ISSN 2286-4822
www.euacademic.org

EUROPEAN ACADEMIC RESEARCH
Vol. X, Issue 5/ August 2022

Impact Factor: 3.4546 (UIF)
DRJI Value: 5.9 (B+)

Influence of Ethical Organizational Leadership on Firm Performance and External Auditor Report

Dr. SUAAD JASSEM[1]
Assistant Professor
Head of the department of Managerial and Financial Sciences
Al-Zahra College for Women, Muscat, Sultanate of Oman
BALQEES AMAR ALLIZAMI[2]
HAJIR SALIM ALNAMANI[3]

Abstract

This study aims to explore the relationships between ethical messages communicated by leadership of the listed firms on Muscat Security Market and their impact on firms' financial performance in terms of return of equity and return of assets, and also the influence they have on remarks of the external auditors. Further, the moderating role of independent directors on the relationship between Ethical Organizational Leadership and Firm Performance is also tested. The study used Bootstrapping method using SPSS to generate coefficient and the significance of relationships. The results revealed that ethical leadership of organizational leaders had a significant influence over company's business ROE with a stronger influence on ROA. The relationship between ethical organizational values and external auditors reporting was found to be of positive significance. Further, the study found a positive and significant value between the interaction of independent directors with the relationship between ethical organizational leadership and firm performance.

Keywords: ethical organizational leadership, firm performance, external audit

INTRODUCTION

Over the last few decades, a large number of fraudulent financial reporting cases were reported worldwide, for example Enron, WorldCom in USA, Olympus in Japan, etc. (Thanos, 2015). Such fraudulent practices in reporting

[1] She has a PhD degree in accounting from the University of Malaya, Kuala Lumpur. She has over fifteen years of teaching experience and has contributed, organized and presented papers in international conferences. Her articles have been published in ISI and SCOPUS indexed journals. Her teaching portfolio revolves around managerial and financial accounting. She expertise in Management Accounting Techniques, Sustainability Management Practices and Environmental Sustainability. Dr.Suaad Jassem is the corresponding author and can be contacted at: Email suaad@zcw.edu.om; Google Scholar Citation Page: Suaad Jassem - Google Scholar; ResearchGate Page: ResearchGate; LinkedIn: LinkedIn Profile
[2] She is a holder of a bachelor's degree in Accounting from Al-Zahra College for Women. She is currently working to start an entrepreneurship in her field of interest. Can be contact at 201610135@zcw.edu.om
[3] She is a holder of a bachelor's degree in Accounting from Al-Zahra College for Women with an interest in research. She is currently in the application process to work for the Internal Revenue Service as an auditor. Can be contact at 201610265@zce.edu.om

financial health of organizations eventually led to the collapse of many gigantic publicly listed organizations causing huge economic losses to shareholders and loss of jobs for millions (Reurnik, 2016). Some catastrophic mismanagement of corporate finances that were exacerbated by economic turmoil such as the global financial crisis (GFC) in 2008, have led to international bodies such as the International Accounting Standards Board (IASB) to tighten accounting standards for publicly listed companies. Such global compliance measures: have also been adopted by government regulators worldwide including the Capital Market Authority in the Sultanate of Oman (Alam & Hussein, 2019).

One major reason for such scandals is lack of proper governance that leads to unethical financial reporting by listed companies (Argento et al., 2018). Such unethical practices are likely to lead to negative firm performance in terms of return on shareholder wealth. Furthermore, this may be compounded by the lack of sufficient objective and independent directors on the boards of these companies to oversee their policies and strategic decisions. Many such listed firms try to hide actual financial information from external auditors, which leads to reporting by such external auditors that state that they are unable to determine factual financial health of the company. This often is reflected in the report of external auditors, where they mention that portions of the financial statements of such companies are not fully certified by them (Rahayu et al., 2020).

As a result, IASB has developed specific guidelines to ensure ethical leadership and good governance practices that lead to protection of shareholder wealth (Rahayu et al., 2020). Therefore, more research is needed to understand whether ethical leadership of publicly listed companies lead to superior firm performance of the company and whether it influences the reports of the external auditors. The performance of such organizations can be observed from their annual reports; however, the disclosed financial figures need to be crosschecked against reports by external auditors of these companies (Mohamed et al., 2018). Therefore, it is deemed necessary to investigate how ethical leadership in business organizations influences firm performance and the reporting of external auditors. Additionally, whether presence of higher percentage of independent directors strengthen the relationship between ethical leadership and performance, warrants further empirical investigation.

Research Objectives and Questions

Ethical leadership has been found to influence how employees behave and also how organizations deal with their stakeholders. Ethical leadership in publicly listed companies can be determined from the corporate communications in the annual reports of such companies. The fallout of such ethical leadership is expected to have some influence on how the company performs and how external auditors comment about the companies in their reporting.

The literature indicates that ethical leadership has been studied extensively in relation to other variables that are related to the field of organizational behavior and also corporate governance. However, there appears to be a dearth of sufficient studies that examine how ethical leadership influences firm performance, and especially in the same model that examines reporting of external auditors (Mishra, 2020). Particularly in the case of Oman, such studies are practically non-existent. Therefore, there appears to be a need to investigate whether ethical leadership communicated through the messaging of publicly listed companies in Oman, have significant influence on performance and reports of external auditors.

In light of the preceding discourse, the first objective of this study is to investigate whether there is a significant relationship between ethical leadership of publicly listed organizations in Oman and profitability of such companies. The second objective looks at how ethical leadership impacts the reports of the external auditors. The third and final objective is to test whether percentage of independent directors has any influence on the relationship between ethical leadership and firm performance. The above relationships are proposed based on the premise of the Upper Echelons Theory (Hambrick & Mason, 1984).

The research questions generated earlier (based on gaps in the extant literature) along with corresponding research objectives are summarized in Table no.1 below.

Table no.1: Research Objective and Questions

No.	Research Objectives	Research Questions
1.	To determine if ethical leadership in publicly listed companies in Oman have a significant relationship with profitability of these companies.	Does ethical leadership in publicly listed companies in Oman influence the profitability of these companies?
2.	To examine if ethical leadership in publicly listed companies in Oman have any significant influence on the reports of the external auditors of such companies.	Does ethical leadership influence the reports of the external auditors of publicly listed companies in Oman?

3.	To investigate if the percentage of independent directors on boards of publicly listed companies in Oman have significant moderating influence on the relationship between ethical leadership and firm profitability.	Does percentage of independent directors on the board of publicly listed firms in Oman, have a significant moderating effect on the relationship between ethical leadership and firm profitability?

Source: Authors' own work

Research Motivations and Contribution

In line with the aspirations of the government of Oman promulgated through Oman Vision 2040, with the goal of making the country an attractive foreign investment destination, it is necessary to examine factors that are likely to create an environment of good corporate governance. Therefore, by undertaking this study, it is expected that the important factors that drive corporate profitability and good standing of such companies through external auditor's reports will be revealed. Such findings will enable policymakers and industry practitioners to develop evidence-based understanding of the importance of positive ethical leadership.

In addition to the above practical contribution of this research, it is also expected to contribute to the body of knowledge. The relationship between ethical leadership and external auditor's reporting is not sufficiently understood, and therefore, this study hopes to contribute to this gap in the literature. Furthermore, there appears to be a dearth of any such studies in the context of Oman, where the influence of ethical corporate leadership on profitability of the company and the reporting of external auditors have been published in peer reviewed journals. Hence, it is expected that the outcome of this study will also contribute to the literature.

LITERATURE REVIEW

An examination of the extant literature indicates that majority of the studies have looked at antecedents and outcomes of corporate governance practices such as internal audit functions (Rahayu et al., 2020). While other studies have looked at how compliance roles and consulting roles of auditors' impact enterprise risk management practices (Dominic et al., 2015). However, there appears to be a dearth of sufficient studies that attempt to determine if significant links exist between ethical organizational leadership and reporting of external auditors, and how such leadership simultaneously influences corporate profitability.

Corporate governance literature suggests that values communicated by leaders of the company influence the behavior of employees of an organization. Such communications may be examined through the lens of the Upper Echelons Theory developed by Hambrick and Mason (1984). Therefore, the next section will focus on providing an overview of the Upper Echelons Theory, followed by conceptual and operational definitions of ethical leadership, firm performance, external auditors reporting and role of independent directors.

Context of Publicly Listed Companies in Oman

Oman holds a prominent position in the Middle East and North Africa region, and a geo-strategically important position in the region. The Omani economy basically depends on oil, gas and services sector; however, the government has decided to diversify the economy rapidly. The Vision 2040 promulgated by the Government of Oman includes creating an attractive investment environment in the Sultanate of Oman. In order to achieve such as goal it is necessary to create a strong governance structure in the business sector, especially related to regulation of publicly listed companies on the Muscat Securities Market (MSM) (Younas & Kassim, 2020).

The Muscat Securities Market (MSM) is the only stock exchange in Oman. It was established by the Royal Decree issued on 21 June 1988, to regulate and control the Omani securities market and to participate, effectively, with other organizations for setting up the infrastructure of the Sultanate's financial sector. The companies listed on MSM; are monitored by the Capital Market Authority (Alam et al., 2020). The Capital Market Authority mandates guidelines such as inclusion of sufficient independent directors. Furthermore, the external auditors of the companies must function freely and with neutrality in performing their functions in compliance with global standards mandated by the International Institute of Internal Auditors (Chandrasekar et al., 2019).

Therefore, this study proposes to explore a conceptual framework that will test the significance of relationships between ethical messages communicated by leadership of the listed firms on MSM and the impact they have on financial performance of these firms in terms of return of equity (ROE) and return of assets (ROA), and also the influence they have on remarks of the external auditors. Furthermore, the framework will test whether the percentage of independent directors has any moderating influence on the relationship between ethical leadership and performance of the company.

Upper Echelons Theory

Hambrick and Mason (1984) proposed the idea that managerial characteristics of senior leaders of organizations can be used to predict the behavior of other individuals connected to the organization. This is based on the premise that the cognitive base and values acquired by employees or other external and internal parties of an organization are determined by the values and goals communicated by upper-echelon managers (Abatecola & Cristofaro, 2018). Accordingly, the theory enables the prediction of possible impressions that employees, accountants, and auditors may develop about the level of ethical compliance from the communications of leaders of the organization.

Ethical Organizational Leadership

Ethics is a system of moral principles. Ethics is concerned with what is good for individuals and society and is also described as a moral philosophy. The term is derived from the Greek word “ethos” which can mean custom, habit, character, or disposition (Sroka & Lorinczy, 2015). With global corporate scandals emerging over the last few decades such as Enron and Tyco, etc., the issue of ethics in business has received wide attention (Salehi et al., 2018). The focus on ethical organizational leadership is of crucial importance today, especially since the lack of ethical leadership in organizations leads to erosion of shareholder wealth and loss of livelihood for thousands of employees (Paswan, 2015).

Ethical leadership values of an organization are imprinted all over the organization and are often manifested in their communications within the organization (Stevens, 1999). Such communications have an impact on the perceptions of managers and staff of the entire organizations. In the case of large public listed companies, such communications are formally documented in public disclosures of the companies, such as annual reports published by these companies.

External Auditors’ Functions

The International Federation of Accountants (IFAC) has a specific framework under the International Standards of Auditing (ISA), in which, the active roles for external auditors, including examining, evaluating, reporting and recommending improvements on the adequacy and effectiveness of financial accounts of organizations are outlined (Alabede, 2012; Lawson et al., 2019). The external auditor is an independent entity appointed by the shareholders to investigate the financial statements prepared by the management. After examining these reports and also perusing the reports of the internal auditors, the external auditors prepare a report for the shareholders. These reports are also published in the annual report of the company, and theoretically the company’s management has no influence over the external auditor. Therefore, the external auditor issues unbiased opinions based on facts, and will report any doubtful matters to the shareholders if they feel that the management was not in compliance, or some transactions are not clear (Alabede, 2012).

Firm Performance: Profitability

Among the most widely covered themes in performance of business organizations is to study how profitable the company is. The profitability benchmarks are discovered from various components of the financial statements of the company. The most widely deployed markers for publicly listed companies are return on equity (ROE) and return on assets (ROA) (Monoarfa et al., 2018).

Return on equity (ROE) is defined as a measure of financial performance of a company that is calculated by dividing the net income of the company by the total shareholders' equity.

$$\mathrm{ROE} = \frac{\mathrm{Net\ Income}}{\mathrm{Shareholder's\ Equity}}$$

Return on assets (ROA) is defined as a measure of performance of a company calculated by dividing the net income by average total assets (i.e., net value of the assets on the balance sheet after deducting depreciation and amortization).

$$\mathrm{ROA} = \frac{\mathrm{Net\ Income}}{\mathrm{Total\ Assets}}$$

Role of Independent Directors

A company is a common platform of various stakeholders, such as shareholders, customers, financiers, investors, etc. It is an entity that attracts substantial capital that promises to fulfill the goals of these stakeholders. In order to protect the interests of all stakeholders, it is necessary to have good governance in the company especially at the board level. One key driver of good governance is having neutral and objective people on the board who are qualified to hold such positions. Such people are known as independent directors (Martin & Herrero, 2018).

According to the New York Stock Exchange, an "Independent Director" is one who the board "affirmatively determines" has no material relationship with the company (either directly or as a partner, shareholder, or officer of an organization). As a result, their judgments are not influenced by any personal interest to themselves or any director or shareholder of the company (Bar-Hava et al., 2021).

Hypotheses and Conceptual Framework

The conceptual framework for this study is based on the Upper Echelons Theory, which suggests that the values and messages communicated by the top leadership of an organization, influences the behavior of subordinate employees in an organization, which in turn impacts outcomes such as firm performance (Abatecola & Cristofaro, 2018). Based on this premise, it is assumed that ethical organizational leadership will influence the profitability of the firm. Therefore, it is hypothesized that:

H-1: *Ethical Leadership in publicly listed companies in Oman will have a significant and positive relationship with their profitability.*

Furthermore, when ethical leadership values are communicated throughout the organization, it has a cascading effect and trickles down to different levels of the organization. Such effect in turn will generate compliance by employees at various levels in line with such ethical values. As a result, the likelihood of false or incorrect financial entries will be minimized and the company will follow the path of transparency in its' financial reporting. This phenomenon is expected to have positive reviews in the reporting of external auditors. Hence, this study hypothesizes that:

H-2: *Ethical Leadership in publicly listed companies in Oman will have a significant and positive influence on positive reporting of external auditors.*

In addition to above relationships, it is also assumed that when a company has a higher percentage of independent directors on its' board, the relationship between ethical leadership and profitability of the company will be stronger. This is because independent directors bring objectivity to an organization, which leads to more accountability and transparency in the operations of the company. Therefore, the following hypothesis is formed:

H-3: *The percentage of independent directors on the board will moderate the relationship between ethical leadership and profitability of the company.*

Based on the preceding arguments, the following conceptual framework is proposed (refer to figure no. 1).

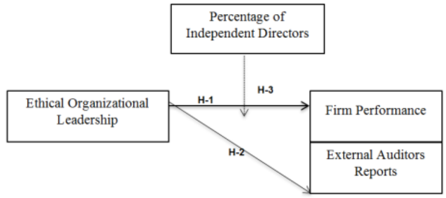

Figure no.1: Conceptual Framework

Source: Authors own work

RESEARCH DESIGN & METHODOLOGY

A quantitative study is proposed that will investigate whether ethical leadership in publicly listed firms in Oman have significant relationship with profitability of the company and also the quality of reporting by external auditors. A relationship between ethical leadership and both the dependent variables (i.e., profitability and external auditors' reporting quality), has been proposed based on the Upper Echelon's Theory (Hambrick & Mason, 1984). This theory postulates that when key decision-makers communicate intentions, goals and values, these communications whether formal or informal are considered mandates to be followed by people below them.

The independent variable will be ethical leadership values communicated by the CEO of the company through their annual reports, while the dependent variables will be profitability of the company (ROE & ROA), and quality of external auditors' report. This study will use a content analysis approach by examine annual reports of these companies during the financial year 2017-2018. The years 2019-2020 have not been considered, as the influence of the COVID-19 pandemic has created external shocks that are likely to impact the normal business operations of these companies. Hence, the performance during this period may be considered as an outlier. Therefore, for the purpose of this study, only annual reports for fiscal year 2017 to 2018 will be considered. The reason for not selecting 2018-2019, is because many of the annual reports for that fiscal year are still not audited, as mentioned on the websites of the companies.

Ethical leadership will be measured through examination of annual reports of the 30 companies listed on MSM (List of 30 companies selected randomly are given in Table no.2). The corporate communications of the top management will be considered as a categorical variable with positive ethical messaging as a dummy variable = 1, while absence of mention of any ethical messaging will be considered as dummy variable = 0.

The first dependent variable (i.e., profitability), will be measured by extracting data from the financial statements on net profits, shareholder's equity and net value of assets. This will enable calculation of ROE and ROA. The second dependent variable (i.e., quality of external auditors' report) will be determined as a categorical variable. If the external auditor's report has no objections or negative remarks, then it will be considered as dummy variable = 1, while any negative remarks or objections will be assigned a dummy variable = 0.

The moderator (i.e., percentage of independent directors), will be measured by examining the list of directors mentioned in the annual report of the company, and checking their background in terms of relationship with directors and shareholders. It is assumed that higher the percentage of independent directors, the higher will be the value of the dependent variable.

Data Analysis

Based on the list of companies listed on the Muscat Securities Exchange, the following information was extracted from the annual reports of the 30 companies (See Table no.2).

Table no. 2: Data Extracted from Annual Reports (2017-2018)

Name of Company	Presence of Ethical Messaging (0 or 1) *	ROE (for year ending 2018)	ROA (for year ending 2018)	Remarks of in the External Auditors' Report (0 or 1) **	Ratio of Independent Directors***
Muscat Insurance	1	***0.02***	***0.04***	1	0.3
Fajar Alamia	0	***0.01***	***0.01***	0	0.1
Ahli Bank	1	***0.01***	***0.08***	1	0.3
Arabia Falcon Insurance	1	***0.03***	***0.05***	1	0.2
Muscat Thread Mills	0	***1.8***	***2.5***	0	0.1
Gulf Hotel	1	***0.01***	***0.02***	1	0.2
National Biscuit	1	***0.20***	***0.30***	1	0.3
Muscat Gases	0	***0.02***	***0.03***	0	0.20
Oman Cables Industries	0	***0.07***	***0.09***	0	0.10
Raysut Cement	1	***0.02***	***0.02***	1	0.30
Oman Telecom	1	0.08	0.10	1	0.40
Vision Insurance	1	***0.02***	***0.11***	1	0.30
Shell Oman MRK	1	***0.09***	***0.24***	1	0.30
Ahli Right Bank Is.	1	0.02	0.12	1	0.40
Oman Chlorine	0	***0.06***	***0.07***	0	0.10
National Finance	1	***0.02***	***0.11***	1	0.30
Oman National Engineering	1	***0.01***	***0.06***	1	0.40
Aluminnium Products	0	***0.02***	***0.09***	0	0.10
Oman Fisheries	0	0.01	0.03	0	0.10
Oman Flour Mills	1	0.11	0.13	1	0.20
MCT Desalinate	0	***0.01***	***0.06***	1	0.20
Computer St. Ind.	0	0.02	0.03	0	0.10
Financial Corp.	1	***0.08***	***0.10***	1	0.30
Sahara Hospitality	1	***0.08***	***0.11***	1	0.20
Global Investment H.	1	***0.05***	***0.07***	1	0.30
Majan College	0	***0.12***	***0.15***	0	0.10
AlOmanya FIN.S	1	***0.01***	***0.06***	1	0.30
AlMadina Inv.	1	***0.02***	***0.03***	1	0.30
Volt Energy	0	***0.01***	***0.01***	0	0.10
Ubar Hotels & Resorts	1	***0.03***	***0.04***	1	0.30

* *0 = no ethical messaging present, 1 = positive ethical messaging present*

** *0 = objections or negative observations found in external auditors' report, 1 = no negative remarks in external auditors' report.*

******* *Ratio of independent directors = total number of independent directors / Total Number of Directors on the Board of the Company.*

Source: Authors own work

Hypothesis Testing

Linear *Regression Analysis*

Based on the data extracted as shown in Table 2, the linear regression analysis for relationships between the single independent variable and the two dependent variables, SPSS was used. Bootstrapping method was applied using SPSS to generate coefficient of relationships and the significance of the relationships. Significance was measured with $p < 0.05$ (i.e., 95% confidence level for a two-tailed test). The outcome of the linear regression analysis, without applying the moderator, is displayed in Table no.3.

Table no.3: Results of Linear Regression (without moderator)

PATH	β	SE	t-value	p-value
EOL -> FP (ROE)	0.195	0.051	3.807	<0.001
EOL -> FP (ROA)	0.301	0.022	2.955	<0.001
EOL-> EAR	0.224	0.033	3.112	=0.000

p-value significant at < 0.05. EOL: Ethical Org. Leadership, FP: Firm Performance, EAR: External Auditor Reporting, FP (ROE) = Firm Performance with Return on Equity, FP (ROA) = Firm Performance with Return on Assets

Source: Authors' own work

The statistical analysis in the above table shows that both the direct relationships between ethical organizational leadership on firm performance (based on ROE: $\beta = 0.195$, $p < 0.001$, based on ROA: $\beta = 0.301$, $p < 0.001$), and also on external auditors' reporting ($\beta = 0.224$, $p = 0.000$) were found to be positive and significant. Therefore, both the hypotheses (H-1 and H-2) were supported. It is worth noting that the impact of Ethical Organizational Leadership was greater on ROA compared to ROE, although both were positive and significant.

Test for Moderating Effect

The significance of the moderating effect of percentage of independent directors on the relationship between ethical leadership and profitability was tested using SPSS. Firm performance was measured using return on assets, as it had a stronger relationship with ethical organizational leadership as shown in Table 3. The result of moderation analysis is shown in Table no.4.

Table no.4: Results of Test for Moderating Effect of Independent Director on the Relationship between Ethical Organizational Leadership and Firm Performance

Path	β	SE	t-Value	p-Value
EOL -> FP	0.586	0.032	18.611	<0.001
INDDIR. -> FP	0.196	0.035	5.587	<0.001
EOL*INDDIR -> FP	0.097	0.035	5.587	0.004

p-value significant at < 0.05. EOL: Ethical Org. Leadership, FP: Firm Performance, INDDIR = Independent Directors, FP was measured using ROA since it had a stronger relationship as shown above.

Source: Authors own work

To determine whether moderating effect of independent directors was significant, the significance of the interaction effect between ethical organizational leadership and ratio of independent directors on firm performance had to be significant ($\beta = 0.097$, $p = 0.004$). The interaction effect was found to be significant. Hence, the hypotheses (H-3), was also supported.

DISCUSSIONS, CONCLUSION AND CONTRIBUTION

The first goal of this study was to test whether ethical organizational leadership had significant and positive influence over two important outcomes from the perspective of stakeholders of these publicly listed companies. First, was the business performance of the companies that were measured using return on equity and return on assets, that were extracted from the annual reports published by these companies for the fiscal year ending in 2018. The results showed that ethical leadership of organizational leaders that were determined based on the messaging of the senior management, had a significant influence over a company's business performance in both ROE and ROA. However, the effect on ROA was stronger. This makes sense because the ethical messaging by the leadership will influence the employees of the organization who have a direct role in managing the assets of the company to generate profits. Whereas ROE is based on latent influence on the valuation of the company's stock price after the performance of the company has been made public.

The second goal was to look at the relationship between ethical organizational values and external auditors' reporting. This relationship was also found to be significant and positive. The external auditors' reports published along with the annual reports of these companies indicated that companies with clear ethical leadership messaging in their organizational communications, also reflected in the positive assessment of these companies by external auditors. Hence, this finding is also significant for industry practitioners and regulators of the Muscat Securities Market. This clearly indicates that ethical leadership of organizations leads to more positive assessment of these companies by external auditors appointed by the shareholders of the company.

The final goal of this study was to examine whether having more independent directors strengthened the relationship between ethical organizational leadership and firm performance. The positive and significant value of the interaction effect suggests that when these publicly listed companies have a higher number of independent directors, it leads to better firm performance. This indicates that the presence of a greater number of independent and objective minded people in the boards of these companies has a consequential influence over the financial performance of these companies.

It is anticipated that the outcome of this study will carry significance for both policymakers in the Sultanate of Oman as well as individuals connected to senior leadership of these publicly listed companies.

The issue of good governance carries significant weightage when foreign institutional investors look at a country's investment framework. To shore up the image of corporate governance based on transparency and accountability, it is necessary for the regulators of publicly listed companies to ensure that ethical practices of such companies are held to internationally acceptable standards. For instance, when globally recognized accounting and audit firms are certifying the accounting practices of listed companies on the MSM, this will have a cascading effect on the image of the investment climate in Oman.

Therefore, by considering the empirical findings of this study, regulators, and policymakers in the Sultanate of Oman, can take appropriate measures to ensure that the leadership of these organizations are signaling ethical behavior through the organization. Hence, regulators can closely monitor the annual reports of the companies listed on MSM to ensure that the senior management is creating an ethical culture through their corporate communications.

REFERENCES

1. Abatecola, G., & Cristofaro, M. (2018). "Hambrick and Mason's" Upper Echelons Theory: evolution and open avenues. *Journal of Management History*, 26(1), 116-136.
2. Alam, M.S., & Hussein, M.A. (2019). The Impact of Capital Market on the Economic Growth in Oman. *Human and Social Sciences Reviews*, 8(4), 277-288.
3. Alam, N., Alam, M.S., & Alam M.N. (2020). Stock market volatility and risk of investment in Muscat Secuirty Market Oman. *Journal of Critical Reviews*, 7(2), 518-521.
4. Alabede, J.O. (2012). The Role, Compromise and Problems of the External Auditor in Corporate Governance. *Research Journal of Finance and Accounting*, 3(9), 222-245.

5. Argento, D., Umans, T., & Hakansson, P. (2018). Reliance on the internal auditors' work: experiences of Swedish External Auditors, *Journal Management Control*, 29, 295-325.
6. Bar-Hava, K., Huang, S., Segal, B., & Segal, D. (2021). Do Independent Directors Tell the Truth, the Whole Truth, and Nothing but the Truth When They Resign? *Journal of Accounting, Auditing & Finance*, 36(1),3-29.
7. Chandrasekar, N.S.K., Dileep, M.R., & Mohammed, S. (2019). Stock Volatility in Muscat Securities Market. *International Journal of Recent Technology and Engineering*, 8(2S11),523-555.
8. Dominic, S.B., Nonna, S., & Bennie, M. (2015). Internal auditors' perceptions of their role in environmental, social and governance assurance and consulting. *Managerial Auditing Journal*, 30 (1), 80-111.
9. Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. Academy of management review, 9 (2),193-206.
10. Lawson, B. P., Martin, G. S., Muriel, L., & Wilkins, M. S. (2019). How do auditors respond to FCPA risk? Auditing: A Journal of Practice & Theory, 38 (4),177-200.
11. Martin, C.J.G., & Herroro, B. (2018). Board of directors: composition and effects on the performance of the firm. *Economic Research*, 31 (1),306-327.
12. Mishra, S. (2020). Do Independent Directors Improve Firm Performance? Evidence from India. *Global Business Review* (in print), available at: doi:10.1177/0972150920917310.
13. Mohamed, Z., Tawfic, O., & Bakhit, A.K. (2018). The Influence of Internal Auditing on Effective Corporate Governance in the Banking Sector in Oman. *European Scientific Journal*, 14 (7),355-371.
14. Monoarfa, R., Haming, M., Nurpadila, Rahman, Z. (2018). The Role of The Company's Value in the Mediate Influence the Structure Capital, Return on Assets and Return on Equity Against the Share Price. *International Journal of Innovative Science and Research Technology*, 3(5),189-202.
15. Paswan, R. K. (2015). Role of ethics in modern business: an important key aspect of the concern. http://www. international seminar. org/XIII_AIS/TS, 201, 20.
16. Rahayu, S., Yudi, R., & Ntim, C.G. (2020). Internal Auditors role Indicators and theor Support of Good Governance. *Cogent Business Management*, 7(1),20-35.
17. Reurnik, A. (2016): *Financial fraud: A Literature Review*, MPIfG Discussion Paper, No. 16/5, Max Planck Institute for the Study of Societies, Cologne, Germany.
18. Salehi, M., Tahervafaei, M., & Tarighi, H. (2018). The effect of characteristics of audit committee and board on corporate profitability in Iran", Journal of Economic and Administrative Sciences, 34(1),71-88.
19. Sroka, W., & Lőrinczy, M. (2015). The perception of ethics in business: Analysis of research results. Procedia Economics and Finance, 34,156-163.
20. Stevens, B. (1999). Communicating ethical values: A study of employee perceptions. Journal of business ethics, 20(2), 113-120.
21. Thanos, L.M. (2015). Tyco International Ltd. Case Study: Implications of Unethical Behavior. *Academic Leadership Journal in Student Research*, 3(7), 113-129.
22. Younas, A., & Kassim, A.Z.M. (2020). *A Concentual Model: The Impact of Board Structure on capital Structure among Oman Public Listed Companies*. Conference: The 2nd International Conference on Research in Business, Management and Finance, Oxford UK.