript verification, re-contact with interviewees, and multi-lingual data handling (Arabic and English).

5. Historical context, regulatory reforms, and the independent members

The evolution of corporate governance in Kuwait must be situated within the broader historical interplay between the state, the ruling family, and powerful merchant elites. Efforts to regulate business activities formally began with the introduction of the Companies Act in 1960, following concerns over fragmented ownership structures and unregulated share trading by prominent merchant families. This marked the state's first substantive intervention in the private sector, requiring companies to prepare audited financial statements—a foundational step towards institutionalising business accountability.

Subsequent reforms followed the 1977 establishment of the KSE, intended to organise securities trading. However, parallel to this formal initiative, merchant families continued to operate the *al-Manakh market* – an informal, unregulated trading platform. Its collapse in 1982 had catastrophic consequences, particularly for small and general shareholders, as worthless cheques amounting to 26.7 billion Kuwaiti Dinars (four times Kuwait's GDP at the time) were left unsettled (Al-Qenae et al., 2002; Craig, 2019). The state was compelled to intervene, absorbing investor losses and assuming control of listed firms, effectively transferring private risk to public institutions (Aljoman, 2012).

Following the Gulf War and Iraqi invasion in 1991, the government initiated a privatisation drive, divesting its holdings in numerous companies. This shift consolidated the influence of Kuwait's merchant families, who acquired significant stakes and reasserted their dominance over the corporate sector. For example, the Al-Kharafi family, through a pyramid ownership structure, controls 119 listed and unlisted entities; the Al-Sultan and Al-Shayea families exercise similar control over multiple companies listed on the KSE. Even the ruling family participates as a corporate actor, with stakes in at least ten listed companies via vehicles such as the Securities Group Company, which itself holds influential positions in twelve other listed entities (Aljoman, 2011).

The concentration of corporate control remains striking. Among the 177 listed firms on the KSE in 2008, 32.8 % had at least two board members from the same family. The top 15 families collectively occupied 25 % of all board seats (Mutairi, 2011), with dominant stakes in banking (27.1 %) and manufacturing (16.1 %). Approximately 19 % of companies had members of the ruling family on their boards (Alfraih, 2016), and family members often occupy executive and managerial roles (Sonfield et al., 2016). Meanwhile, the state retains minority ownership across sectors, holding 11–15 % equity in key industries such as services, manufacturing, and investment (Mutairi, 2011; KAMCO, 2012).

Amid this entrenched family control, Kuwait has introduced significant economic and regulatory reforms, particularly over the past decade (Almarzouq et al., 2025). The most notable development was the establishment of the CMA in 2010, which was followed by the issuance of corporate governance codes in 2013 and 2016. Unlike many Majority World contexts, where corporate governance reforms were largely driven by pressure from international donors or financial institutions, Kuwait's adoption of corporate governance codes was motivated less by external pressures and more by the state's desire to reassert control over economic influence within the country. Nevertheless, these reforms were framed as part of a broader national strategy to position Kuwait as a regional financial hub, attracting both domestic and foreign investment (CMA, 2015).

This tension – between the state's regulatory ambitions and the traditional dominance of commercial elites – is central to understanding how corporate governance reforms have been implemented and interpreted. As we shall demonstrate in the empirical sections, this contestation is particularly visible in how the code is enacted, resisted, and negotiated in everyday practice.

The CMA was tasked with unifying the regulatory oversight of listed and unlisted firms in Kuwait, reducing fragmentation across financial markets. Today, the CMA supervises most listed firms on the KSE, while banks fall under the Central Bank of Kuwait and insurance companies are regulated separately. The CMA is governed by a five-member Board of Commissioners, nominated by the Minister of Commerce and Industry and approved by the Council of Ministers—underscoring the state's continued influence over formal regulatory institutions.

The CMA issued Kuwait's first corporate governance code in 2013, extending corporate governance requirements beyond banks (previously regulated under a 2004 Central Bank code). The 2013 code applied to all entities under the CMA's purview, with an initial mandate for full compliance by 31 December 2014. However, in 2015, the CMA introduced a revised version of the code based on a "comply or explain" approach, though certain provisions remained mandatory. These include rules on board composition, independence, financial integrity, risk management, disclosure, and shareholder rights (Rules 2–5 and 7–8). The code also mandates two committees: the Audit Committee and the Risk Management Committee, while the Nominations, Remuneration, and Strategy Committees are voluntary.

Specifically, the code stipulates that Audit Committees (ACs) must include at least three members, with one being independent. Executive directors and board chairs are excluded from AC membership. The Risk Management Committee may include executive directors, but its chair must be non-executive. For voluntary committees like the Nominations and Remuneration Committee, the code recommends a minimum of three members, including at least one independent member.

These reforms introduced formal definitions and expectations of independence into Kuwait's corporate governance architecture. Yet, as we have outlined in the preceding sections, Kuwait's institutional context is steeped in traditional authority structures, tribal affiliations, and loyalty-based relationships. While the code may prescribe independence, its enactment is conditioned by a political economy in which family control, Diwaniya networks, and informal power hierarchies prevail.

The next section explores how independent members are recruited, how they perceive their roles, and how they navigate the tensions between formal regulation and traditional societal expectations. We interrogate whether and how the concept of independence – so central to Western corporate governance mechanisms – is adapted, reinterpreted, or constrained in practice within Kuwait's unique socio-political setting.

5.1. Recruiting family and loyal friends

According to Kuwait's corporate governance code, effective June 2016, at least 20 % of a company's board must consist of independent members, but not more than half. Independent members are required to have no first-degree² family ties with current board members or senior executives, no employment or board roles within the company or its group, and no affiliation with corporate entities that hold controlling stakes.

Formally, the recruitment process mandates that companies advertise board vacancies – including those for independent members – in at least two national newspapers. Applications are to be vetted by the nominations committee (or the board, in its absence), which verifies eligibility and conducts interviews. Successful candidates are then presented for election at the Annual General Meeting (AGM), where shareholders are expected to vote.

In practice, however, this process is largely ceremonial. Candidates – typically selected by dominant shareholders or family representatives – are encouraged to nominate themselves, and their election at the AGM is usually a mere formality, as shareholder rejection is virtually unheard of. Moreover, AGMs themselves tend to be largely symbolic events. A board chairman had no hesitation to tell us:

“Although the rule states that the independent member should be appointed from the general assembly, the practice in Kuwait is the opposite. The independent member is asked from one of the board or executive managers to nominate himself and they will choose him.”

As observed during fieldwork, one such meeting lasted less than 15 min, with the board merely announcing the names of new independent members – without offering any details on their experience or qualifications.

Although the corporate governance code requires the board to present candidate profiles to assist shareholders in their selection, this requirement is rarely followed. AGMs, as others have noted (Brennan et al., 2024), are intended to ensure accountability. In Kuwait, however, they tend to be passive affairs. Minority shareholders rarely raise objections, and when they do, their concerns are swiftly dismissed. A portfolio manager narrated:

“The board of directors has a reaction to the shareholder who exercises his role in the general assemblies... They try to close the discussion quickly and ask the shareholder how many shares they have, to reduce the importance of his question and marginalise his role.”

This procedural passivity does not mean that all appointees lack competence or motivation. Some independent members displayed genuine concern for the strategic direction of their firms. For instance, two independent directors explained:

“Before I joined, I discussed with him the strategy and how I could add value... I found the CEO wasn't doing well, and we agreed the firm needed restructuring.”

“They knew my experience and history in the field, and they said I could lead the board.”

Yet the unifying thread across all cases was trust and loyalty to the dominant shareholder. These were the key criteria for board invitations, often cultivated through social proximity rather than professional evaluation. For instance, two Independent members recalled their appointments:

“They know me and trust me. He is also my friend from the Diwaniya. We discussed joining the board there.”

“He is my friend. He trusts me and asked me to join the board.”

Several interviewees emphasised that such board appointments often ignore whether these members have any understanding of corporate governance roles. An accounting academic and former independent board member explained:

“They are appointed because of personal connections—friendship or family ties. As a result, many lack a clear understanding of their roles, particularly on the board and audit committee.”

An external auditor, who work closely with independent directors, voiced similar concerns:

“Appointments are supposed to be based on competence, but loyalty often takes precedence. Independent members are expected to comply with instructions, not exercise independent judgment.”

Family owners themselves echoed these views. For some, the introduction of independent members was seen as a necessary concession to regulation, not a genuine shift in power. For instance, one family owner commented:

“Independent members may appear neutral, but they usually have close ties to leadership.”

In this context, the Diwaniya emerges as a critical space for informal corporate governance. As discussed earlier, Diwaniyas are central to Kuwaiti social life – spaces where kinship, trust, and influence are forged. For dominant shareholders, the Diwaniya is a

² As defined in Articles 16 and 17 of the Kuwaiti Civil Law No. 25 of 1980, kinship is classified by degrees. First-degree relatives include a person's parents and children, representing the most direct familial ties. Second-degree relatives include grandparents, grandchildren, and siblings. While siblings are considered second-degree, their connection is classified as indirect because it passes through a common ancestor. Third-degree relatives comprise uncles, aunts, nephews, and nieces, while fourth-degree relatives include cousins (children of uncles and aunts).

recruitment ground, offering both familiarity and assurance. An independent member recalled:

“They know me from the Diwaniya... and they trust me not to leak any information.”

Diwaniyas are also key sites of informal information exchange (Kuwait News Agency, 2002). Given their openness, there is a strong concern that individuals who are not personally trusted may inadvertently leak sensitive information. Hence, loyalty is not only valued – it is essential. Appointing someone outside the trusted network risks both business integrity and family reputation. As Sidani and Thornberry (2010, 2013) and Berger et al. (2015) argue, in Kuwait’s relationship-based culture, trust implies not blind obedience but confidence that the person will act in the shared interest of the family and the business. That said, trust is not always synonymous with passivity. Two independent members reflected:

“I challenge the owners many times because they trust me.”

In every meeting, there were disagreements. After the first year, I decided not to continue, but the owners insisted that I stay. I was shocked by their reaction, as I thought they didn’t want me to remain. They told me, “You protect us.” I believe they know I’m honest. Even though they invited me to join, they understand they can’t control me or my decisions – they can only influence me by convincing me. I’m not going to ruin my reputation for anyone.

Here, trust operates as a form of delegated discretion, not merely submission – suggesting a more nuanced dynamic where independence may coexist with loyalty, albeit within culturally sanctioned boundaries.

While such patterns are not unique to Kuwait – Bebhuk and Hamdani (2017) found that controlling shareholders often dominate the appointment and retention of independent members globally – what is distinctive here is how social structures like the Diwaniya are integral to this process, shaping both recruitment and expectations of conduct. Despite formal mechanisms, AGMs remain largely inactive, reinforcing the symbolic nature of independence in these settings.

Ultimately, independent members often function less as representatives of shareholder interests and more as extensions of the controlling families. The cultural logic of loyalty, discretion, and embeddedness – rather than institutional independence – defines their recruitment and legitimisation. This fundamentally challenges Western assumptions that view independent members as checks on dominant shareholders.

The next section examines whether this method of recruitment constrains the intended effectiveness and authority of independent members. While corporate governance literature (e.g. Crespi-Cladera & Pascual-Fuster, 2014; Adams et al., 2010) positions independent directors as protectors against capture of top management, our findings suggest that in traditional contexts like Kuwait, such expectations may require re-theorisation as top management are the majority shareholders.

5.2. Power of independent members

A core rationale behind board independence is the expectation that independent members exercise autonomous judgment and offer impartial advice, free from the influence of dominant shareholders. Kuwait’s corporate governance code mandates the inclusion of independent members precisely to protect shareholder interests, promote transparency, and support sound decision-making. However, given the recruitment patterns outlined earlier – where appointments are shaped by loyalty, social proximity, and Diwaniya-based relationships – the practical capacity of these members to fulfil their designated role warrants critical examination.

We interviewed a range of stakeholders – including internal and external auditors, creditors, board members, executives, regulators, and academics- regarding their experiences with independent members. A common theme across these perspectives was scepticism, not only about the effectiveness of independent members but about the very purpose of their inclusion.

A board member serving on two firms articulated the general perception: when families hold controlling stakes, they tend to privilege their own interests over those of minority shareholders. This often results in limited transparency and selective disclosure – especially in annual reports – which are regarded by some as irrelevant or merely symbolic. Notably, even fellow board members, including independents, may be kept in the dark sometimes. One board member representing a family investor (minority shareholder) in a company that dominated by another family complained:

“Most of these families are reluctant to share their information with outsiders. It’s often by chance that we discover important developments. For instance, I stumbled upon a serious issue through Twitter – despite being a board member!”

He went on and described the independent director as “*more like an employee than a board member,*” illustrating how formal board status does not necessarily translate into authority or influence. Rather than reflecting legal obligations, the operational limits of independent members appear to be shaped by entrenched cultural norms – particularly regarding secrecy and information control.

A creditor from one of the largest banks in the region echoed this view, suggesting that independent members are largely symbolic:

“The owners believe there’s no need for such a member. They see the company’s finances as their personal affairs.”

Both internal and external auditors reported bypassing audit committees altogether when faced with sensitive issues, preferring instead to consult individuals they perceived as influential and trustworthy within the organisation as an external auditor commented:

“We prefer to approach those who really make decisions. Independent members are often compromised by conflicts of interest and lack the power to act.”

This reluctance to involve independent members is rooted in a broader cultural disposition. Several interviewees attributed it to a general Kuwaiti norm of financial privacy, which extends beyond technical concerns reflected in a board member (who represents a

family investor in a company dominated by another family) explanations:

“Kuwaitis have a tendency to conceal assets and problems. It’s not about professionalism – it’s cultural.”

The perception of listed firms as family-owned domains constrains board-level discussion. Even within boardrooms, dominant shareholders often resist open deliberation. Rather than promoting transparency, independent members are often included to *reassure* the family that confidential matters will remain protected. An external auditor observed:

“They are seeking someone who will not speak out. Someone who won’t share anything discussed in the Diwaniya.”

This protective logic shapes the structure of board committees as well. Independent members are frequently assigned to audit committees, which deal primarily with historical and financial data. They are rarely included in more sensitive committees – such as strategy, investment, or remuneration – where real power resides. An external auditor commented:

“It’s common to place independent members in committees dealing with past data. Owners don’t want to share information about their compensation or forward-looking strategies.”

This marginalisation underscores the tension between formal corporate governance ideals and informal control. While the legal intent behind independent membership is to safeguard all shareholders, in practice, appointments are often used to reinforce existing hierarchies – allowing dominant families to both comply with regulatory requirements and maintain discretion over strategic decision-making.

Furthermore, appointments often serve social functions. Several interviewees pointed out that appointing a loyal friend or relative brings not only trust, but also material benefits. One regulator remarked:

“Don’t forget about the compensation – ultimately, it benefits friends.”

These arrangements create a dual expectation: independent members are trusted not to interfere, and rewarded for their discretion. Trust, in this context, is not synonymous with honesty or moral rectitude – it refers to an expectation of loyalty, silence, and alignment with the interests of the dominant family.

Importantly, this trust is conditional. Independent members retain their position as long as they do not challenge core decisions or request access to sensitive information. As one independent member observed:

“Their trust in you depends on you not asking too many questions.”

When asked about conflicts or disagreements, one board member candidly replied:

“No, we have not faced any major conflicts or serious disagreements. This is because we discuss everything beforehand, either over the phone or in the Diwaniya. In fact, the CEO also attends the same Diwaniya.”

Our fieldwork suggests that while some independent directors are actively engaged, others are less so. Nevertheless, all of them appear to view their role primarily as advisers to the family owners or dominant shareholders – despite the company being publicly listed and having other shareholders. Similarly, independent directors appear to raise concerns within the Diwaniya rather than in formal board meetings. While one might view the Diwaniya primarily as a mechanism for silencing dissent, such a view risks overlooking the subtle and often complex nature of the discussions that may take place there. This reinforces the idea that “independence” in such contexts is more about relational embeddedness than institutional detachment. Independent members function not as neutral arbiters but as insiders who are expected to respect boundaries set by the family.

These findings, at one level, are consistent with observations in the literature. [Bebchuk and Hamdani \(2017\)](#) argue that independent members often lack the incentive to protect minority shareholders, especially when their appointment and retention are controlled by the majority owners. Similar dynamics have been documented across Majority World settings, where independent members are made marginal to company affairs due to a lack of trust in outsiders ([Samara, 2021](#); [Ahmed & Uddin, 2022, 2023](#)). However, examining these dynamics through the lens of traditionalism offers a deeper explanation. In Kuwait, familial authority and discretion are embedded in a broader cultural logic that sees the firm not as a public entity but as an extension of the family. Independent members are selected not to challenge this order, but to safeguard it.

5.3. Reluctant regulators

The effectiveness of corporate governance reforms is not solely dependent on the design of regulations but critically on the enforcement capabilities and institutional independence of regulators. In Kuwait, the historical relationship between the ruling elite, merchant families, and regulatory institutions significantly shapes the role – and limits – of enforcement agencies like the CMA.

Widely perceived as an extension of the ruling family’s efforts to contain the influence of powerful merchant families, the CMA’s role is contested. This tension is evident in the evolution of Kuwait’s corporate governance code. Initially mandatory, the code was subsequently revised to adopt a “comply or explain” model. Key provisions – particularly those regarding the definition of independent members and the disclosure of board remuneration – were softened under pressure from business elites.

The issue of independence became one of the most contentious aspects of the revised code. Fundamental questions emerged: Can a first-degree relative of a controlling shareholder be considered independent? Can independent directors own shares in the same company? While the spirit of the code clearly aims to avoid financial and relational conflicts of interest, dominant shareholders resisted such interpretations. A senior CMA official described the backlash:

“We had defined it to the second degree, then shifted to the first. But this is politics... They [merchant families] came and threatened us: ‘We can shut you down—we can shut the whole Authority.’”

Under the revised code, even second-degree relatives – and individuals with financial interests – could qualify as independent members. This reflects a cultural and institutional reality in which kinship ties are deeply embedded and often override formal regulatory boundaries. The Kuwait Chamber of Commerce and Industry (KCCI) publicly opposed the inclusion of independent members, a rare move for the institution. In 2014, it issued a statement calling for restrictions on independence to apply only to first-degree relatives and lobbied against detailed disclosure of board remuneration. As one regulator noted, following this intervention: “It used to be disclosed as the remuneration of each individual director, but now it’s presented as a single aggregated amount for all directors. This change was made in response to the KCCI’s demand.”

Although the CMA is formally tasked with monitoring implementation and referring violations to its legal department, our interviews suggest that enforcement has been extremely weak. A former chairman and current independent director described the Authority as passive in its early years:

“The CMA wasn’t doing well before... Now, they’re trying to be more aggressive – but only because their term is ending and they want reappointment.”

A CMA officer confirmed this perception. In the first five years of the code’s existence, the Authority’s corporate governance department did not report a single violation to its legal division – even though it was widely known that most companies (an estimated 90 %) were in breach:

“I didn’t escalate any cases. When violations came to me, I’d call the companies and say, ‘Let’s work together. Tell me what’s going on. How can we fix this?’”

This leniency was not accidental. The regulators received explicit instructions to avoid strict enforcement, particularly in the early years as one of the regulators recalled:

“I was told, ‘Don’t be rude to these people. Don’t be too strict—they can do anything.’”

Rather than sanction non-compliant firms, the CMA often facilitated cosmetic fixes. One method involved reclassifying non-independent board members as independent without substantive change. One of the CMA officials commented:

“Sometimes, I’d find that someone already on the board could technically be classified as independent. I’d say: hold a board meeting and change the name—label Y as the independent member instead of X.”

This view was corroborated by a board member involved in multiple companies:

“There are cases where someone was originally a non-independent member and was then just reclassified as independent.”

Such practices render the concept of independence hollow. Instead of substantive implementation, the CMA’s role shifted to training firms to symbolically comply. The shift to “comply or explain” was meant to accommodate gradual adoption, but in practice it has facilitated superficial adherence to regulatory form, not function.

The reluctance of the CMA to enforce the code is rooted in deeper institutional and cultural dynamics. Regulatory officials described intense resistance from senior board members – many of whom are elderly and deeply entrenched in older, informal corporate governance practices. As one regulator revealed:

“One compliance officer was removed from a company just for raising corporate governance concerns. The board was made up of people aged 70-plus – they lived in the ‘heaven’ of the old law, where everything was allowed.”

In this context, the CMA’s strategy has been to accommodate rather than confront. It has helped companies reframe their practices to meet formal requirements without disrupting existing power dynamics. As a result, the appointment of independent members from within existing board structures has become routine. Individuals who previously served as non-independent members are simply relabelled when convenient – further undermining the spirit of reform.

This regulatory approach reflects not only institutional weakness but also a deeper fear of political and economic backlash. As our findings suggest, the CMA is reluctant to challenge elite interests directly, choosing instead to enable procedural compliance. This reinforces the perception that corporate governance in Kuwait is more symbolic than substantive – a conclusion echoed in studies from similar Majority World contexts. [Ahmed and Uddin \(2018, 2023\)](#) and [Ahmad and Mahmood \(2024\)](#) found similar regulatory acquiescence in Bangladesh and Pakistan, where oversight agencies are similarly constrained by elite capture.

[Areneke et al. \(2019\)](#) argue that companies often resist corporate governance reforms they perceive as externally imposed or irrelevant. Regulatory enforcement is further undermined when practitioners face no credible threat of sanction. Our findings support this view. They also align with [Kimani et al. \(2021\)](#), who observe that under-resourced and politically vulnerable regulators often serve a symbolic function, teaching companies to “appear compliant” while shielding them from real accountability ([Nakpodia & Adegbite, 2018](#)).

In sum, the CMA’s approach reveals a system where regulatory flexibility, elite pressure, and cultural norms converge to maintain the status quo. The next section explores how these dynamics shape the broader landscape of symbolic compliance and institutional decoupling in Kuwait’s corporate governance regime.

6. Discussion: traditionalism, independence and some reflections

The idea of independent directors, as commonly conceptualised, is rooted in a distinct trajectory of Western cultural and capitalist development – what Weber characterised as rational capitalist modernity, marked by bureaucratic organisation and impersonal institutional structures. Scholars have argued that committee independence presupposes a clear separation of ownership and control, supported by impersonal institutional arrangements such as active capital markets, a strong accounting profession, and democratic governance systems. The emergence of such institutions – and the broader separation of family, state, and large corporations – is therefore integral to the very conception of independent directors within Anglo-American corporate governance frameworks.

In contrast, Weber observed that in traditional societies, the institutions of community, market, and state are closely intertwined, operating as interconnected rather than distinct spheres of social organisation. Within such contexts, the Western notion of independence – central to corporate governance frameworks – becomes conceptually misplaced and practically inoperable. Kuwait epitomises this entanglement. The *Diwaniya*, a central social and political institution, historically serves as a forum where political and business matters are negotiated. It embodies traditional forms of authority grounded in loyalty, deference, and personal obligation rather than legal or bureaucratic order (Chay, 2016).

Kuwait's political-economic history further reflects how these traditional structures shape governance practices. The *Diwaniya* functions as a cultural adhesive sustaining the long-standing alliance between the royal family and merchant elites, anchoring authority within familial, tribal, and friendship networks. Within this social fabric, corporate governance – and particularly the notion of independence – is deeply embedded in personal and kinship relations rather than detached from them. This renders Western corporate governance ideals not only impractical but epistemically incongruent with the social and institutional realities of Kuwait and similar contexts.

The recruitment of independent directors illustrates this incongruity. As our findings show, membership in a *Diwaniya* – a proxy for social embeddedness – is often a prerequisite for board appointments. Loyalty, discretion, and familiarity take precedence over formal qualifications. Regulatory definitions have even been adapted to accommodate these realities; for example, allowing second-degree relatives to qualify as independent directors, despite their close familial and social ties with company owners. The Kuwait Chamber of Commerce and Industry (KCCI) played a pivotal role in promoting such amendments, reflecting the influence of elite families in shaping formal rules to preserve existing power structures. Independence, defined procedurally by the code, is thus subordinated to the cultural logic of proximity and trust.

The dominant perception of independent members as trusted family representatives – or even employees – further reinforces their limited role. Our interviews reveal that they are valued primarily for loyalty and discretion rather than their capacity to scrutinise or challenge. Drawing on Weberian traditionalism, the relationship between family owners and independent directors mirrors that between a chief and their subjects: obedience is expected, criticism discouraged. Even technically competent members are socialised into structures of deference where confrontation is risky and loyalty prized. Previous studies confirm that genuine board independence in family-controlled firms is rare (Samara, 2021; Ahmed & Uddin, 2023). This culture of loyalty extends beyond the boardroom. Executives often act as fictive kin, demonstrating allegiance by shielding family owners from external scrutiny. These dynamics reflect a broader cultural order where kinship, hierarchy, and obligation supersede professional norms and merit (Uddin et al., 2018; Buana Putra & Uddin, 2024).

The regulatory environment reproduces these same hierarchies. Although the CMA is formally tasked with oversight, it often acts as an advisor rather than an enforcer. Our findings suggest that the CMA has facilitated symbolic compliance, helping companies reclassify existing directors as “independent” to meet formal requirements without challenging familial control. Regulators admitted being instructed to adopt a lenient stance towards influential business families, revealing a reluctance rooted not merely in institutional weakness but in the entrenched social hierarchy where economic elites operate on par with, or above, state institutions. Consequently, formal enforcement gives way to informal negotiation, reinforcing institutional decoupling – where legal structures exist primarily to signal modernity while practices remain anchored in traditional norms (Nakpodia & Adegbite, 2018).

Taken together, these findings reveal that the notion of independent directorship is both structurally and culturally incompatible with Kuwait's political economy. Family ownership remains highly concentrated, and board appointments are embedded within kinship and patronage networks. In such a system, independence becomes a procedural label rather than a substantive reality. Business relations are governed by trust and personal reputation rather than impersonal professionalism, making open scrutiny of family owners culturally inappropriate and socially risky. Regulatory agencies, shaped by the same traditional hierarchies, reinforce rather than challenge this dynamic.

Independent directorship in Kuwaiti family firms thus operates as an imported legal fiction rather than a genuine governance mechanism. It is incongruent with both the institutional architecture of concentrated ownership and the cultural foundations of loyalty and personal authority that underpin Kuwaiti business life. Rather than fostering accountability, the transplantation of Western-style governance frameworks reproduces the very hierarchies they claim to reform, sustaining a system of performative compliance and elite entrenchment. In this sense, the Kuwaiti case exposes the epistemic limits of Western corporate governance categories when applied uncritically to Majority World contexts, highlighting the need for a decolonial reimagining of independence and accountability.

6.1. Rethinking independence and corporate governance reform

To rethink the notion of independence of committees – and, more broadly, corporate governance – in non-Western or Majority World contexts, a decolonial approach is essential. This requires unsettling the epistemic privilege of Western governance models and

posing some fundamental questions: Why are family-dominated firms required, or even permitted, to be listed on stock exchanges? And why are Western corporate governance frameworks imposed on ownership structures to which they are fundamentally ill-suited?

Corporate governance frameworks originated in Anglo-American settings where firms evolved from joint-stock ventures with dispersed ownership. In contrast, most firms in the Majority World emerged as family-controlled enterprises, later encouraged – or coerced – by the state to list publicly (Ahmad & Mahmood, 2024). Even after listing, dominant families typically retain control and seek to preserve intergenerational interests. Expecting such firms to conform to Anglo-American models of board independence – designed for contexts with dispersed ownership and minimal controlling interests – is therefore conceptually flawed, normatively biased, and practically unworkable (Ahmed & Uddin, 2024).

Regulatory regimes must instead align with the logic of family capitalism rather than seek to displace it. Italy provides a pertinent example, where governance frameworks have been designed to support family businesses without rigid adherence to Anglo-American templates (AIDAF, 2025). Indeed, family ownership structures may offer more stable and developmentally aligned forms of capitalism in smaller economies than externally imposed models premised on dispersed ownership and formalised public accountability (Ahmad & Mahmood, 2024).

One of the principal justifications for adopting Western-style reforms and public listings is the supposed attraction of foreign investment. Yet, as our study in Kuwait and elsewhere demonstrates, foreign investment remains marginal (Ahmed & Uddin, 2024). Another rationale concerns domestic capital mobilisation, but in most countries banks remain the primary source of corporate finance and often act as major stakeholders – mirroring Japan’s post-war trajectory, where the bank–business nexus underpinned rapid industrial development. In such contexts, the need for equity financing from dispersed shareholders is questionable. Private equity or venture capital financing – dominant before the emergence of stock exchanges in Western countries – may provide more contextually appropriate alternatives.

Moreover, stronger bank ownership and monitoring can serve as more effective governance mechanisms within family-controlled firms than externally imposed committees of “independent” directors. The close state–business–bank nexus, as exemplified by Japan’s developmental experience, illustrates how governance systems embedded in local institutional and cultural logics can better align with national development priorities than Anglo-American prescriptions centred on formal independence and market discipline.

Reform efforts should thus move beyond enforcing compliance with Western templates and begin by asking: What kinds of economic institutions are appropriate, feasible, and culturally legitimate within specific contexts? A decolonial reframing of corporate governance recognises family capitalism not as a deviation from an idealised Anglo-American model but as a legitimate and enduring organising logic of economic life.

Regulatory regimes should be crafted to work with family-based and concentrated ownership structures rather than attempt to supplant them through ill-fitting external templates. In practice, the *diwaniya* already operates as a de facto site for board-level deliberations, including the kinds of discussions typically associated with formal board committees. At the same time, maintaining restrictions on the public listing of family firms remains essential to curb opportunities for extracting private benefits at the expense of general shareholders.

Many family firms are likely to pursue private equity for expansion – a pattern already evident in Kuwait, where other families invest and appoint their own representatives to boards. Strengthening bank–firm relationships offers another route to more contextually grounded governance arrangements, enabling smaller investors to participate indirectly through the banking system. Small investors may also channel their investments through state investment funds, which are better positioned to aggregate their voice and exercise influence in protecting their interests.

Such developments potentially render Western-style stock exchanges less relevant to local economic organisation. Taken together, these shifts move the reform debate beyond narrow concerns with formal compliance and symbolic convergence. Instead, they open space for governance frameworks that reflect prevailing political settlements, kinship structures, and economic realities—producing outcomes that are more sustainable, legitimate, and epistemically plural for firms, regulators, and wider stakeholders.

7. Conclusion

This study set out to address a central question: how do cultural traditions shape practices of independence within governance committees of family-owned PLCs – a dominant corporate form outside the Anglo-American world (Aguilera et al., 2024)? Through a qualitative inquiry into Kuwait’s corporate governance landscape, we examined the political, economic, and cultural conditions that enable or constrain independence within committees. By applying Weberian insights, we have demonstrated how culturally embedded norms, historically entrenched power relations, and familial authority structures profoundly shape how independence is conceptualised, enacted, and regulated. Our analysis reveals a fundamental disconnect between the Western model of board independence and the traditionalist realities that dominate corporate governance practices in family-owned public limited companies (PLCs) in Kuwait.

This study makes three key contributions. First, it enriches corporate governance scholarship by critically examining how the notion of independence operates within family-controlled business environments – settings that remain marginal in mainstream governance literature. While independence is conventionally defined in procedural and legal terms, our findings show that in Kuwait, independent directors are commonly recruited through informal, trust-based networks – typically friends, relatives, or acquaintances from *Diwanis*. These appointments are shaped less by impartiality or professional detachment than by loyalty, discretion, and relational proximity. Extended family systems, tribal affiliations, and *Diwaniya*-based social traditions profoundly influence both recruitment and role expectations. Despite formal codes, independent members are often denied access to strategic information and are marginalised from key decision-making processes. As our interviews revealed, the symbolic nature of independence is sustained not

only by company owners but also by regulators, who frequently prioritise accommodation over enforcement due to the entrenched power of business elites.

Second, we theorise the deeper cultural and sociopolitical roots of this phenomenon through Weber's concept of traditionalism. Our findings indicate that the obstacles to implementing board independence in Kuwait extend far beyond institutional or legal weaknesses. They are embedded in a traditional authority structure where the relationship between the family owner and the independent member mirrors that of a chief and their subject. Independent members, often positioned as fictive kin, are bound by loyalty and obedience rather than formal accountability. The Diwaniya, as both a physical space and symbolic institution, reinforces these values by functioning as a site where informal trust is cultivated and appointments are negotiated. Within this cultural frame, independence is not an institutional attribute but a relational status – granted by proximity to the family and conditioned on loyalty. This dynamic explains the profound decoupling between the legal form of independence and its substantive absence in practice.

Third, we outline important implications for research, policy, and practice. For scholars, our study demonstrates the value of cultural-political frameworks, such as traditionalism, for interrogating the limits of dominant corporate governance paradigms in Majority World contexts. These frameworks allow us to move beyond technocratic reform narratives and to theorise how governance operates within culturally and politically embedded structures. For policymakers and regulators, the findings underscore the inadequacy of transplanting Western governance models into family-dominated corporate settings. Regulatory reform that ignores these embedded logics risks entrenching symbolic compliance rather than fostering meaningful accountability.

In sum, the implementation of independence, as conceived in Anglo-American corporate governance literature, is fundamentally misaligned with Kuwait's traditional social and political order. Without recognising and engaging with the relational, cultural, and historical logics that underpin governance practices, reform efforts will remain performative rather than transformative. Future research across Majority World contexts can further extend this theorisation, critically exploring how traditional institutions intersect with Western corporate governance reforms – and how more culturally resonant and politically viable forms of accountability might be pursued.

8. Compliance with Ethical Standards

- **Disclosure of potential conflicts of interest:** The authors declare that they have no financial, personal, or other relationships that could have influenced the work.
- **Research involving human participants and/or animals:** Ethical approval has been obtained from both the University of Essex and The Public Authority for Applied Education and Training, Kuwait. We have ensured confidentiality agreements with our participants, who will remain anonymous.
- **Informed consent:** Informed consent has been obtained from all participants involved in the research, where required.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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Data availability

The data that has been used is confidential.

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