

## DID CULTURE HAVE AN IMPACT ON TUNISIAN CORPORATE GOVERNANCE SYSTEM?

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### Abstract

Numerous research works on corporate governance have been undertaken while only few attentions have been devoted to the study of cultural component. The aim of this research is precisely to contribute to the necessary renewal of corporate governance by attempting to highlight some crucial features and issues related to the impact of culture on Tunisian corporate governance system. Based on cultural dimensions of Hofstede (1980), we try to identify the impact of culture on Tunisian corporate governance system. We argue that the characteristics of Tunisian corporate governance system such as ownership concentration, inactivity of hostile takeover market, one-tier board system, limited transparency of information and underdevelopment of financial market, reflect the Tunisian culture.

**Keywords:** Corporate governance, national culture, corporate governance mechanisms, Hofstede (1980)

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### I. Introduction

In the past few years, corporate governance has become a popular area of discussion owing to the fact of reforms done on corporate governance and the proliferation of the codes of best practices around the world.

Indeed, the fall of Stock markets, the bankruptcy of enterprises, the doubtful practices and the abuses of accountants indicate that the economic system as a whole points out distress signs. Whereas some failures result from fraudulent manipulations of accountants, several enterprises are confronted to conflicts of interests, inexperienced managers or to inequality of rights of votes.

Such scandals and bad practices contributed to throw back the interest of researchers and academicians for the corporate governance system. We note that rules and policies established concerning corporate governance system could not prevent the implementation of destructive strategies for the stakeholders. This state of fact, therefore, leads us to think on the evolution about the study of corporate governance.

If corporate governance system is mainly developed within the financial literature, a bibliographic research would show that it makes today the object of a strong attention on behalf of jurists, economists but also of political analysts and sociologists. In fact, the cultural component receives more and more attention. A large body of literature

does confirm the evidence that culture is crucial in determining the differences of the governance systems between countries. Based on divergence of corporate governance systems, the researchers conclude that economic and legal practices are rooted, shaped and affected by national culture.

The impact of culture on corporate governance system has been extensively carried out in recent years. Therefore, our survey follows the recent research that is interested in the study of the impact of cultural features on corporate governance system, by analyzing the Tunisian context.

In Tunisia, some important reforms have been undertaken, notably in the level of financial, fiscal and accounting system. Besides, the Tunisian company undergoes, like all other countries, the weight of history, institutions and cultural values and thus there is interest to wonder about the impact of these cultural dimensions on mechanisms of Tunisian corporate governance system.

Our main objective research is to determine the link between the culture and the characteristics of Tunisian corporate governance system. The remainder of this paper is organized as follows. In section 2 we discuss the debate concerning the cultural variable. In section 3, we analyse the impact of culture on corporate governance system. In section 4, we present our study of the impact of Tunisian culture on corporate governance system and in section 5 we conclude the paper.

## II. The Cultural Variable: A Controversial Subject

There has been a renewal of interest in culture among researchers following the increasing interest demonstrated with regard to the notion of ethics brighten up by the financial scandals and the recent abyssal losses. We notify also that in spite of the deplored efforts, the researchers don't manage to express a clear definition of the culture. In fact, the concept of culture is one of the most difficult to define.

Trompenaars (1994) affirms even that the definition of culture is in itself a cultural product. Besides, Merry (1998) declares that the construction of a definition for an anthropological concept proves to be difficult. Gudykunst and Kim (1992) conceive the culture like a system of knowledge shared by a group of relatively big individuals.

Porter and Samovar (1994) rather have see culture as a cumulative deposit of knowledges, experiences, beliefs, values, attitudes, sense, hierarchies, religions, notions of time and what individual's group possesses during the generations. Whereas, Hofstede (1980) defines the culture like a collective programming of the mind that distinguishes the individuals of a group from another.

In short, no consensus has been found between the researchers of different disciplines treating the culture. Indeed, no unique definition or formulation of the culture does exist.

Harrison and Huntington (2000) consider that culture is one of the most fundamental determinants of economic success and if the personality is the basis of the study of human behaviour, culture should be the basis of research looking to understand the motors of the collective behaviour (Bollinger and Hofstede, 1987).

It is admitted, extensively, that the culture has a significant impact on the economic performance. Whereas, several researchers confirm this hypothesis, others are sceptical. Indeed, the cultural variable constituted a debate among the researchers.

One of the main theoretical contributions to the relation between the culture and the economic development is the Weber' theory (1930) that demonstrates that culture is an important determinant of economic institutions. He explains the economic prosperity of England, in the beginning of the Capitalism in the nineteenth century, by the economic role played by the moral values in the industrial revolution.

The advent of Capitalism or the transition to modernity, especially in the West is explained, according to him, by religious ideologies. But the thesis of Weber (1930) has been criticized by several researchers who refuted the superiority of economic performance of Protestant to Catholics (Fukuyama, 1995).

The religious ethics played an economic role in the history of nations, notably western one. However,

it remains to clarify the part of the religion and the part of the political, economic, social and cultural conditions favourable to the emergence of economic prosperity.

The culture could seem an explanation of the Asian performance, in the continuity of the works of Weber (1930), but we note that the researchers who take the work of Weber (1930) as a basis, such as Bond and Hofstede (1988), are sometimes those who explain the success of Asia of the East by the importance of Confucianism, whereas Weber (1930) consider it as a reason of the Asian decline. This example is revealing of the difficulties to define the sense of causality between a cultural aspect and an element of the economic development.

The notion that culture matters to economic development is undergoing a strong revival as the emergence of new institutional economy. In fact, North (1990) recognizes the importance of the cultural values in the economic study. Indeed, North (1990) specifies that an economic model that doesn't contain any ideological components cannot explain appropriately why institutional changes occur or not.

Therefore, an increasing number of research puts in evidence the influences of culture on different variables as the system of control of management (Chow, Kato and Shields, 1994 ; Harrison and *al.*, 1994 ; Chow, Shields and Wu, 1999), independence of external auditors (Yamamura and *al.*, 1996; Patel and Psaros, 2000), models of decision making (Adler and Boyacigiller, 1999 ; Harrison, 1993), remuneration system and right to vote of the employees (Van de Vliert, 2001; Au and Thomas, 2003), practices of remuneration (Markham, Scott and Townsend, 1990; Rogovsky and Schuler, 1998) and the styles of leadership (Park and Yi, 2003).

Thus, progressively, the cultural component brings in the theoretical preoccupations of the firm management and the corporate governance system.

## III. The Corporate Governance: A Cultural Construct

The development of research comparing different systems of corporate governance showed that in order to understand their variety as well as their logic of operation, it is necessary to take in account the institutional structure as the nature of legal, political and cultural systems.

Indeed, the researchers recognize to the quasi-unanimity, that variation of corporate governance practices is explained by differences of responsibility degree allocated to the state, the investors, and the social elites and to the ideology (Proffitt, 2003). Therefore, the setting up of a particular system of corporate governance depends on the national culture of the country (Salacuse, 2003; Dore, 2005).

McCarthy and Puffer (2002) explain that the American corporate governance system reflects the values of individualism, independence and the sanctity of the property rights. When scandal of Enron,

threatened the values of America that constitute the foundation of the corporate governance system, the proposed legal reforms aimed to reaffirm these values. Thus, they aim to protect the rights of shareholders from abuse of managers, auditors and financial analysts.

Whereas the main French cultural values are egalitarianism, the hierarchy and respect of authority (Calori and *al.*, 1997). McCarthy and Puffer (2002) add that the French corporate governance system depends mainly on internal mechanisms of governance as the board of directors and that French cultural values are reflected in behaviour of managers within the firm and thus appear in the mechanisms of corporate governance.

While the German managers consider that performance is a primordial value and they exhibit a high autonomy and insurance (Brodbeck and *al.*, 2002). McCarthy and Puffer (2002) specify that, as the case of France, within the German corporate governance system, internal mechanisms of control play a fundamental role. This state of fact seems to reflect the societal culture of Germany that is based on the autonomy.

Therefore, the American, German and French governance systems are visibly affected by the cultural features of every country. The consideration of the concept of culture and its impact on mechanisms of corporate governance system, was almost absent in academic research. But, we note a renewal of interest concerning the cultural perspective of the corporate governance.

### 3.1 The New Cultural Awareness Of The Corporate Governance

Toward the end of the years 1990, corporate governance was not only an academic research topic but it becomes a major preoccupation in the programming of the powerful economic actors to the national and international level. In fact, there was a more and more widespread awareness of a better explanation of corporate governance system in general and of the importance of cultural differences in particular.

In the United States, investors and in particular institutional investors include foreign shares within their portfolio to take advantage of the profits that they can offer. For the investors, corporate governance becomes a permanent topic within their program and after some years of experiences they recognize also the importance of cultural differences for the efficient management of their portfolio.

An important example is given by CalPERS, the largest American pension fund that puts in evidence that cultural differences prevent implementation of elaborated methods for the improvement of corporate governance of American firms (Andre and Thomas, 1998). Therefore, CalPERS establishes principles of corporate governance taking into account concept of the culture (Crutchley, Hudson and Jensen, 1999).

As the OECD, the IMF and the World Bank also recognize the importance of cultural variable in corporate governance system (Licht, 2001). Indeed, Iskander and *al.* (1999) affirm that some cultural and institutional changes are more than necessary if we want to establish a new governance structure based on transparent relations between enterprises, government and banks.

Also, theory of corporate governance has been dominated by the approach of principal - agent (Cai and Tylecote, 2004) and the fundamental feature of agency theory is the divergence of interests between managers (agent) and owners (principal). These last cannot completely control the activity of first, notably because of an informational asymmetry (Jensen and Meckling, 1976).

Cai and Tylecote (2004) affirm that the main limitation of the approach principal-agent is that in practice, shareholders do not constitute the only one and unique party that is interested in performance of the firm and that the agents are probably subjects to some values and moral constraints.

Hansen (2004) signals also the relevance of the role of culture since the challenge nowadays is to determine if the program of reforms of corporate governance system stays mainly a program on paper or if it is effectively implemented. In fact, the cultural norms can either reinforce these reforms or block them.

In sum, the studies reveal a clear sensitivity of corporate governance system to the unique important national feature that is the culture.

### 3.2 The Cultural Analysis Of Corporate Governance System

Recently, several studies demonstrated that cultural features play a major role in the determination of evolution of corporate governance system. In fact, La Porta and *al.* (1997) study the role played by trust and social capital aligning on the works of Putnam (1993) and Fukuyama (1995).

Whereas, Stulz and Williamson (2003) look to evaluate the influence of religion on the financial development by distinguishing the rights of shareholders from those of creditors and find that religion influences only the rights of creditors and that countries to Catholic predominance protect less creditors and resort less to financing by debts.

Besides, Guiso, Sapienza and Zingales (2003) note that in countries where populations are more religious, the approval of capitalism is more important. In addition, Eisenberg (1995) stipulate that social norms play an important role in management of actors of the firm concerning corporate governance.

Licht (2001), considering that the national culture is the main determinant of the governance system, proposes to refer to concepts and methods of cross cultural psychology to evaluate the cultural differences between nations and their effects on corporate governance system. He explain that culture

can be analyzed based on a set of derivative hypotheses of theories of the cultural dimensions of Schwartz (1990) and Hofstede (1980, 1991). The explanatory power of national cultural profiles is tested by Licht and *al.* (2003).

The failure of the corporate governance system constitutes a future threat for the firms. Certainly with an efficient corporate governance system, the enterprises will have a competitive advantage on the markets and this efficiency can be achieved by the adoption of a set of principles, laws and regulations.

Several efforts have been devoted for the formulation of more elaborate and complete principles of corporate governance often imported of the developed countries. But, these regulations and reforms are certainly threatened by the socio-cultural system.

### 3.3 Transfert Of Corporate Governance System And Cultural Dysfunction

Hofstede (1994) notes that for the same problem: diagnosis, recommended solution and the way to solve this problem is different and depends strongly on the cultural dimensions.

Indeed, the transfer of practices and theories of management without taking account of cultural context in which they must apply presents a real danger. Harrison (1992) as well as Chow and *al.* (1997) stipulate that the individuals belonging to different cultures act differently to the level of management practices. Therefore, a corporate governance system that can be efficient within an environment can be as inefficient or even dysfunctional within another environment (Chow, Kato and Merchant, 1996).

Certainly, the debate on internationalization and the convergence of corporate governance system, in particular the convergence on the American system, are also in game (Profitt, 2003). The attempts of transposition from a country to another of practices within firms are today greatly contested (Guillen, 2000).

Indeed, McNulty, Roberts and Stiles (2005) affirm that national cultures create different paths to the level of reforms of corporate governance system. Although the law can strengthen the institution of corporate governance system, culture can also undermine the succeeded transfer of some elements of another system of corporate governance (Buck, 2003). Black (1990) explains even that the role played by the law within corporate governance is minimal and that national culture can block such transfer.

Besides, Batten and Lu (2001) add that culture constitutes the source of difficulties encountered at the transfer of elements of corporate governance system. In fact, the researchers even speak of a shock of transfer, as the regulations governing a country can be dysfunctional or even rejected within another country because of the historic and cultural

differences (Milhaupt, 2001; Berkowitz, Pistor and Richard, 2003).

In the same vein, Gorga (2003) affirm that institutional change depend on the cultural or ideological changes and he declares that persistent cultural features can even impede these changes with regard to corporate governance, insofar as some inefficient elements persist in spite of efforts deployed to improve the efficiency of corporate governance system principles.

In these circumstances, the groups of interests and control have tendency to defend "the status quo" (Davis and Thompson, 1995). In the same way, HassabElnaby and Mosebach (2005) affirm that national culture permit to reject or to accept the mechanisms put in place to control the costs of agency.

Thus, the United Kingdom resist to the European attempts to impose a board of work, in order to promote the involvement of employees and collectivism within the English enterprises (Buck, 2002). Facing a German culture presenting a weak tolerance of the hierarchical distance and a collectivism and an uncertainty avoidance moderately elevated (Hofstede, 1980), the American tempted to introduce the corporate governance system based on market to replace the German system, found on families, banks and the suppliers and break the relationship between the firms and the state. But these attempts fail being rejected by German culture and its institutions (Buck, 2002).

Certainly, Russia is considered as an example of resistance to reforms imposed by the Anglo-Saxons. These reforms have been established in a national context characterized by a culture reflecting a higher tolerance of power distance as well as a level raised of collectivism and uncertainty avoidance (Buck, 2002). These cultural attributes encouraged the preservation of Russian institutions and the influence of state survived the attempts of imposition of a corporate governance system based on the market.

The resistance of Japan to the reforms of corporate governance system can also be explained by institutional context based on a national culture characterized by a high uncertainty avoidance, collectivism and power distance (Hofstede, 1980). Buck (2002) affirms that a relational corporate governance system emerged to Japan that is coherent with the Japanese culture.

In sum, As Jacoby (2001) indicates, it is difficult to a country to borrow a particular practice and to hope that it acts in a similar way when it is transplanted in a different context.

## IV. The Influence Of The Culture On Tunisian Corporate Governance System

Tunisia, like emergent countries, is at an important crossroad in this new century, one century that Tricker (2000) qualifies of century of governance. Although to a more reduced scale, the financial skids

that some Tunisian enterprises knew these last years (notably Batam) sow the doubt in the mind of financial actors. Indeed, Tunisia adopted new reforms to reinforce the regulation of financial sector and to improve the corporate governance system.

In this optic, Tunisia is endowed with legal instruments as the code of commercial societies (2000) that is inspired extensively of the code of German commerce.

Besides, the deep modernization of the Tunisian stock market instituted by the law n° 94-117 of November 14, 1994 proved to be a necessity to answer the needs of economic development, as well as to the opening of Tunisia on the outside implying a structure of market therefore in conformity with the international norms. The reform consisted in replacing a system based on the financial intermediation by a system governed by the conditions of the market.

Also, since 1996, Tunisia adopted a new charter of accounting to align on the international norms. The Tunisian accountant system is in all point in conformity with the system accountant IASC and it is strongly inspired of the one of OECD countries.

To be able to bring lighting on the Tunisian cultural model, we based our study on the four measurements cultural of Hofstede (1980): Power distance, individualism / collectivism, masculinity / femininity and uncertainty avoidance.

At the same time, Mediterranean, Arab-Moslem and African, Tunisia knew along its history various cultural contributions: Berber, Carthaginian, Roman, Arabic, Turkish and European, notably French. Its personality remains, nevertheless, essentially marked by the Arab-Moslem contribution in which the Islam instituted a system of values permitting the evolution of the behaviour of the individuals.

Indeed, the religious beliefs constitute a fundamental pillar of the culture. Thus, Tunisia is impregnated of the oriental dimension that constitutes the main component of its history. It is then quite legitimate to deduce the cultural dimensions of Tunisian society from the dominant origin: the Arab-Moslem.

#### **4.1 The Power Distance**

The Islam is spiritually egalitarian as all humans are equal in front of God. However, the Islam is socially unequal as the social distinctions that it institutes such as the subordination of women to men, considered necessary to maintain order and morality within the society.

This social inequality reflects, in a large extent, the Arabic pre-Islamic practices where the social hierarchy in the tribes was very pronounced (Kabasakal and Bodur, 2002). So, since the inequality between humans settles on the basis of piety and knowledge, the Islam notes the existence of social classes and the material inequality.

The arabo-moslem culture whose Tunisian personality is issued exposes a strong power distance

where power is founded on the family, since the most fundamental structure of the Tunisian society, as the whole Arab-Moslem world, is the family. So in the family, the culture of obedience is well marked, it is centred on the father who detains an absolute power. Indeed, Sfayhi (2005), studying the father's role in Tunisian society, recognizes him an exceptional power.

#### **4.1.1 Concentrated Ownership Structure/Strong Power Distance**

In Tunisia, the ownership structure is very concentrated. The performance of the enterprise increases with the presence of a majority shareholder. The managers are obliged to increase the performance of the firm in the presence of a large shareholder (Omri, 2003).

The Tunisian culture, exposing a strong power distance, has the tendency to appreciate the power and success and therefore the power of majority shareholders since the concentration of ownership structure puts in evidence an inequality, to the level of power, between majority and minority shareholder and accentuates the power to the hands of the large investors.

Indeed, the major shareholder, within the listed Tunisian firms, can control the managers and the management of the firm due to the power that he detains. Whereas minority shareholder has neither power nor means to make it. The minority shareholders within Tunisian governance system are rarely capable to abuse their position because of the control done by the large shareholders.

#### **4.1.2 Structure Of The Board / Strong Power Distance**

The Tunisian corporate governance system is characterized by complex relationship between manager, large and minority shareholders. In this case, the problem of agency is oriented towards the relation between large shareholders-minority shareholders rather than between managers-shareholders.

Indeed, seen the domination of majority shareholders in Tunisia, the control of activities of the managers cannot be done by internal mechanisms as the board of directors and the agreements between the shareholders.

The structure of the board of directors of the Tunisian listed firms also reflects the Tunisian culture. In Tunisia, the board of directors is led by a president of the board of directors who is also the chief executive officer of the firm. This cumulative function to the level of board of directors of Tunisian listed firms can reflect the large hierarchical distance characterizing the Tunisian culture. Indeed, the fact to accumulate the functions of the chief executive officer and the president of the board reveals a strong authority and concentration of power within this mechanism of corporate governance.

## 4.2 Individualism / Collectivism

If individualism took in west a big flight, this notion has never been recognized in the Moslem world, because the individual, according to the Islam, is living within an important community and that must renounce to all selfish tendency. In the Western societies, the decline of family widened to the profit of nuclear families, confronted the tendency toward individualism.

The individuals became more and more independent and parental ties less and less important. Whereas in the oriental societies, the individual acquires his values in a group of adherence as the family.

To the level of this dimension as the previous, the main source of cultural value is the family. Although the family became nuclear (Sfayhi, 2005) confronting the tendency thus toward individualism, the Tunisian society stays rather collectivist. In fact, the family constitutes the dorsal thorn of the Tunisian society.

### 4-2-1 Concentrated Ownership Structure / Collectivism

Concerning the identity of shareholders, we note that the structure of property in Tunisia is concentrated between the hands of the state, the banks and families. The foreign investors have important involvements as well in the banking sector (10,1%) that in the non banking financial institutions (4,2 %). Nevertheless, their involvement is negligible in the sector of service (1,7 %) and same absent in the commercial sector.

[Figure 1 About Here]

The concentration of ownership on the hands of families reflects the communal mind of the Tunisian society insofar as within the collectivist cultures, the desire to accumulate resources for the profit of family and the community is more intense contrary to the individualistic cultures that can encourage the diversification.

Within the Tunisian society, the individual exists as member of a group, in other words, of a family. Of this fact, the family stays an element of basis of the Tunisian society since it forms the first cell in which emerges the individual and it is obvious that this last is influenced by the cultural values and the beliefs shared by its family's members.

### 4.2.2 Inactivity Of Takeover Market / Collectivism

As we stipulated it previously, the Tunisian capitalism is characterized by a concentrated ownership structure and that the majority shareholders have a great impact on the Tunisian governance system.

These shareholders permit to reduce the manager's entrenchment and to increase the turnover

in case of bad performance. In Tunisia, the hostile takeovers are practically impossible and they are not part of the control mechanisms within the corporate governance.

The dominance of collectivism in the Tunisian society can explain the inactivity of takeover market. Indeed, hostile takeovers are encouraged by cultures that put forward the individual values on the collective values as the security and the stability. Certainly these values are seeking by majority shareholder within the Tunisian firms which perpetuate his domination for the control of firm and therefore the majority shareholders make the market of hostile takeover inexistent in Tunisia.

### 4-2-3 Predominance Of Not Listed SME / Collectivism

In 2001, the number of listed firms rose respectively to 1100 and 55 enterprises in Egypt and Morocco whereas in Tunisia it is only 46 (Ayogu, 2001). Nevertheless, the number of the Tunisian listed firms increased from 14 in 1994 to 45 in 2003 (Annual Report of the Tunisian Stock Exchange, 2003).

We note, therefore, that the Tunisian firms grant little interest to the Stock market; their familial character and their small size are often advanced to explain this phenomenon. Indeed, the Tunisian enterprise remained to a great majority controlled by a founding father or by a family in which the relations are based on confidence and confidentiality. We can conclude therefore that the Tunisian enterprise, because of its familial character, doesn't have a confidence in the outside and prefer not to be listed. Certainly, the Tunisian economy is integrated within a network forged by the families in which the members of family are worthy of confidence.

Being given that the Tunisian society exposes a strong power distance, the manager, reflecting tacitly the father's image in the family, possesses an absolute and legitimate power allowing him to exercise his authority to preserve the prestige as well as his reputation. Such father in the family, the manager of Tunisian firms protects and indicates the path to follow reflecting thus the communal mind of the Tunisian society.

## 4.3 Masculinity / Feminity

The Islam improved the woman's statute considerably in relation to the conditions pre- Islamic but it maintained some inequalities in relation to the man, insofar as this last is considered as the chief of family and his protector. Indeed, the Moslem culture recognizes the principle of social inferiority of the woman. Of this fact, the arabo-Moslem culture whose Tunisian society is descended is a masculine culture.

In spite of the fact that Tunisia is distinguished by the legal statute of woman and their integration in the economy and the society, the Tunisian society is rather masculine but to strong dose of femininity.

Indeed, the rate of women managers passed from 12% in 1992 to 14% in 1998. Also, in 1998, 5,24 % of the women are executives managers and 9, 93% directors (National Report of the Ministry of Woman and Family, 1999).

#### **4.3.1 Ownership Concentration / Masculinity**

The Tunisian society being a masculine society considers thus success and power as fundamental values and exhibits a differentiation of roles between men and women, therefore, a shape of inequality reflected in the majority shareholder predominance within the listed Tunisian firms. Indeed, the concentration of ownership puts in inscription a rupture between the minority and majority, a tendency to affirmation of oneself and to the exercise of power. Thus, the concentration of power produced by the concentration of ownership can be assigned to the masculinity of the Tunisian society.

#### **4.3.2 Structure Of Board / Masculinity**

The fact to accumulate the functions of the CEO and the president of the board reveals a strong authority within this mechanism of corporate governance. Besides, this cumulative function reflects the dominance and the control expressed by the masculinity of the Tunisian society.

More, in Tunisia, as we stipulated it before, the structure of ownership is concentrated on the hands of families which can reduce the role of board of directors as mechanism of control of manager insofar as the board of directors of most Tunisian listed firms is only composed of members of the controlling family. These practices within the Tunisian listed firms reinforce centralization and can undermine the control exercised by the board of directors.

#### **4.4 The Uncertainty Avoidance**

The Arab-Moslem countries have in general a weak uncertainty control. The religion helps to alleviate the feeling of anxiety but doesn't counterbalance the present growth of this dimension due to the political, economic, social and technological evolutions. These evolutions provoke a feeling of uncertainty and insecurity.

The most prominent fact in the analysis of the Tunisian legal context is the largest number of new regulations that govern various aspects of economic context reflecting thus a very elevated control of uncertainty within the Tunisian society.

On an economic level, the reforms touched several domains as the liberalization of investment, outside exchanges, fiscal reform, modernization of the banking sector, reform of the financial market. All seems as nothing is let without control.

#### **4.4.1 Non Development Of Financial Market / Strong Uncertainty Avoidance**

Since several years, the Tunisian financial market has been endowed with texts and regulations, allowing it to be compared favourably to the developed countries. However, the Tunisian stock market remains lethargic.

In spite of measures taken to develop the stock market, the evolution of issue of public offer (Figure 2) remains modest in relation to the debt (Figure 3) as means of financing of the Tunisian economy.

[Figure 2 About Here]

[Figure 3 About Here]

So the Tunisian economy stays an indebted economy and the recourse to the banking loan is discerned as the most comfortable alternative. In Tunisia, the main sources of fund, even for the Tunisian listed firms, are generally the debt. The recourse to the stock market like source of financing is not frequent. Indeed, the transparency required of a society when it goes public the public can constitute an obstacle for the enterprises in a Tunisian society characterized by a strong control of uncertainty that puts early the preservation of a large internal security.

Certainly, the Tunisian enterprise did not really have until now need to resort at the Stock market to finance its development since the banking financing always offered the resources of which it has need, with less constraints and in all discretion, whereas financing through the financial market requires the publication of a prospectus with degree of disclosure of information very elevated.

#### **4.4.2 Limited Transparency Of Information / Strong Uncertainty Avoidance**

Information stays as the basis of all activities on the financial markets. Certainly, the quality and regularity of the relative financial information on the financial market is the best guarantor of the transparency of the transactions and the credibility of firms. However during these last years, several enterprises don't always respect all authorized arrangements concerning regularity and transparency of the financial information. Indeed, in 2003, six listed firms are faltering concerning communication and publication of the financial states (Communiqué of the Financial Market Council, 2004) whereas in 2004, ten enterprises don't publish their financial states (Communiqué of the Financial Market Council, 2005).

We note within the Tunisian society, an increasing control of the uncertainty. This behaviour also touched the enterprises. Indeed, the non respect of rules of transparency of financial information by some Tunisian listed enterprises or even the non clarity of the information given can be assigned to the strong control of uncertainty of the Tunisian society.

Certainly, an enterprise that goes public to raise funds on the financial market that benefits from the confidence of the investors, must be transparent. Nevertheless, to be protected against the risk and to surround the uncertainty, some Tunisian listed firms prefer not to reveal any financial information often harmful for their image within the financial market.

## V. Conclusion

The aim of this paper is to study the impact of Tunisian corporate governance system. We explained first the debate concerning cultural variables. The economic developments don't presuppose the existence of formal institutions as the laws and the rights of property but as some norms and social values. Then, we studied the corporate governance system through a cultural approach. We stipulate that culture can enrich the research on corporate governance permitting than to better understand the mechanisms of governance established in a country.

On the hand, culture can impede the maximisation of the profit permitting thus a good corporate governance system. On the other hand, the cultural norms can reinforce the control groups and can represent an obstacle to the institutional changes.

Finally, based to the cultural dimensions of Hofstede (1980), we tried to detect the impact of national culture on the Tunisian corporate governance system. We explain that the predominance of the majority shareholding, the one-tier board of directors, the rarity of hostile takeovers, the stagnation of financial market and the limited transparency of information reflect strong power distance, increasing control of the uncertainty, masculinity and collectivism of the Tunisian society.

Certainly, the concept of culture is undoubtedly one of the most difficult to study and therefore few research advances towards operational modelling of the impact of cultural variable on corporate governance system. So, this paper brings a first lighting on the cultural analysis of corporate governance in Tunisian that it will be thereafter deepen while moving towards the establishment of a model permitting to test empirically the impact of culture on all mechanisms of corporate governance.

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## Appendices

**Figure 1.** Identities of shareholders of the Tunisian listed firms (2002)

Types of investors	Banks	IFNB	industries	Commerce	Services
state	18,8	6	19,8	48,2	23,5
Banks	7,6	20,2	24,2	11	22,1
insurances	11,8	16,3	7,6	10,3	11,1
Foreign investors	10,1	4,2	4,2	0	1,7
Individual investors	5,3	1,6	4,5	11	13
Legal persons	7,4	18,5	19,4	10,8	3
Families	39	33,2	20,3	8,7	25,6
Total	100	100	100	100	100

Source: Statistics of the Tunisian stock exchange, 2002

**Figure 2.** Evolution of IPO in MD

Years	2000	2001	2002	2003
Shares	113	155	43	128
Bonds	154	297	233	95
Total	267	452	276	223

Source: site of the Financial Market Council

**Figure 3.** Credits in MLT counted by the Power station of the risks in MD

Years	2000	2001	2002	2003
Credits	8308	9583	8608	8287

Source: Financial statistics of the Central Bank of Tunisia