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Accounting Disclosure in the Non-profit Sector: The Role of Stakeholders' Theory

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Abstract:
Scientific research especially in social sciences is a result of accumulated experience and expertise from previous studies. this Research aims to examine the development of academic and professional accounting in Non-Profit sector from an international perspective by reviewing the previous literature associated with the comprehensive accounting function in Non-Profit sector, starting from the current accounting framework down to the role of the stakeholders' theory by summarizing and analyzing the accounting academic research findings in this area to identify the main strengths and weaknesses points. This will contribute to developing the comprehensive accounting function in the non-profit sector. Furthermore, in terms of the legislative and regulatory side. there are growing doubts about: is the accounting thought able to improve the financial regulation in NPOs in this way? The main motivation for the researchers to conduct this study was the findings of many academic studies that indicated the inadequacy of the current accounting framework and regulation (traditional) to meet the requirements of the accounting function in NPOs from the stakeholders' perspective, The Researchers observed by tracking the accounting thought's development in the financial accounting standards-setting process- in general – that it lies between two main perspectives. The first perspective considered the accounting standards' development came to provide more information for decision-making, especially with the growing groups and requirements of stakeholders meanwhile the second perspective considered the accounting standards' Development was a natural result of the business environment's development and the need for new methods and tools by accounting function to give credibility and legitimacy to the organizations' activities
Keywords:
Accountability, NPOs, CAs, Disclosure, Stockholders' Theory

1- Introduction:

Recently, there has been a growing debate about the accounting function in the Non-Profit organizations (NPOs) due to its vital role. This research turns the light on the doubt about the efficiency and effectiveness of the current traditional accounting framework to regulate the comprehensive accounting function. Therefore, the Literature review in this research aims to provide an insight into the theories and academic research to create an understanding of the significant aspects of developing the accounting practices - focusing on the Arab Republic of Egypt as the scope of this study and the United Kingdom as one of the most developed countries - which has attention and interest in the field of accounting regulation in NPOs. Therefore, to achieve the objectives of the research, the researchers identify the following critical aspects of the research to review and study the accounting literature as follows: (1) The accounting Framework in NPOs. (2) The accounting practices in NPOs. (3) The financial reporting in NPOs. (4): Stakeholder Theory and NPOs. (5) Conclusion.

2- The Accounting Framework in the NPOs:

2.1-Historical View:

First and foremost, NPOs' regulation research at the international level has a long history in accounting research. The first major academic research at the international level with NPOs was prepared by (Cordery & Baskerville, 2007) which provided some proposed control mechanisms for the accounting function in the NPS. Then this study was followed by (Sreedhar, 2021)(Esteban et al., 2022) which explored the development of accounting from an international comparison manner. But in fact, the earliest studies related to the accounting regulation in NPOs at both international and national levels were not interested in developing an appropriate accounting framework rather than turning the light on the accounting problems and challenges related to the accounting function in this sector organizations.

At the beginning of the current century and in the light of the increasing role of the third (non-profit) sector in the economic system, the academic community has taken great interest in studying the development of the accounting framework in the NPS in the shadow of the recent circumstances and developments in these organizations' environment, especially from the accountability perspective (e.g., (Hooper et al., 2008) (Connolly & Hyndman, 2013) (Mizutani, 2016), as a result of the significant weakness of the current accounting framework and regulation in addition to its disability to show the activities and operations conducted by these organizations especially their social missions with avoiding the aim of achieving any profits (Breen, 2013)

On the other hand, there has been considerable interest in comparing the accounting regulation and legal frameworks for NPOs in different countries and exploring the possible case for international standards for NPO reporting. For instance, (Travaglini, 2011) compared the accounting regulation between UK, Spain and Italy. And (Mack et al., 2017) compared the accounting regulation between the United Kingdom, New Zealand, Australia and Ireland. Furthermore, these studies found great differences between the accounting regulation, rules and standards that associated with NPOs in each country. In addition, many deficiencies are associated with the adoption of each regulation framework. And these studies linked between the accounting regulation's quality and the adequacy of the legislative framework.

2.2- NPOs and Traditional Accounting Framework:

The accounting function should provide information to satisfy stakeholders' needs in accordance with the concept and requirements of the accountability while accounting is clearly linked to the concept of accountability to perform the accounting function (Boomsma, 2021) Consequently, any attempt to develop a scientific accounting framework for the CAs or NPOs at the national level should be basically guided by the accountability paradigm. In this sense, this framework shall reflect the financial and social side of these organizations which the current (traditional) framework can't achieve this mission. Where, (Gazzola et al., 2021) confirmed that accountability in the NPOs shall be directed primarily toward donors, and more interested in the

social aspect.
Where (Costa, 2014) indicated that the doubts about the adoption of the traditional accounting framework in NPOs come from the objective differences (Monetary value/social value). And the accounting thought faces many difficulties in the development of such private accounting theories and frameworks for these sector organizations because of two main reasons:

- The main purpose of NPOs is to provide public services and create social value, unlike the current accounting theories based on creating an economic value for shareholders and owners.
- Stakeholders' groups in NPOs are more than FPOs, which makes it difficult to find a theory or a framework that meets the requirements of all of them.

According to (Albaz & Albaz, 2019) the accounting system, in general, is considered one of the most important elements in any organization's success because it provides information that stakeholders need, especially related to fund-decisions but the current accounting system is not able to provide this information related to this type of decisions (Stănciulescu, 2021). The NPOs are facing many accounting challenges (Hyndman & McMahon, 2010) because of the Inadequacy of the current accounting regulation as a whole. This reason has been indicated by most academic studies (e.g. (Ledgerwood & Morgan, 2012) (Mack et al., 2017). In this sense, (Saxton et al., 2012) addressed the impact of the NPOs' nature on the accounting assumptions and principles. especially those related to expenditure, but these studies didn't provide some integrated solutions for the impact of NPOs sector's nature on the accounting components.
For these reasons, the Researchers agreed with (Andreaus & Costa, 2014) that the traditional accounting framework is no longer valid to express the activities and operations in the NPOs, especially from the social perspective and accordingly, these organizations need an appropriate accounting framework which meets with the nature of their activities to reflect the social mission.

2.3- Accounting Framework in the Egyptian CAs

Indeed, there is no integrated accounting framework at the international level to organize the accounting function in the NPS organizations. In addition, the academic research could not be able to set or develop – Till Now - an appropriate accounting framework according to the Non-profit's nature. In similar, the Egyptian CAs at the national level still rely on law No. 84 of 2002 and law No. 149 of 2019 as the only regulatory framework. And the academic research in Egypt doesn't have the same attention as the other world organizations at the international level to develop an appropriate accounting framework for the CAs, according to some current academic research, despite the recent major role played by these associations in the Egyptian community.

3- Accounting Practices in NPOs:

3.1- Accounting Recognition and Measurement Practices:

At the end of the last century, many academic researchers have illustrated the significant poor accounting practices in NPOs and pointed out the lack of standardization in the accounting practices governing the accounting function among the NPS. More recently, there is a large stream of research ((Harrison & van der Laan Smith, 2015) (Sreedhar, 2021) has indicated that the traditional accounting practices as a whole are inappropriate to express the economic and social activities, especially these activities carried out by NPOs.
Furthermore, (Albaz & Albaz, 2019) noticed that there are many differences in accounting principles and practices adopted by the NPOs in terms of accounting recognition and measurement especially the terms of revenues and expenditures. And (Aldoseri et al., 2022)

showed many problems related to the accounting recognition and measurement of revenue, especially the measurement of voluntary services and restricted funds. In addition, (Epstein & McFarlan, 2011) stated that many organizations prefer to non-recognition and measure the asset's depreciation.

Likewise, the lack of uniformity in the accounting terminologies used in the financial reports. This issue led to the lack of consistency in the financial report preparation process within the NPOs (Albaz & Albaz, 2019) and caused many difficulties in making comparisons among this sector due to the differences in the information and the financial statements' structures especially with the significant focus of the academic research on the development of the accounting treatment for revenue without paying any attention to the other financial statement elements (Kuruppu et al., 2022). These findings came in the same manner as (Boomsma, 2021) findings, which observed that the academic studies have focused on the development of the accounting treatments for the revenue and expenses in a theoretical manner only without any field evidence for the validity of these development proposals.

3.2- Accounting Disclosure practices:

The researchers noticed that most of the academic studies in NPS organizations mainly focused on accounting disclosure. and There is a branch of literature on NPOs mainly focused on accounting disclosure. and many researchers (Goncharenko, 2021) (Kober & Thambar, 2021) attempted to examine the state of disclosure, and (Kuruppu & Lodhia, 2020) identified the major information which the NPOs need to disclose about in the annual reports.

The academic studies have agreed that, despite the social nature of ownership in the NPOs, yet the process of obtaining information about these organizations can be a daunting task because of the low-level of disclosure highlighted by a large body of literature in addition to the low-quality information because of the absence of rules for the accounting disclosure. so, many researchers have attempted to develop an appropriate framework to organize the disclosure (Lopez-Arceiz et al., 2021) (Torres & Pina, 2003) and ensured the importance of developing both board of directors' annual report and the disclosure of the accounting policies which have used to prepare the financial report. (Aldoseri et al., 2022).

Although several studies have examined the accounting disclosure practices in the NPOs financial reporting (Kingston et al., 2020) but these studies approximately concluded the same findings, that there is a significant difference in the disclosure level among NPOs financial reports. And despite these differences, but all the financial reports appeared with high total assets (It is likely because the organizations didn't follow depreciation policies). And tend to more disclose about revenues and expenditures. It was also observed that most of NPOs did not report the volunteer contributions in the financial statements by monetary value. Nevertheless, the significant value generated by NPOs comes from volunteer services (Urquía-Grande et al., 2021).

Afterwards, several studies have linked disclosure level and donations volume from total revenue of the organization and (Yekini et al., 2020) provided field evidence to confirm the relationship between the disclosure level and donations volume, also (Pianezzi, 2021) linked disclosure level and the cost associated with it, and the study ensured that many organizations reluctance to disclose information that may make stakeholders reconsider their funding.

3.3- NPOs and Financial Disclosure Management:

There is a branch of literature (Thomas, 2020) (Kaba, 2021) (Kober & Thambar, 2021) that pointed out some disclosure management practices in the NPOs. These practices are similar to earning management practices in the FPOs. Consequently, these disclosure practices lead many studies to examine NPOs environment to determine the type of information that users need in this sector. Furthermore, these studies have argued that the accounting regulation gives freedom to NPOs to choose the policy of disclosure which leads to give space to manipulate such disclosure. management practices in order to meet the performance criteria needed even if these criteria are against the financial reporting quality, but on the other hand, these disclosure practices will improve the organization's reputation especially in front of donors (Gazzola et al., 2021)

3.4- Accrual Basis or Cash Basis:

From the accounting policy differences view, many studies have indicated that the problems which are facing the accountants in the preparation of financial statements are a result of the lack of a standard to organize the accounting. This issue has been addressed (Clerkin & Quinn, 2021) by reviewing the determinants of cash or accrual basis and their impact on the financial disclosure degree in NPOs operating in the United States of America. In the same way, (Boomsma, 2021) observed that the dependence on the cash basis or accrual may be based on the organization's size. And that were the same findings of (van Puyvelde et al., 2012). Moreover, the researchers found that all the accounting guidelines and manuals for NPOs Issued by the professional bodies and authorities indicated the preference for using an accrual basis, Except the United Kingdom (SORP) which authorizes the use of a cash basis according to certain terms and conditions.

3.5- Accounting Practices in the Egyptian Environment:

With a spotlight on the national level, a few studies addressed the accounting presentation and disclosure requirements in the financial statements used in the Egyptian CAs. And how can we develop the financial report in accordance with the Egyptian environment variables in order to comply with these requirements to provide more useful information to stakeholders. However, the Egyptian CAs are facing the same problems of the NPOs at the international level to achieve the requirements of the presentation and disclosure required for decision-making.

4 - the Financial Reporting in NPOs:

The Financial reporting – final outputs of the comprehensive accounting function - by NPOs is most often perceived as discharging a stewardship function and organization as a whole. Therefore, it was necessary for the researchers to expand in reviewing the academic research in this area to determine the nature and requirements of the efficiency and effectiveness of NPOs through the issues associated with the financial report. But it should be noted that cultural and social differences between countries played a major role in the nature and type of the activities carried out by these NPOs and thus on the financial report's structure**.**

4.1- Financial Reporting, legitimacy and Donations:

There has been considerable debate surrounding the current reality of the financial report in these organizations and the possibility of the development. In this sense, (Andreaus & Costa, 2014) stated that the annual reports have a great Impact on donors and other stakeholders. Accordingly, (Chikoto & Neely, 2014) linked between revenue diversification (the inverse of that—revenue concentration) and non-profit financial stability. Indeed, The Researchers noted that a large body of the literature has related between the financial sustainability of NPOs and the revenue diversification. Therefore, the organization's ability to maintain these resources through a financial report reflects the organization's efficiency and effectiveness in the exploitation of these financial resources. This argument indicates that, there is a positive relationship between the revenue diversification and the organization's reputation (legitimacy)

4.2- Financial Reporting and Accountability:

Recently, the NPOs have been subject to significant calls to demonstrate accountability to stakeholders, and these calls have been amplified as the sector has expanded to become a more significant part of the economy (Goncharenko, 2021).

In general, the majority of previous studies confirmed that the weakness of accountability (financial/operational) in NPOs is due to the special nature of the ownership (capital). This reason causes the current academic debate about the first question (to whom NPO accountable is). The closest Study, which has been providing a response to this question was in (Kaba, 2021) study, which confirmed that the concept of accountability revolves around three relationships between the organization and its stakeholders. The first relation is the organization's relationship with donors, the second relation with beneficiaries and the third relation with regulatory authorities. But (Seddon, 2010) referred to the relationship with donors as the essence of accountability. In contrast, the current academic debate about the second question (what form should that account take). that debate due to the absence of an appropriate accounting and legislative framework.

From the above, (Preite & De Matteis, 2014) confirmed on the multiplicity of the accountability concept in the NPS and its overlapping variables according to each stakeholder group's perspective. In addition, the researchers agreed with (Albaz & Albaz, 2019), which provided a conclusion that NPOs facing "a crisis of accountability and transparency". This conclusion confirmed the overall conclusion of previous studies about the inadequacy of financial reporting information in its current form.

As outlined above in the financial reporting structure, non-financial information is a key part of the accountability process. Therefore, the key question that must be asked is - Does the report allow readers to understand and assess the organization's achievements in order to determine the organization's accountability degree?

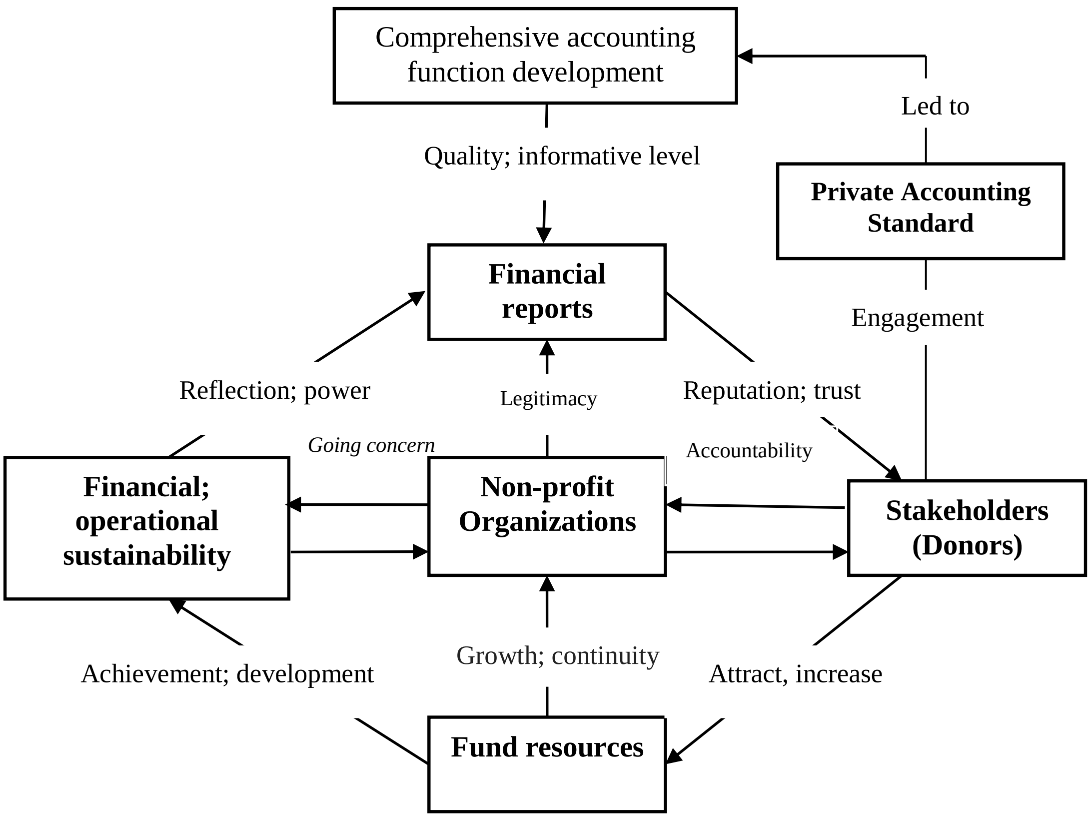
5- Stakeholders' Theory and NPOs:

Stakeholder engagement in organizational decision-making, and the resulting issue of value creation, is one of the thorny problems that stakeholder theory has sought to address (Mitchell et al., 2015) But yet this engagement progress has been slow in the NPS especially in the Arab republic of Egypt, so the researchers decided to depend on this theory to develop the comprehensive accounting function in the CAs.

Stakeholder theory is divided into two branches (The ethical branch and the positive branch), and According to the positive branch, (Clarkson, 1995) divided stakeholders into two groups: (primary; secondary), Where primary stakeholders are those who the organization will not be able to continue providing services and activities without their support, and the secondary stakeholders are those who the organization will be able to continue in providing services and activities without their support.

Based on that, the researchers decided to focus on donors as a primary stakeholder category (The importance of each of these stakeholders will depend on several factors including power, legitimacy and urgency. Where, Power is based on the ability to impose one's will on the organization, for example, a generous donor. Legitimacy arises from actions that are deemed desirable or appropriate and are within the values or norms of the organization, and urgency comes from the need for immediate action) Based on the argument of (Ullmann, 1985) "Our position is that organization survive to the extent that they are effective, their effectiveness derives from the management of demand, particularly the demand of interest group upon which the organization depends", and (Roberts, 1992) "A major role of corporate management is to assess

the importance of meeting stakeholder demands in order to achieve the strategic objective of the firm, as the level of stakeholder power increases , the importance of meeting stakeholder demand increases also", Which made (Freeman, 2015) to set modern definition of stakeholder as “those groups who are vital to the survival and success of the corporation”. And according to this definition in NPOs this group will be the donors. By this new definition, (Freeman, 2015) adds a new principle, which reflects a new trend in stakeholder theory, and by adopting this new concept of stakeholder to NPOs the primary stakeholder will be donors, this argument supported the researchers to focus mainly on donors’ requirements in developing the comprehensive accounting function in CAs. But that does not conflict with the importance of meeting the requirements of other stakeholders’ groups.
Moreover, (Thomas, 2020) provided four main factors that affect the fund-decisions by donors: efficiency, operational sustainability, reputation, the quality of available information. In this way, the researchers depended on the development of the fourth factor (the quality of information) as one of the mechanisms to develop the comprehensive accounting function outputs. In this case, by developing this factor, the organization can improve its reputation and thus achieve operational sustainability and efficiency accordingly.



6- Conclusion:

From the previous sections, the Researchers concluded the following main points, the number of published NPOs academic studies (at the international level) has been increased but this number as well as the number of Non-profit scholars continues to be relatively small, and considering the national academic studies, this fact alone can make the research process daunting to those who may be interested in engaging in this research area.

Through the literature, the researchers observed that the widespread adoption of appropriate accounting and reporting practices and the ongoing renewal of such practices have the potential to provide a basis for greater confidence in the financial control within NPOs. And will be a result in more accountability and legitimacy for this sector. So, the researchers can state that: "Traditional accounting practices are no longer sufficient to express the economic operations and events, and inappropriate to show the social value, and since it became unable to determine the effectiveness, the need to develop private accounting practices for NPOs have emerged"

In the Egyptian case. The literature has argued about the need to develop the financial reports by adjusting and standardizing the accounting function among this sector. The researchers observed that while most of the previous studies in the literature indicated many accounting problems facing the accounting function in the Egyptian CAs, but these studies didn't provide any real mechanism to overcome these problems. The researchers can judge on the current accounting regulation by failing to give indications of the NPOs' objectives and the accounting disclosure didn't meet stakeholders' requirements. Furthermore, in terms of the legislative and regulatory side of NPOs. there are growing doubts about: is the accounting thought able to improve the financial regulation in NPOs in this way? The main motivation for the researchers to conduct this study was the findings of many academic studies that indicated the inadequacy of the current accounting framework and regulation (traditional) to meet the requirements of the accounting function in NPOs from the stakeholders' perspective. In addition, most of the academic studies recommended by acting a private accounting standard suitable to the special nature of the activities and operations in this sector to reflect the NPOs' social function primarily.

Finally, The Researchers observed by tracking the accounting thought's development in the financial accounting standards-setting process- in general – that it lies between two main perspectives. The first perspective considered the accounting standards' development came to provide more information for decision-making, especially with the growing groups and requirements of stakeholders meanwhile the second perspective considered the accounting standards' Development was a natural result of the business environment's development and the need for new methods and tools by accounting function to give credibility and legitimacy to the organizations' activities. Accordingly, by applying these two perspectives in the NPOs. the researchers found that the Egyptian NPOs need a private accounting standard for both perspectives reasons especially in the light of the inadequacy and deficiencies which observed in the current accounting regulation

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Corporate Communication and Crisis Management Among Journalists in Lagos State

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Abstract:
This study examined the role of corporate communication in crisis management among journalists in Lagos, Nigeria. The study specifically examined the role of corporate communication in identifying potential crisis among Journalists, examine the role of corporate communication in crisis prevention among Journalists and find out the extent to which corporate communication is used in planning for crisis among Journalists. In order to achieve the broad objective of this study, three (3) research questions and one (1) hypothesis were raised for validation. The research questions were analyzed using the simple percentage hypotheses while the hypothesis was validated using the multiple regression analysis. The data for the analysis were collected by the researcher using questionnaire as the research instrument. The study used a sample of one hundred and eighty five (185) randomly selected journalists of guardian Newspaper. From the result of the empirical analysis, it was established that age (β =-.575, t=-11.575, at $p<0.05$), qualification (β =-.675, t=7.345, at $p<0.05$) and crisis planning (β =-.121, t=-3.222, at $p<0.05$) have a significant negative effect on crisis management. It was also found that corporate communication (β =.065, t =41.065, at $p<0.05$) have a significant positive effect on crisis management among journalists of guardian newspaper. The study concluded that corporate communication among journalists of guardian newspaper contributes positively to crisis management. The study recommended that, given the trending corporate use of social media to facilitate messages, firms need to integrate these media tools available to facilitate their flow of communication.

Key Words: *Crisis, Crisis management, corporate communication, Crisis prevention, Crisis planning*

1. Introduction

Crisis is inevitable in every human setting because members of a group, association or organization are often divergent in their opinions, perspectives, interests, conducts, orientation and goals. These differences manifest in the process of decision making, goal settings, assignment of tasks and responsibility, distribution and allocation of resources among others which sometimes translates to clashes and contradictions resulting in crisis. The occurrence of crisis is not time or place specific, it happens anytime and at any place. It happens in private organizations and also public settings even in the political and religion settings crisis is prevalent (Lando, 2014). When crisis occur it has a potential negative outcome on organizations, industries as well as the public, products, services, or corporate image, disturbing the normal functioning of a corporation for an indefinite period of time (Fearn-Banks, 2007). It interrupts normal business transactions and can sometimes threaten the existence of the organization (Lando, 2014).

The causes of crisis can be internal or external forces. While the external factors are forces outside the control of the organization such as natural disasters and accidents, political and social changes, economic crises, security and environmental issues, the internal factors are forces not visibly outside the organization such as poor work organization, strained interpersonal relationships, incompetence and immorality of management, corruption, poor working conditions, unrealistic union goals, lack of communication, etc. Whichever forces that led to a crisis situation, managing communication during a crisis is one of the most important processes of crisis management (Tipurić et al., 2013). This is because crisis situations are not only obstacles to overcome, but also are events that can provide an organization with an opportunity to strengthen practices and reputation in the eyes of stakeholders (Wrigley et al., 2003).

In a situation when an organization is under intense criticism or serious allegations, managers are forced to communicate reactively and, as much as possible, to neutralize negative consequences that the crisis could have on the organization's image (Tipurić et al., 2013). With effective communication in a crisis situation, the image of an organization can be enhance in the public, while poor handling or lack of communication can have a particularly negative impact on its market activities in the future (Jugo, 2013). Of significant importance for the outcome of a crisis situation is the manner in which the corporation communicates with the media as a communication channel towards the vast majority of stakeholders, it is necessary that the media is approached carefully, respecting all their idiosyncrasies (Tipurić et al., 2013) The establishment of a regular and effective communications process can significantly reduce people's levels of uncertainty In turn, this eliminates one of the major obstacles to people's willingness to get involved in the change process, which can be crucial within the affected company. It draws the employees into the discussions and debates about the need for and form of the change, and allow them the freedom to discuss the issues involved openly, to get them convinced of the need for change (Várnai, 2015)

Crisis situations at the firm level, regardless of the size of the organization, have a major impact on its future economic development. In recent time, there have been cases of downsizing, retrenchment and excess workload on the limited workforce below the required staff strength, reduction and delay in the payment of salary, abusive supervision and undue harassment and abuse of workers in most organizations in Nigeria while blaming the condition on the hostile and harsh economic and political environment in the country (Várnai, 2015). As such, employees in these organizations have increasingly resulted to crisis as a way of protecting their interest and fighting for their right. Unfortunately, many of the crisis cases in industry have also affected the environment (Bakos & Dumitrascu, 2017). Thus, the survival of corporate organization is now tied to the effective use of communication.

Against this background, we examined the role of corporate communication in crisis management among Journalists. We specifically examined the role of corporate communication in identifying potential crisis among Journalists, examine the role of corporate communication in crisis prevention among Journalists and find out the extent to which corporate communication is used in planning for crisis among Journalists. This will foster the understanding of the role of communication among members of organizations across disciplines. As such, the study will create important awareness for all types of businesses on the severe implication of crisis on corporate goals and plan as well as the need to prevent crises from occurring and how to manage them before they would really hurt further activity. The study will also serve as important source of valuable material to students and future researcher on corporate communication and crisis management.

2. Literature Review

2.1 Conceptual Review

The core variables requiring clarification in this study are corporate communication and crisis management. Corporate Communication is a broad and comprehensive term that covers a variety of communication and management activities consisting of public relations, crisis and emergency communication, corporate citizenship, reputation management, community relations, media relations, investor relations, employee relations, marketing communication, management communication, corporate branding, image building and advertising (Saha, 2014). It manages all company's communication activities as an integrated whole with the aim of building and maintaining a valuable corporate reputation across different stakeholder groups, markets and audiences (Christensen & Cornelissen, 2010). On the other end, though there is no universally accepted definition of a crisis, the general consensus is that a crisis is an event that can harm and even destroy an entire organization (Mitroff et al., 1996). A crisis can be defined as an incident or event with consequences, which pose a significant threat to the strategic objectives of an organization (Várnai, 2015). (Coombs & Holladay, 2002) defines crisis management as a course of action designed to reduce the damage a crisis can cause on any institution as well as its stakeholders. It protects and defends an organnisation in cases of growing public concerns to its repute, together with its brand name or its publics or both. These include downsizing, corporate lawsuits, negative media coverage, government probes, quality problems, product recalls, boycotts and strikes, or even the unexpected change/death of a senior executive, etc.

2.2 Theoretical Framework

This study draws from Heider the founder of the attribution theory, who posits that generally people tend to infer causes in terms of how they perceive a situation and how the factors related to the event they are faced with impact on the individuals being (Stephen W. Littlejohn & Karen A. Foss, 2011). The attribution theory is relevant to this study in that the experiences that the institution encounters during a crisis determine what cause of action is necessary to take. The plan of action and steps of implementation during crises resolution will be based on individual dispositions experienced during particular situations. In situational crisis communication theory SCCT, (Coombs & Holladay, 2002), projects peoples' reactions to the response strategy that is rolled out in order to manage the crisis. Situational Crisis Communication Theory (SCCT) by (Coombs & Holladay, 2002), in its center, is built upon the Attribution theory according to which, people search for the cause and effect of an event. They deduce their role in an event and are faced with feelings either of anxiety, sadness or even joy depending on the outcome of the crisis. Whilst communicating with the public, it is important to read their body language. Whatever the reaction, it will inform the researcher as to how effective they are in communication; as well as form the basis through which the public will react during a crisis to counter the effects.

2.3 Empirical Review

Several studies abound showing on corporate communication and crisis management. For instance, (Manoli, 2015) examines how crisis communications is managed, by investigating the current practices and techniques employed in English Premier League clubs, as they were presented by communications professionals employed in the clubs. The analysis of the clubs' practices underlines the lack of pro-activity and presents the most popular strategies of crisis communications management; the "wait for the dust to settle" and the "react promptly before the noise grows". In another study, (Johansen & Frandsen, 2012) presented and discussed some of the main findings from a large survey of internal crisis management and crisis communication conducted in the spring of 2011 among public and private organizations in Denmark. The survey was conducted among the 367 largest private companies and among 98 public organizations. The survey questionnaire comprised 36 questions and was sent to respondents who typically are responsible for the crisis-preparedness of their organizations. The results from the survey show that the vast majority of organizations have a crisis or contingency plan, and most of these plans contain an internal dimension relating to the management and communication with the internal stakeholders during a crisis. In addition, the results clearly indicate a strong relation between organizational size and crisis management; the larger the organization the more likely to have a crisis plan. This particularly pertained to the private organizations. In a similar vein, (Tipurić et al., 2013) analyzed the process of crisis communication, characteristics of known reactive crisis communications strategies and examine if there are differences in attitudes towards reactive communication strategies among future business professional using two samples of undergraduate seniors at the University of Zagreb: business school students and public relations students. To test the differences in tendencies towards certain reactive strategies we used a survey methodology where students were presented with hypothetical situations. By conduction a comparative analysis of their responses and tendencies to use specific strategies, the results show that there are significant differences between the two groups. Students of public relations have a greater tendency to use active strategies compared to their counterparts studying business economics, who in turn display greater caution and passivity in their approaches.

3. Methodology

3.1Population and Sample

In this study, the descriptive quantitative research design is adopted based on the sample of Journalists working in Guardian Newspaper drawn from the population of journalists in Lagos State using a self-structured design questionnaire. The Guardian established in 1983 by Alex Ibru is an independent daily newspaper published in Lagos, Nigeria, by Guardian Newspapers Limited first published on 22 February 1983 as a weekly, appearing on Sundays *(Fuller, 2004).* The choice of Guardian Newspaper staff is because recently the newspaper's management announced a plan to reduce their workforce in Nigeria and in the United Kingdom (UK) by 18 per cent over the next three years in a bid to balance their books by 2019 to bring down the company operating costs a potential crisis situation. The Guardian Media Group's number of employees in the fiscal year was nine hundred and ninety nine (999) persons employed in the editorial and production category according statista. Convenient sampling technique was used to select sample for the study based on Yaro Yamani approach given as$n = \frac{N}{(1+N)(e)^2}$ where: n is the sample size, N is the population, e is the error limit (0.05 on the basis of 95% confidence level). Since the estimated population size is nine hundred and ninety nine staff (999), the appropriate sample size is given as; $n = \frac{N}{(1+N)(e)^2}$

$$n = \frac{999}{[1 + (999 \text{ x } (0.05)^2)]}$$

$$n = \frac{999}{1 + (999 \text{ x } 0.0025)}$$

$$n = \frac{999}{3.498}$$

n =185

Hence, the total sample size for the purpose of this study is one hundred and eighty-five (185) staff. The size is considered sufficiently large enough to carry adequate estimation.

3.2 Research Instrument and Data Analysis

The data for this study is primary data by nature. A self-structured closed ended questionnaire was designed to accommodate the sample of the population under study. The instrument is well structured presented to experts in the area of tests and measurement who approved that the questionnaire items are adequate and valid enough to elicit information. A pilot study conducted using test-retest method based on questionnaire administered to a sample of twenty (e0) respondents which are not part of the main study suggests that the questionnaire is valid for the research. Data collected on the demographic features of the subjects was presented in contingency table and subsequently interpreted respectively. Data generated on the basis of the research questions and hypotheses raised in the study from the respondents' responses to the questionnaire was analyzed using the regression Analysis of Variance (ANOVA).

4. Results and Discussion

In the study, one hundred and eighty-five (185) questionnaires were administered to the sample of respondents but one hundred and forty (140) questionnaires retrieved and filled correctly was used in the analysis.

4.1 Analysis Socio-Demographic Data

Table 4.1: Descriptive analysis of the respondents Socio-Demographic Data

	Variables	**Frequency**	**Percent**
Gender	Male	63	49.1
	Female	77	50.9
	Total	140	100.0
Age	15-30 yrs	10	32.3
	31-50 yrs	38	40.5
	51 yrs above	92	27.1
	Total	140	100.0
Marital Status	Single	25	36.8
	Married	47	43.2
	Others	68	20.0
	Total	140	100.0
Qualification	SSCE & below	10	32.3
	OND/NCE	38	40.5
	BSc./BA/HND	70	50.0
	Post Graduate	22	15.7
	Total	140	100.0
Ethnicity	Yoruba	89	55.6
	Hausa	7	31.5
	Igbo	44	12.9
	Total	140	100.0
Religion	Christian	39	40.9
	Muslim	87	55.0
	Others	14	4.1
	Total	140	100.0

Source: Authors, Field Survey, 2019

Table 4.1 revealed that 49.1% of the respondents were male, while the remaining 50.9% were female. In the study 32.3% of the respondents are between the age of fifteen and thirty years, 40.5% of the respondents are between the ages of thirty one and fifty years of age, while the remaining 27.1% are fifty years and above. In the study 36.8% of the respondents are single, 43.2 of them are married while the remaining 20.0% of the participants are neither single nor married. 32.3% of the respondents have SSCE and below qualification, 40.5% of the respondents have OND/NCE qualification, 50.0% of the respondents have B.Sc/BA/HND qualification while the remaining 15.7% have post graduate qualification.40.9% of the respondents are Christians, 55.0% are Muslim while the remaining 4.1% belong to other religion. The table also revealed that 55.6% of the respondents are Yoruba, 31.5% are Hausa and 12.9% are Igbo.

4.2 Empirical Results

In order to find out the relative contribution of independent variables to crisis management, a multiple regression analysis was carried out. Table 2 shows the results of the computations.

Table 2: **Regression Analysis of Variance**

		Beta	T	P.	**R**	**R^2**	**F-ratio**	**Pvalue**
1	(Constant)		.					
	Age	-.575	-11.575	.037(a)			6061.741	P<0.05
	Qualification	-.675	7.345	.025(a)	.873(a)	.645		
	Corporate communication	.065	41.065	.011(a)				
	Crisis planning	-.121	-3.222	.000(a)				

a Dependent Variable: Crisis management
Source: Authors, Field Survey, 2019

The results in Table 2 indicated that age (β =-.575, t=-11.575, at $p<0.05$), qualification (β =-.675, t=7.345, at $p<0.05$) and crisis planning (β =-.121, t=-3.222, at $p<0.05$) have a significant negative effect on crisis management. It was also found that corporate communication (β =.065, t =41.065, at $p<0.05$) have a significant positive effect on crisis management of Journalists. Similarly, the F-ratio associated with the $R^2 = 0.655$ shows a significant joint prediction of crisis management in guardian newspaper ($p<0.05$) indicating that only about 65.5% of the variance in crisis management among journalists can be accounted for by the combination of these variables, while about 54.5% of crisis management of journalists is accounted for by other variables other than the factors under investigation.

5. Conclusion and Recommendations

The implication of the above result is that, corporate communication among journalists contributes positively to crisis management in guardian newspaper. This indicates that the corporate communication system of the firm support or even enhance the organization's image among stakeholders. This result corroborated the result of the study conducted by (Johansen & Frandsen, 2012) on a large survey of internal crisis management and crisis communication. The results clearly indicate a strong relation between organizational size and crisis management; the larger the organization the more likely to have a crisis plan.

It was also in line with the study conducted by (Tipurić et al., 2013) on differences in attitudes towards reactive communication strategies among future business professional. The research results show that students of public relations have a greater tendency to use active strategies compared to their counterparts studying business economics, who in turn display greater caution and passivity in their approaches. Based on the findings, the following recommendations are proffer: Corporate communication managers should set up a brain storming session with the most senior managers and representatives of the firm who are most likely to be affected by the crisis to allow participants to be open minded, creative in their views and to work together and develop strategies to tackle the potential crisis. Also, given the trending corporate use of social media to facilitate messages, firms need to integrate these media tools available to facilitate their flow of communication.

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The Effect of Using the Strategy Analysis Approach to Measure Business Risk on the Quality of the Audit Process

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Abstract:
The study aims to Identify business risks facing the auditor when performing the audit, contribute to enhancing the auditor's efficiency through business strategy analysis for the purpose of enhancing predictive ability when judging the continuity of the enterprise and Improve the quality of the audit process, narrow the expectations gap in the audit process to the required level and produce outcomes and recommendations to improve the performance of audit offices. The data was mainly collected through a field research, The study reached a set of results, the most important of them, The results of the statistical analysis showed "the existence of a statistically significant relationship at the level 0.05 between the independent axes (Client strategy analysis, Risk of material misstatements in the financial statements, inevitable risk during the audit process, the risk of auditor's assessment of the internal control environment, and the risk of the auditor performing the audit tests) and increasing the efficiency and effectiveness of the audit process" . This result is consistent with the main study Hypotheses , It was revealed that, through client strategy analysis, auditors are more able to detect internal and external strategic risks for the client, and therefore increasing the efficiency and effectiveness of the audit process, Avoiding any material misstatements in the financial statements and increasing the auditors' ability to detect material misstatements leads to a reduction in the inevitable risk and The importance of increasing analytical tests during the audit process in order to minimize the risk of audit tests to the lowest limit as this contributes to increasing the efficiency and effectiveness of the audit process.

Keywords: Strategy Analysis Approach/ Business Risk/ Audit Process

Introduction:

The auditing profession is one of the most important professions in the field of accounting thought, which has got the attention of many researchers and scholars through the studies in various countries of the world, especially in the Arab world, And because these services that provided by the auditing profession are closely related to the beneficiary parties, especially users of accounting information, and where this profession Acquired the attention of professional enterprises and organizations by issuing the standards and rules of conduct and ethics required by them, And are required to be implemented by the auditor's, Because the compliance with ethical standards will Lends credibility, reliability on financial statements .

The objective of an audit of financial statements is for the auditor to form an opinion on the financial statements based on having obtained sufficient appropriate audit evidence about whether the financial statements are free from material misstatement and to report in accordance with the auditor's findings , Audit quality encompasses the key elements that create an environment which maximizes the likelihood that quality audits are performed on a consistent basis.

And to achieve the objective of the research, so the first section includes the methodology of the research and Previous studies , while The second section includes the theoretical aspect of the research that been divided into Business risks and their relationship with client strategy , Acceptable audit risks within business risk and Strategy analysis implementation approaches for enhancing business risk assessment and the third section represents the practical aspect and the fourth section contains the conclusions and recommendations.

The First Section

The Methodology of the Research and Previous Studies

1.1 Study Problem:

Accounting failure in expressing the reality of enterprises and their financial center lies in the sheer amount of the accounting operations. The lack of compliance with the rules of internal control due to the enterprise's practice of activities that are difficult to express financially in an objective manner. As for the failure of auditcases, it is attributable to the increase in their risks, In addition to the weakness in the predictive ability of the current audit model. The external auditor's exposure to the risk of litigation for failing to detect deception in the financial statements or providing an indication of the company's failure to achieve continuity and to achieve its goals is also considered one of most important problems and difficulties facing the auditor.

Business environment variables and following fair value approach have created a new reality that imposes analyzing the strategy prepared by the administration when measuring business risk for the purpose of enhancing the measurement of the continuity and growth of an enterprise. The Egypt environment requires increasing the efficiency and effectiveness of the audit process by identifying the risks facing the auditor and enhancing the ability to detect deception in the financial statements. The study problem can be summarized by the following question: **what is The effect of using the strategy analysis approach to measure business risk on the quality of the audit process?**

1.2 Importance of study:

- Exploring the reality of the audit profession and measuring the extent of audit offices' commitment to providing its requirements. This study is considered a guiding reference through the developing of the current model with the strategy analysis model.
- Identifying the risks facing the auditor, this is performing that audit in order to achieve the best assessment of business risk. Thus, enhancing of the audit efficiency and effectiveness. In addition, importance of this study lies in its pursuit to increasing the auditor's efficiency and effectiveness through business strategy analysis of the enterprise for the purpose of enhancing the predictive ability when judging the continuity of the enterprise since. Is one of the most important tasks for an auditor.

1.3 Study Objectives:
The study aims to

- ✓ Identify business risks facing the auditor when performing the audit .
- ✓ Contribute to enhancing the auditor's efficiency through business strategy analysis for the purpose of enhancing predictive ability when judging the continuity of the enterprise.
- ✓ Improve the quality of the audit process, narrow the expectations gap in the audit process to the required level and produce outcomes and recommendations
  to improve the performance of audit offices .
- ✓ Identify the elements of external audit quality control in the practice of audit offices operating, according to the international audit standard No, 220.

1.4 Study Hypotheses:

In this part will be test the hypotheses that is related to the objectives of study.

The main Hypotheses:

"There is a statistically significant relationship, at a confidence level of 5%, between independent axes (client strategy analysis, risk of material misstatements in the financial statements, inevitable risk while performing the audit, risk of the auditor's assessment of the internal control environment

and the risk of the auditor performing audit tests) and between increasing the efficiency and effectiveness of the audit process".

The main assumptions can be achieved through the following sub-assumptions:

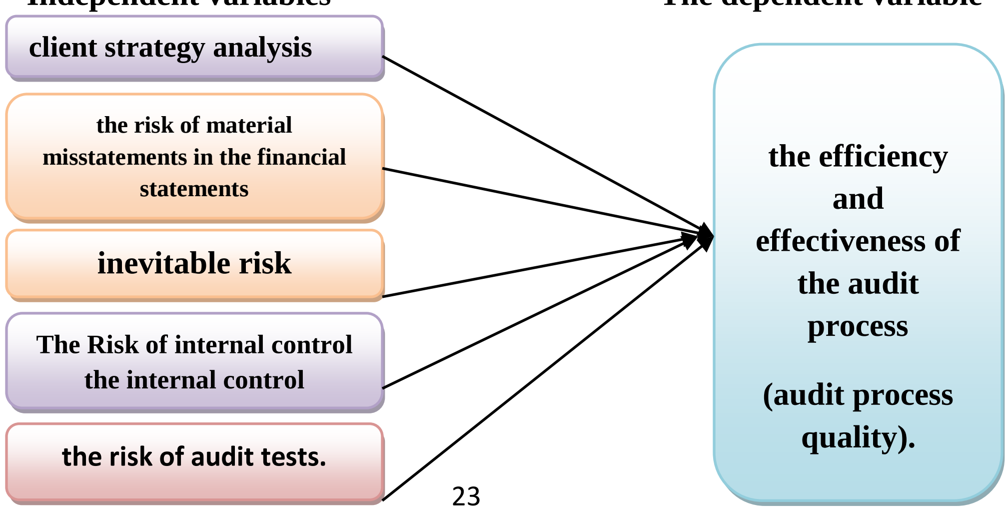
1. "There is a statistically significant relationship, at the level of 0.05, between client strategy analysis and increasing the efficiency and effectiveness of the audit process"
2. There is a statistically significant relationship, at the level of 0.05, between the risk of material misstatements in the financial statements and increasing the efficiency and effectiveness of the audit process"
3. "There is a statistically significant relationship, at the level of 0.05, between the inevitable risk and increasing the efficiency and effectiveness of the audit process"
4. "There is a statistically significant relationship, at the level of 0.05, between the risk of the auditor evaluation of the internal control environment and increasing the efficiency and effectiveness of the audit process"
5. "There is a statistically significant relationship, at the level of 0.05, between the risk of the auditor performing audit tests and increasing the efficiency and effectiveness of the audit process"

1.5 Variables of This Study:

The study variables include dependent variables and other independent variables.

- **Independent variables:**
  client strategy analysis, the risk of material misstatements in the financial statements, inevitable risk, the risk of evaluating the internal control environment and the risk of audit tests.
- **The dependent variable**:
  the efficiency and effectiveness of the audit process (audit process quality).

Independent variables **The dependent variable**



1.6 Methodology of the Study:

- **Data sources:**
  - **Secondary sources:** books, periodicals, scientific research, specialized professional journals, articles and specialized websites were used.
  - **Primary sources:** data was collected primarily through field research where a questionnaire was designed and then distributed to auditors, and accounting and auditing offices' owners and employees.
- **Data Analysis Methodology:**

  The data was analyzed using the descriptive analytical approach. All required statistical tests were also performed through (SPSS) Statistics software package such as the (T-TEST) for examining the research Hypotheses, Pearson Correlation Coefficient test, Kolmogorov-Smirnov Test in addition to several other statistical tests.

1.7 Study Population and Sample:

The study community consists of auditors, audit managers, owners of audit offices and their registered employees, and accredited by the Egyptian Association of Accountants and Auditors.

With regard to the study sample, the questionnaires were distributed to most members of the association, as the number of audit offices reached (63) and the number of employees practicing in audit offices (83) auditors.

1.8 Previous studies

A. (Arar, 2009) Study: "To What Extent Do External Auditors in Jordan Comply with Tests and Procedures in Evaluating Risks of Fundamental Errors in Auditing Financial Statements" The study aims to investigate the commitment extent of external auditors in Jordan, with the procedures and risk assessment tests of Fundamental Errors in auditing the financial statements. The questionnaire was distributed to the study sample consisting of (100) auditors, (50) for the external auditors and (50) for the internal auditors. Among the most important conclusions the study reached were that the external auditor in Jordan implements the procedures and tests required for understanding the entity and its environment in order to evaluate material misstatements. Therefore, there is a relationship between the auditor's understanding of the entity environment and his ability to evaluate the material misstatement risks when auditing financial statements. The study also recommended attending to enrolling unexperienced auditors in accounting courses specialized in the evaluation of material misstatements when auditing financial statements. In addition, the necessity for giving attention to holding specialized courses required for reveling material misstatements and the manipulation of published financial statements.

B. (Altwajry & Alnafaby, 2008) Study: "The Efficiency of Audit Service: an Analytical Study of the Relevant Factors from the Auditors Point of View" , The study aimed to explore auditors' opinions regarding the factors that have a potential effect on the audit quality, the factors affecting client preferences when choosing an audit office. The Study was conducted in Saudi Arabia on audit offices , The descriptive and analytical approaches were used where (95) questionnaires were distributed, SPSS software was used. The conclusion, most important among which was that the most influential factors on audit quality from the auditors' were: the practical experience of audit office members in the audit field, the objectivity during the audit process, evaluating and writing reports on financial statements and the operational efficiency of audit offices members. The study recommended the necessity for audit offices to adhere to objectivity and professional ethics when examining financial statements, the importance of audit offices independence from the client entity and spending sufficient effort and time in any audit activity due to the significant effect this has on the quality of the provided service.

C. (Karsoa', 2019) Study: "Audit Risks and the Contribution Fields of the External Auditor to Decrease its Effect on the Financial Statements in Auditing Process" , The study aims to identify audit risks and the external auditor's fields of contribution to decreasing its effect on the financial statements. To achieve the study objectives the scientific approach was followed through designing a questionnaire. The distributed questionnaires were (85), and (64) questionnaires were replied. Among the most important findings the study concluded were that, the use of statistical sampling decreases the audit process risks, using the computer in the audit process decreases the audit process risks and that ensuring the validity and reasonableness of accounting estimates decreases the audit process risks. The study recommended the use and application of statistical sampling methods correctly in order to reduce the audit process risks, the need for the auditor to be aware of the computer components and ensuring accuracy of the input, output and processing of the data. In addition, the auditor must use his diligence and professional experience on the financial statements level to unveil the inherent risks.

D. (Abdullatif & Khadash, 2010) Study: "Putting Audit Approaches in Context: The Case of Business Risk Audits in Jordan" , The Study aimed to investigate the applicability extent of the existing business risk based audit approach in developing countries, taking into account the different environmental factors among the developed countries that have adopted establishment and development of this approach. In addition, the study sought to determine the applicability of some of the factors related to the business risk based audit approach in audit offices and what impact does the decrease in audit fees have on the application of business risk based audit approach. ,The results show that audit offices has adopted business risk based audit approach to varying extents by relying on the role of the regional audit institution. There is a problem for many audit offices where if they attempted to implement some factors relating to business risk based audit approach such as governance system effectiveness; this would lead to performance at the same level as fundamental tests, which enables them to increase their power and control. The implementation of business risk based audit approach in Jordan is considered a luxury where costs rise to achieve limited benefits

E. Study (kullab, 2015): "Using strategy analysis to measure Business risks in order to increase efficiency and affectivity of auditing. This study aimed mainly to identify the business risks using the approach of the customer strategy analysis in order to improve the efficiency and effectiveness of the auditing process. questionnaire has been developed and distributed to the targeted group of audit firms which have profession license from the Auditors Association (64 offices). The most important findings of the study summarized in: The method of comparing the current customer data with the previous period data and comparing data on financial and non-financial information reduces the risk of audit procedures. , paying attention to data analysis provided to the auditors by the periodic reports with the auditors contributes to the reduction of the risk auditor's assessment of the internal auditing environment. The most important recommendations of the study can be summarized in: auditors need to provide their services to customers promptly when sought, and they should sustain good communication with customers on an ongoing basis and provide various needed information and advice to meet their needs.

F. (Almusdar, 2013) study: "Auditing Profession Impact on Audit Quality (Field Study)" , The study aimed to show the extent of the impact of the auditing profession risks on the quality of the audit process by investigating audit risks and audit quality. The descriptive analytical approach was implemented. A questionnaire was prepared and distributed to (63) auditors. SPSS was used to analyze and test Hypotheses about audit offices. Among the most important findings of the study were that auditors' certainty about accounting estimates lead to reducing the risk and that spending adequate professional care and using the approach of comparing client data with the data of the activity that has high efficiency and effectiveness, leads to reducing detection risks. The study recommended to make extra efforts to develop auditors' capability and introduce them to technological advances. In addition to the need for auditors to possess good scientific and ethical merits, as this will raise the level of audit quality. The study also recommended the need for providing personal attention to the client and the importance of auditors' understanding of the clients' problems. In addition to the need for auditors to attain scientific and professional certificates.

1.9 What is distinguishes this study from previous studies?

- **Differences:** previous studies did not discuss strategy analysis as an approach to identify business risk.
- **Similarities:** previous studies discussed the risks the auditor faces when implementing the audit process. This study is similar to previous ones in terms of the subject discussed, which is business risks.

What is distinguishes of this study?

It is considered one of the most important studies dealing with the review process, especially for auditors who determine the extent of the risks of working with the client's strategy. This study sheds light on the reality of the audit profession in Egypt and the efforts made to increase the efficiency and effectiveness of the audit process. In addition, previous studies addressed the assessment of audit risks without taking into account the analysis and understanding of the client's strategy, although taking them into consideration reduces the effort the auditor makes when Risk identification, thereby increasing the efficiency and effectiveness of the audit Processing.

The second section

The Theoretical Aspect of the Research

The audit profession is facing many business risks; some are external related to business environment, others are in the audit process itself within the manual and electronic tasks. The American Institute of Certified Public Accountants (AICPA) defines Audit Risks as the risk that the auditor may unknowingly fail to appropriately modify his or her opinion on financial statements that are materially misstated (AICPA-47) and it consists of three components.

2.1: Audit risk components: Audit risk consists of the following components:

- **Inherent Risk:** The susceptibility of an account balance or class of transactions to misstatement that could be material, individually or when aggregated with misstatements in other balances or classes, assuming that there were no related internal controls (Association of International Accountants, 2007, p. 141). This risk is one of the most crucial risks to assess accurately since the audit process efficiency is affected when it is identified higher than it should be, which requires greater effort by the auditor (Arar, 2009)

- **Control Risk:** The risk that a misstatement, that could occur in an account balance or class of transactions and that could be material individually or when aggregated with misstatements in other balances or classes, will not be prevented or detected and corrected on a timely basis by the accounting and internal control systems (Association of International Accountants, 2011, p. 221). Control Risks represent a measure for the auditor's estimation of the probability of misstatements higher than the potential value in a subset of account balances which will not be prevented or detected by the client internal control systems. Control risks are generally considered:
  - **a.** An assessment of the client's internal control effectiveness in preventing and discovering misstatements.
  - **b.** The auditor's desire for this assessment to be under the maximum 100% as a part of the audit plan.
- **Detection Risk:** The Association of International Accountants defined the detection risk as the risk that an auditor's substantive procedures will not detect a misstatement that exists in an account balance or class of transactions that could be material, individually or when aggregated with misstatements in other balances or classes (Ibrahim et al., 2019). It can also be defined as "the risk resulting from the internal control procedures failure to detect misstatements in a certain account balance or transaction. There is a constant presence of detection risk even if the auditor examined all account balances and transactions with 100% efficiency, because the majority of the evidence is convincing rather than conclusive." (Vosoughi et al., 2016)

2.2 Considerations the auditor should take into account regarding detection risks:

The auditor should take into account the following considerations: (Ibrahim et al., 2019)

- ✓ The nature of substantive procedures, such as the use of tests directed at independent third parties instead of parties within the entity.
- ✓ The timing of substantive procedures, such as performing the procedures at the end of the period rather than the start.
- ✓ The extent of substantive procedures, such as using a larger sample. These risks are expressed by a model that represents a link between procedures the auditor performs and his opinion. This model can be expressed using the following equation:

(AR) = (IR) x (CR) x (DR)

Where: AR (Audit Risk), IR (Inherent Risk), CR (Control Risk) and DR(Detection Risk)

It is clear from the foregoing that there is an inverse correlation between detection risks and each of inherent risks and control risks. Since whenever there is a decrease in the degree of any inherent risks or control risks the auditor believes exists, the auditor's detection risks increase and vice versa. (Aldib & Shihata, 2013)

2.3 Acceptable audit risks within business risk

Business risk is defined as the possibility for the auditor or audit office to sustain damages after performing a certain audit process, even if the audit report of the client was correct, for instance the client filing for bankruptcy after the audit process is completed; thus, the likelihood of litigation against the audit firm becomes higher even if the quality of the audit was good. Business risks might be manifested as the auditor incurring litigation costs, the auditor suffering damages to his professional reputation or as punitive actions taken against him by the regulators.

Auditors take into consideration business risks when presenting the evidence by using acceptable audit risk control.

Acceptable audit risks: are considered a measure of the auditor willingness to accept the presence of material misstatements in light of the relative importance of the financial statements after the audit completion and the issuing of a clean report. When the auditor decides a low level of acceptable audit risks, this means that the auditor wants to ensure the absence of material misstatements in the financial statements where when the risk is determined to be zero means complete assurance. Complete assurance, zero risk, in the financial statements is considered unrealistic from an economic point of view, because the auditor cannot guarantee the complete absence of material misstatements. (Lutfi, 2017)

2.4 The application stages of the strategy analysis approach:

Strategy analysis approach consists of several stages; these stages can be summarized as follows:

a. **First stage: The evaluation of Strategy effectiveness:-**

   The evaluation is implemented using data relating to the client's business model such as external threats, the strategy capability to face these threats, the client compatibility with the economic environment and his anticipation of strategic risks in addition to his ability to achieve the strategy objectives (Bell, 2013). Through this evaluation, the auditor obtains a deep understanding of the overall picture of the client rather than understanding separate parts of the client's system. Subsequently, the auditor investigates the impact of external threats on strategic risks facing the client such as competition intensity so that he can face these threats.

b. **Second Stage: understanding the strategy management efficiency :-**

   At this stage, the auditor collects information on how to manage the strategy in a way that this information enables him to determine the compatibility between strategy management and between external risks and financial reports. Then judging the success in implementing the strategy. When collecting this information the auditor is assisted by performance indicators set by the administration for the purpose of achieving the objectives (Kotchetova, 2013). To be able to understand the entity ability to manage the strategy inherent risk the auditor must evaluate the entity's main processes and how the management works on decreasing risk through implementing good control procedures since these main processes are considered the main link to the financial statements. A good performance evaluation system provides the auditor with information that helps him in evaluating the strategy and then assessing inherent risk. Accountants provide performance management systems and set standards either on the level of one particular department or on all departments.

The auditor can use the same standards to determine if the entity results are keeping up with expectations. These standards can also be used to identify problems in the administration strategies on the department level, which makes these systems a reliable tool for the auditor to be able to assess business risks and then the risk of material misstatements in the financial statements. (Kotchetova, 2013)

c. Third stage: designing audit tests in the light of risk assessment

The information obtained by the auditor in the previous two steps leads to a comprehensive understanding of the entity's processes being audited. Predictions about the main financial statements assertions and then planning audit tests. These expectations go through several stages starting with full client strategy evaluation to set a general visualization of the entity and its relationship with its surroundings, measuring potential risks resulting from this relationship and the determining how the entity tracks the performance by setting a system to monitor performance and risks relating to implemented control procedures.

After that, it is residual risk that then becomes the risk that the entity cannot control, which can affect the entity continuation and ability to make profits. Knechel's 2011 study indicates the importance of determining residual risk through which the administration may be exposed to pressures driving them to actions incompatible with the proper financial report requirements. Thus, determining this risk leads to raising the audit process efficiency.

2.5 : Strategy analysis implementation approaches for enhancing business risk assessment.

There are several approaches to implement strategy analysis for enhancing business risk assessment, the most important of which are as follows:

- **Top-down assessment approach:**
  This approach is based on performing the analysis and collecting information and data from the top down where the auditor begins by understanding the nature of the entity's business, its regulations and its variables. The auditor then moves on to understand the content of the strategy prepared by the entity, its responsiveness to specific circumstances and variables and the extent of the administration success in managing and implementing the strategy. The auditor then moves to operational (ongoing) activities. In all these stages, the auditor assesses inevitable risk and control risk to which the entity is exposed and how successful these stages are in reducing the risk to the residual risk. (Awda, 2011)
- **Bottom-up assessment approach:** This approach is based on performing the foregoing activities, only in reverse order.

2.6 The advantages and disadvantages of each approach are:

O,Donell's 2012 study pointed out two approaches to acquire the knowledge needed to make decisions about the risks of material misstatements. Which are the top-down and the bottom-down risks assessment approach. The study also indicated that by using the former, the auditor was able to develop a strategic knowledge framework when assessing the total risk, which is an indication of the probability of material misstatements in the financial statements, while when the later is used the same could not be achieved.

Implementing the former is preferred (Bell, 2013) since the auditors had an advantage by using it compared to others who relied on the later as those who used the former approach possess an intellectual framework that improves their assessment of the evidence obtained during the audit. In addition, the former approach promptly identifies the nature of business risks that pose threats to the entity and impairs achieving the objectives and thus affects the fairness of the information contained in the financial statements. Initial impressions without a doubt has a strong impact on subsequent judgments. Therefore, the auditor who obtains initial information on the strategy of the entity can better understand the nature of the operations of the entity and also better assess the objectivity of the evidence.

In spite of the advantages achieved by the former approach, there are reservations about it in the sense that the initial impression resulting form strategic analysis may adversely affect the subsequent stages of the audit, especially the analytical procedures, where the auditor assesses the fundamental fluctuations in the calculations according to the initial impressions when assessing the strategy. (Bell, 2013)

The Third Section: the Practical Aspect

Field study

3.1 Study Methodology:

- Primary sources: designing a questionnaire and distributing it to the auditors and employees of the accounting and auditing offices.
- Secondary sources: books and periodicals, scientific research, specialized professional journals and the Internet.

The data was analyzed according to the descriptive analytical approach. The statistical software (SPSS) was used to perform tests such as the (T-TEST) to examine the study Hypotheses and (Pearson Correlation coefficient) test and Kolmogorov-Smirnov Test, in addition to several other statistical tests.

3.2 Study Population and Sample:

The study population consists of the auditors registered in The Egyptian Association of Accountants and Auditors. The questionnaires were distributed to The majority of the members of the association. Where (100) questionnaires were distributed and (84) questionnaires valid for study and analysis were retrieved.

3.3 The study instrument (questionnaire) preparation steps:

After arbitration, the questionnaire contents consisted of section that includes the personal variables of the study sample members, the second section expresses. the independent axes and the dependent variable, which includes (76) paragraphs distributed on these axes as illustrated in table (1).

Table (1)

illustrates the distribution of the paragraphs of the study instrument across the axes

Axis	No. of Paragraphs
Client strategy analysis	14
Risk of material misstatements in the financial statements	13
Inevitable risk during the audit	9
Risk of the auditor's assessment of internal control environment	12
Risk of audit tests	12
Efficiency and effectiveness of the audit process(dependent variable)	16
Total paragraphs	76

1. Scoring the study instrument (questionnaire):

a) The five point (Likert Scale) was used to score the study instrument as illustrated in table (2):

Table (2)

scoring the study instrument based on the five point Likert scale

Answer	Strongly agree	agree	Neutral	Disagree	Strongly Disagree
degree	5	4	3	2	1

b) The average and the relative weight were used to determine the level of agreement for each paragraph and axis. Table (3) illustrates levels of agreement:

Table (3)

levels of agreement for the study's paragraphs and axes

Level of agreement	Very low	low	Average	High	Very High
Arithmetic average	**lower than** 1.80	1.8 to 2.59	2.6 to 3.39	3.4 to 4.19	**Higher than** 4.20
Relative weight	**lower than** 36%	36 to 51.9 %	52 to 67.9 %	68 to 83.9 %	**Higher than** 84 %

2. Validity and reliability of the questionnaire

- **Content related validity (Face Validity)**

The questionnaire was presented to a number of arbitrators and was amended until it took its final form.

- **Validity of sub-dimensions**

Table (4)

correlation coefficients (validity) between the total score of the questionnaire and the axes (*statistically significant at the level 0.05)

Axis	No. of paragraphs	Correlation coefficient	Level of significance
Client strategy analysis	**14**	***0.878**	**0.000**
Risk of material misstatement in the financial statements	**13**	***0.730**	**0.000**
Inevitable risk during the audit	**9**	***0.615**	**0.000**
The risk of auditor's assessment of the internal control environment	**12**	***0.873**	**0.000**
Risk of audit tests	**12**	***0.885**	**0.000**
Independent axes as a whole	**60**	***0.991**	**0.000**
Efficiency and effectiveness of the audit process (dependent variable)	**16**	***0.896**	**0.000**

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This is done by calculating the correlation coefficient between the total score of the questionnaire and the sub-dimensions and sub-fields of the questionnaire. The results, as shown in Table (4), indicate that the correlation coefficients, at the independent axes level, ranged between (0.615) for the "inevitable risk during audit" axis and (0.885) for the "Risk of Audit Tests" axis. At the level of axes, the correlation coefficient of the independent axes as a whole with the overall score of the questionnaire was (0.991). Whereas the dependent variable “efficiency and effectiveness of the audit process” correlation coefficient with the overall score of the questionnaire was (0.896). All correlation coefficients (validity) were statistically significant at (0.05), indicating a good degree of sub-dimensional validity.

- **Internal consistency:**

Table (5)

internal consistency coefficients of the first axis paragraphs (*statistically significant at the level 0.05)

No.	**Paragraph**	Correlation coefficient	Level of significance
1	**The auditors reduce the risk of misstatements in the client’s financial statements**	***0.679**	**0.000**
2	**The auditor receives adequate support from the office management to be able to carry out his work to the fullest extent**	***0.639**	**0.000**
3	**Auditors understand clients’ issues**	***0.684**	**0.000**
4	**Auditors are interested in solving clients’ problems peacefully**	***0.672**	**0.000**
5	**Auditors are keen to provide personal attention to the client**	***0.348**	**0.055**
6	**Auditors are always keen to identify clients’ needs and demands**	***0.660**	**0.000**
7	**Auditors are keen to express impartial and fair technical opinions about the financial statements**	***0.670**	**0.000**
8	**Audit offices are keen to maintain communication with the clients**	***0.644**	**0.000**
9	**Audit offices are keen to keep their promises to the clients at the specified time**	***0.588**	**0.000**
10	**Audit offices’ financial reports meet client requirements**	***0.584**	**0.001**
11	**Auditors try to identify unethical behaviors of management or employees**	***0.449**	**0.011**

12	**Auditors assist in detection of internal and external strategic risks**	***0.532**	**0.002**
13	**Auditors focus on the most important risks to the client relating to the financial statements**	***0.718**	**0.000**
14	**Guidance of the client to how to deal with internal and external business risk, thus improving the client performance.**	***0.529**	**0.000**

It is clear from Table (5) that the coefficients of internal consistency for the paragraphs of the first axis are all statistically significant at level (0.05) except for the fifth paragraph, so it will be deleted from the analysis. The values of the consistency coefficient for the axis paragraphs ranged between (0.449) for the eleventh paragraph and (0.718) for the thirteenth paragraph.

Table (6)

the coefficients of the internal consistency for the paragraphs of the second axis.(*statistically significant at the level 0.05)

No.	Paragraph	Correlation coefficient	Level of significance
1	**Auditors request written statements from management that there is no tampering with the financial data.**	***0.433**	**0.015**
2	**Auditors carry out the audit, taking into account the possibility of tampering with the financial data.**	***0.377**	**0.040**
3	**Auditors carry out the required procedures to obtain the information necessary to identify and assess the risks of material misstatements**	***0.553**	**0.001**
4	**Auditors notify the responsible parties about any deficiencies in the internal control system.**	***0.656**	**0.000**
5	**Auditors conduct periodic interviews with employees interested in the risks of material misrepresentation and manipulation of financial data.**	***0.474**	**0.007**
6	**Auditors conduct an audit to analyze selected opening accounts in the balance sheet of previously audited financial data.**	***0.520**	**0.003**
7	**Auditors are committed to revising accounting estimates to identify deviations that lead to material misstatements.**	***0.805**	**0.000**
8	**The auditors document any fraudulent work discovered during the audit process.**	***0.593**	**0.000**

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9	**In the event of there being a manipulation or material misstatements in the data and the management abstention from correction, the auditors take the appropriate position.**	***0.735**	**0.000**
10	**During the audit process, auditors are keen to attend the actual stock inventory process and verify the evaluation method implemented.**	***0.739**	**0.000**
11	**The nature of the procedures of the entity being audited affects the inherent risks.**	***0.396**	**0.030**
12	**The accuracy and clarity of information produced by the accounting system affects the financial statements.**	***0.480**	**0.006**
13	**The size of the entity affects the risk of material misstatements in the financial statements.**	***0.306**	**0.094**

It is clear from Table (6) that The internal consistency of all paragraphs was statistically significant at level 0.05 except for paragraph (13). Therefore, it will be deleted from the analysis. The values of consistency coefficient of the axis paragraphs ranged between (0.377) for paragraph (2) and (0.805) for paragraph (7).

Table (7)

the coefficients of the internal consistency for the paragraphs of the third axis.(*statistically significant at the level 0.05)

No.	Paragraph	Correlation coefficient	Level of significance
1	**There is a possibility that account or accounting operations may be exposed to material misstatement.**	***0.625**	**0.000**
2	**There is a weakness in internal controls over audit processes.**	***0.391**	**0.033**
3	**Financial transactions submitted by the auditor are subject to material misstatements.**	***0.613**	**0.000**
4	**The entity is keen to avoid any material misstatements in the financial statements**	***0.426**	**0.017**
5	**There is weakness in the ability of auditors to detect material misstatements**	***0.503**	**0.004**
6	**The possibility for long-term judicial disputes.**	***0.593**	**.000**
7	**Electronic accounting information systems are used.**	***0.535**	**0.002**
8	**Awareness of items and accounts that are inherently dangerous.**	***0.536**	**.002**
9	**Facilitate review of management estimates**	***0.404**	**.024**

It is clear from Table (7) that the coefficients of the internal consistency of the paragraphs were statistically significant at level 0.05, where the values of the consistency coefficients of the axis paragraphs ranged between (0.391) for the second paragraph and (0.625) for paragraph (1).

Table (8)

the coefficients of the internal consistency for the paragraphs of the fourth axis.(*statistically significant at the level 0.05)

No.	Paragraph	Correlation coefficient	Level of significance
1	**There is an elaborate system for internal control at financial companies.**	***0.535**	**0.002**
2	**Boards of directors cooperate with the executive management when establishing the internal control system.**	***0.712**	**0.000**
3	**The internal control system is implemented by the Internal Audit Department.**	***0.705**	**0.000**
4	**Internal control systems have procedures in place to ensure implementing the audit.**	***0.579**	**0.001**
5	**The Internal Audit Department discusses the internal control system with the external auditor.**	***0.658**	**0.000**
6	**Procedures are reviewed by the internal auditor to ensure that they comply with policies, plans, systems, laws and regulations.**	***0.703**	**0.000**
7	**There is an internal control environment that ensures review of financial operations.**	***0.643**	**0.000**
8	**There are clear criteria for assessing internal control.**	***0.835**	**0.000**
9	**Audit committees ensure that ethical standards are in place and ensure compliance.**	***0.669**	**0.000**
10	**Written objectives of internal audit responsibilities are reviewed by the Audit Committee.**	***0.700**	**0.000**
11	**Analysis of the data provided by the periodic reports reduces control risk.**	***0.586**	**0.001**
12	**The entity is working to increase the effectiveness of the procedures of internal control systems.**	***0.595**	**0.000**

It is clear from Table (8) that the coefficients of the internal consistency for all of the fourth axis paragraphs were statistically significant at 0.05, where the values of the consistency coefficients of the axis paragraphs ranged between (0.535) for the first paragraph and (0.835) for the eighth paragraph.

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Table (9)

the coefficients of the internal consistency for the paragraphs of the fifth axis.(*statistically significant at the level 0.05)

No.	Paragraph	Correlation coefficient	Level of significance
1	**Auditors perform analytical audit tests for the audited statements and accounts.**	***0.720**	**0.000**
2	**Analytical audit tests are used well to obtain sufficient evidence to verify the validity of financial balances.**	***0.603**	**.0.000**
3	**Applied analytical tests tries to achieve all objectives mentioned in the International Audit Manual related to analytical audit.**	***0.630**	**0.000**
4	**Auditors compare between different time periods and use ratios to link information**	***0.729**	**0.000**
5	**Auditors compare between financial and non-financial information to ensure the reasonableness of balances provided in the financial statements.**	***0.531**	**.0002**
6	**Auditors are guided by the audit manuals and international accounting standards.**	***0.694**	**0.000**
7	**Auditors compare actual client data with client expectations.**	***0.374**	**0.000**
8	**Auditors use the statistical sampling approach to ensure the validity of the financial statements.**	***0.612**	**0.000**
9	**Auditors test the appropriateness of accounting entries in the journal and ledger and any modifications performed when preparing the data.**	***0.572**	**.0001**
10	**Auditors seek the help of specialized experts when necessary.**	***0.833**	**0.000**
11	**Auditors compare financial data being audited with data from previous periods.**	***0.733**	**0.000**
12	**Auditors carefully define the scope of the audit process.**	***0.753**	**0.000**

It is clear from Table (9) that the coefficients of internal consistency for the paragraphs of the fifth axis are statistically significant at the level of 0.05, where the consistency coefficients of the axis paragraphs ranged between (0.374) for the fourth paragraph and (0.833) for the tenth paragraph.

Table (10)
the coefficients of the internal consistency for the paragraphs of the dependent variable. (*statistically significant at the level 0.05)

No.	Paragraph	Correlation coefficient	Level of significance
1	**The auditors complete all audit procedures and achieve its objectives.**	***0.763**	**0.000**
2	**The information provided by the audit reports assists decision-makers in making their decision**	***0.692**	**0.000**
3	**Clients feel confident in the provided audits**	***0.613**	**0.000**
4	**The audit process meets all of its objectives.**	***0.726**	**0.000**
5	**Audit reports meet client requirements and legal standards.**	***0.497**	**0.005**
6	**Audit process is designed and performed according to the professional standards.**	***0.411**	**.024**
7	**There is a guarantee for carrying out audit tasks and operations according to professional work standards.**	***0.649**	**0.000**
8	**Audit offices maintain records and entries that are precise and organizing to their work.**	***0.600**	**.001**
9	**Audit offices are keen to maintain communication with the clients.**	***0.432**	**.017**
10	**Audit processes are done away from any side effects**	***0.528**	**.003**
11	**Audit offices commit to submitting the audit report in accordance with generally accepted principles.**	***0.538**	**.002**
12	**Audit offices work on developing the abilities and skills of auditors.**	***0.651**	**0.000**
13	**Audit offices use modern technological techniques to perform their tasks.**	***0.725**	**0.000**
14	**Auditors possess a High degree of professionalism and skill when conducting the audit.**	***0.674**	**0.000**
15	**Auditors receive sufficient support from management to carry out their work.**	***0.641**	**0.000**
16	**Audit offices are committed to professional ethics in the audit processes**	***0.698**	**0.000**

It is clear from Table (10) that the coefficients of the internal consistency for the paragraphs of the dependent variable are all statistically significant at the level of 0.05, where the consistency coefficients values for the axis paragraphs ranged between (0.411) for paragraph (6) and (0.763) for paragraph (1).

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3. Reliability of the questionnaire paragraphs:

(SPSS) software provides several methods to calculating the reliability of the study instrument.

a. Split-Half Coefficient:

The reliability of the data can be measured using the half-split method, where the paragraphs are divided into two halves, the first containing odd paragraphs and second containing even paragraphs. The correlation coefficient between the two halves is then calculated. (Hassan & Alsaied, 2016). It is then modified by calculating the reliability coefficient using (Spearman-Brown)

equation: (R=2*r/1+r)

Where:

R : is the reliability coefficient.

r : is the correlation coefficient.

Table (11)

reliability of the study instrument using split-half method

Axis	No. of paragraphs	Correlation coefficient before modification	Correlation coefficient after modification
Client strategy analysis	**13**	**0.761**	**0.865**
The risk of material misstatement in the financial statements	**12**	**0.426**	**0.598**
Inevitable risk during the audit process	**9**	**0.461**	**0.633**
The risk of auditor's assessment of the internal control environment	**12**	**0.811**	**0.895**
Risk of audit tests	**12**	**0.760**	**0.864**
Independent axes as a whole	**58**	**0.900**	**0.948**
Efficiency and effectiveness of the audit process (dependent variable)	**16**	**0.759**	**0.863**
The questionnaire as a whole	**74**	**0.923**	**0.960**

It is clear from Table (11) that the modified correlation coefficient was (0.948). The modified correlation coefficients for the independent axes ranged between (0.598) for the "risk of material misstatement in the financial statements" axis and (0.895) for the "The risk of auditor's assessment of the internal control environment" axis. It is also noted that the modified Spearman correlation coefficient for the paragraphs of the dependent variable "Efficiency and effectiveness of the audit process" was (0.863). In general, we notice that the modified Spearman Brown coefficient for the questionnaire as a whole was (0.960). We conclude that all modified correlation coefficients are high, indicating a high degree of consistency in the data.

b. Cronbach's Alpha method:

Table (12) shows the results of the Cronbach's Alpha calculation of reliability.

Table (12)

reliability of the study instrument using Cronbach's Alpha method

No.	Axis	No. of paragraphs	Cronbach's Alpha coefficient
2	Client strategy analysis	13	0.873
3	The risk of material misstatement in the financial statements	12	0.831
4	Inevitable risk during the audit process	9	0.662
5	The risk of auditor's assessment of the internal control environment	12	0.890
6	Risk of audit tests	12	0.876
7	Independent axes as a whole	58	0.955
8	Efficiency and effectiveness of the audit process (dependent variable)	16	0.897
The questionnaire as a whole		74	0.967

Stability coefficients were generally (High) for all of the questionnaire axes. The coefficients ranged between (0.662) for the third axis and (0.890) for the fourth axis. It is also noted that the stability coefficient of the independent axes as a whole was found to be (0.955). As for the stability coefficient for the dependent variable, it was found to be (0.897). Overall, the total stability coefficient of the questionnaire was (0.967). All previous results indicate a high degree of stability and thus it can be relied on, analyzed and generalized on the study population.

4. Normal distribution of the study variables:

All variable of the study follow the normal distribution where the test's significance level for all variables was higher than 0.05 and therefore the (One Sample t-test) will be used to analyze the axes, The (13) table illustrates this.

Table (13)

Normal distribution of the study variables test

No.	Axis	Test value	Significance level
1	Client strategy analysis	0.091	0.200
2	The risk of material misstatement in the financial statements	0.110	0.200
3	Inevitable risk during the audit process	0.121	0.200
4	The risk of auditor's assessment of the internal control environment	0.140	0.129
5	Risk of audit tests	0.104	0.200
6	Efficiency and effectiveness of the audit process (dependent variable)	0.109	0.200
The questionnaire as a whole		0.109	0.200

3/4 : Testing and discussing the study Hypotheses

3/4/1 : Statistical description of the study sample:

- **The study sample distribution based on gender**

  It is evident that the majority of the members of the study sample (73.8%) are male, (62) individuals. The remaining percentage (26.2%) are female, (22) individuals. This indicates that the vast majority of the employees working in audit offices are male. Table(14)

Table (14)

study sample description based on gender

Gender	Number	Percentage %
Male	62	73.8
Female	22	26.2
Total	**84**	**100**

- **The study sample distribution based on age**

  It is evident that (51.2%) of the members of study sample are under 30 years old, representing (43) individuals. (29.8%) are between the ages of 30 to 40 years, representing (25) individuals. (10.7%) are more than 51 years old, representing (9) individuals. The least percentage was (8.3%) representing (7) individuals between the ages of 41 and 50 years.

  The sample indicates that the majority of employees in the audit profession are from the youth category who are just starting to practice this profession.

Table (15)

study sample description based on age

Age	Number	Percentage %
Under 30 years	43	51.2

30 – 40 years	25	29.8
41 – 50 years	7	8.3
Over 50 years	9	10.7
Total	**84**	**100.0**

- **The study sample distribution based on years of experience**

It is evident that (48.8%) of the members of the study sample had less than 5 years of experience, representing (41) individuals. (22.6%) had experience between 5 and 13 years, representing (19) individuals. (14.3%) had experience between 14 and 20 years and the same for individuals with more than 20 years of experience, representing (12) individuals for each category.

The sample shows a low level of experience, with the highest percentage (48.8%) having less than 5 years of experience. This means that the quality of the audit can be affected by the low professional experience of the auditor. (Table 16)

Table (16)
study sample description based on years of experience

Years of experience	Number	Percentage %
Under 5 years	41	48.8
5 – 13 years	19	22.6
14 – 20 years	12	14.3
Over 20 years	12	14.3
Total	**84**	**100**

- **The study sample distribution based on academic qualification**

It is evident that (73.8%) of the members of the study sample had a bachelor's degree, representing the vast majority (62) individuals. (17.9%) had a master's degree, representing (15) individuals. (6%) had a diploma degree, representing (5) individuals. The lowest percentage (2.4%), represents (2) individuals with a doctorate degree.

The percentage of individuals who had a bachelor's degree was found to be the highest (73.8%). This indicates that higher academic qualifications means increasing the efficiency and effectiveness of the audit process. (Table 17)

Table (17)
study sample description based on academic qualifications

Academic qualification	Number	Percentage %
Diploma	5	0.6
Bachelor	62	73.8
Master	15	17.9
Doctorate	2	2.4
Total	**84**	**100**

- **The study sample distribution based on job description**

It is evident that majority of the members of the sample are auditors with a percentage of (51.2%), representing (43) individuals. (19) Individuals are audit managers with a percentage of (22.6%). (20.2%) are audit assistants, representing (17) individuals. In addition, the lowest percentage (6%) represents (5) individuals who are the owners of audit offices. It is clear that the majority of those working in audit offices are auditors (51.2%) followed by audit assistants (22.6%) which lead to increasing the quality of the audit.

Table (18)

study sample description based on job description

Job description	Number	Percentage %
Auditor	43	51.2
Audit manager	19	22.6
Audit assistant	17	20.2
Audit office owner	5	6
Total	**84**	**100**

- **The study sample distribution based on academic specialization**

It is evident that the majority of the members of the study sample specialized in accounting with a percentage of (96.4%) representing (81) individuals. (3.6%) specialized in business administration, representing (3) individuals. It is clear that there is a high percentage of auditors specialized in accounting, where their percentage reached (96.4%) of the study population, indicating an increase in efficiency and effectiveness of the audit process. As for the business administration specialization, the auditor may not be licensed to practice the profession according to law 9 of (2004). (Table 19)

Table (19)

study sample description based on academic specialization

Academic specialization	Number	Percentage %
Accounting	81	96.4
Business administration	3	3.6
Total	**84**	**100**

- **The study sample distribution based on professional certificates**

It is evident that (29.8%) of the members of the study sample have an “Arabic ACPA” certificate, representing (25) individuals. (1.2%) have an “American CPA” certificate, representing (1) individual. (47.6%) do not hold any professional certificate, representing (40) individuals. The percentage of holders of other certificates was (21.4%), representing (18) individuals. This indicates the decrease in the percentage of auditors who have obtained professional certificates. (Table 20)

Table (20)
study sample description based on professional certificates

Professional certificates	Number	Percentage %
American CBA	1	1.2
Arabic ACBA	25	29.8
None	40	47.6
Other (PCPA)	28	21.4
Total	**84**	**100**

3/4/2 : the study axes analysis results:

A. Results related to the first axis "Client strategy analysis"

- The (Table 21) shows the results of the statistical analysis for the paragraphs of the first axis "Client strategy analysis"

Table (21)
results of the statistical analysis of the axis "Client strategy analysis" (Relative weights in the table are rounded to the nearest integer)

No.	Paragraph	Average	Standard deviation	relative weigh	rank	Level of agreement
1	**risk of financial**	**4.14**	**0.62**	**83%**	**1**	**High**
2	**The auditor receives adequate support from the office management to be able to carry out his work to the fullest extent**	**4.05**	**0.67**	**81%**	**2**	**High**
3	**Auditors understand clients' issues**	**3.85**	**0.67**	**77%**	**8**	**High**
4	**Auditors are interested in solving clients' problems peacefully**	**3.99**	**0.71**	**80%**	**5**	**High**
5	**Auditors are always keen to identify clients' needs and demands**	**3.93**	**0.75**	**79%**	**6**	**High**
6	**Auditors are keen to express impartial and fair technical opinions about the financial statements**	**4.01**	**0.78**	**80%**	**3**	**High**
7	**Auditors are keen to maintain communication with the clients**	**4.00**	**0.78**	**80%**	**4**	**High**
8	**Audit offices are keen to keep their promises to the clients at the specified time**	**3.99**	**0.78**	**80%**	**5**	**High**
9	**Audit offices' financial reports meet client requirements**	**3.89**	**0.77**	**78%**	**7**	**High**
10	**Auditors try to identify**	**3.55**	**0.92**	**71%**	**10**	**High**

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	unethical behaviors of management or employees					
11	**Auditors assist in detection of internal & external strategic risks**	**3.82**	**0.76**	**76%**	**9**	**High**
12	**Auditors focus on the most important risks to the client relating to the financial statements**	**4.05**	**0.81**	**81%**	**2**	**High**
13	**Guidance of the client to how to deal with internal and external business risk, thus improving the client performance.**	**4.05**	**0.74**	**81%**	**2**	**High**
Total score of the axis		**3.95**	**0.42**	**79%**	**High**	

The auditors reduce the misstatements in the client's statements
shows the analysis results.

- It is evident that the level of agreement for all of the paragraphs of the axis is "High", where the average values for the paragraphs of the axis ranged between (4.14 out of 5) for paragraph (1), which had a t of 83% and ranked first in terms of the average value, and (3.55 out of 5) for paragraph (10), which had a relative weight of 71% and ranked last in terms of the average value. In general, it is clear that the general average for the axis as a whole was (3.95 out of 5) with a standard deviation of (0.42) and a relative weight of 79% which indicate a high level of agreement.

➢ **To check if the average of the answers for the whole axis equals the value of (3) which reflects a neutral score, (One Sample T-Test) was used.**

Table (22) shows this.

Table (22)
T-Test result to verify if the answers average for the axis (Client strategy analysis) equals the neutral score (3) (* relevant at the level 0.05)

First axis	Avera ge	Standard deviation	T-Test value	Level of significance
Client strategy analysis	**3.95**	**0.42**	***20.55**	**0.000**

It is clear that T-test value is statistically significant at the level 0.05, where the calculated level of significance was (0.000). The answers average exceeds the value (3) by (0.95) degree. **This indicates that the members of the study sample have a positive position towards the axis "client strategy analysis". Meaning that there is a high agreement on this axis.**

B. Results related to the second axis
"The risk of material misstatement in the financial statements"

Table (23) shows the results of the analysis.

Table (23)

results of the statistical analysis of the axis "The risk of material misstatement in the financial statements" (Relative weights in the table are rounded to the nearest integer)

No.	Paragraph	Average	Standard deviation	relative weigh	rank	Level of agreement
1	Auditors request written statements from management that there is no tampering with the financial data.	3.95	0.70	79%	3	High
2	Auditors carry out the audit, taking into account the possibility of tampering with the financial data.	3.92	0.72	78%	5	High
3	Auditors carry out the required procedures to obtain the information necessary to identify and assess the risks of material misstatements	4.23	0.75	85%	1	Very High
4	Auditors notify the responsible parties about any deficiencies in the internal control system.	4.08	0.76	82%	2	High
5	Auditors conduct periodic interviews with employees interested in the risks of material misrepresentation and manipulation of financial data.	3.71	0.82	74%	10	High
6	Auditors conduct an audit to analyze selected opening accounts in the balance sheet of previously audited financial data.	3.79	0.75	76%	9	High
7	Auditors are committed to revising accounting estimates to identify deviations that lead	3.82	0.81	76%	8	High

	to material misstatements.					
8	**The auditors document any fraudulent work discovered during the audit process.**	**3.89**	**0.94**	**78%**	**6**	**High**
9	**In the event of there being a manipulation or material misstatements in the data and the management abstention from correction, the auditors take the appropriate position.**	**3.93**	**0.88**	**79%**	**4**	**High**
10	**During the audit process, auditors are keen to attend the actual stock inventory process and verify the evaluation method implemented.**	**3.89**	**0.84**	**78%**	**6**	**High**
11	**The nature of the procedures of the entity being audited affects the inherent risks.**	**3.93**	**0.75**	**79%**	**4**	**High**
12	**The accuracy and clarity of information produced by the accounting system affects the financial statements.**	**3.87**	**0.71**	**77%**	**7**	**High**
Total score of the axis		**3.92**	**0.43**	**78%**	**High**	

shows the analysis results.

- The level of agreement for all paragraphs of the axis was “high” except the third paragraph, which was “very high”. The average values of the paragraphs of the axis ranged between (4.23 out of 5) for the third paragraph with a relative weight of 85% and ranked first in terms of the average value, and (3.71 out of 5) for the fifth, which had a relative weight of 74% and ranked last in terms of the average value.
- In general, it is clear that the general average for the axis as a whole was (3.92 out of 5) with a standard deviation of (0.43) and a relative weight of 78%. This indicates a high level of agreement on the paragraphs of the axis “the risk of material misstatement in the financial statements”

➢ **To check if the average of the answers for the whole axis equals the value of (3) which reflects a neutral score, (One Sample T-Test) was used.**

Table (24) shows this.

Table (24)

T-Test result to verify if the answers average for the axis
(The risk of material misstatement in the financial statements) equals the neutral score 3 (* relevant at the level 0.05)

Second axis	Average	Standard deviation	T-Test value	Level of significance
The risk of material misstatement in the financial statements	**3.92**	**0.43**	***19.49**	**0.000**

It is evident from the previous table that the value of the T-test, for checking if the answers average equals the value (3) or not, was statistically significant at the level 0.05, where the calculated level of significance was found to be (0.000). The answers average exceeded the value (3) by (0.92) degrees. **This indicates that the study sample members had a positive position towards the axis "The risk of material misstatement in the financial statements", meaning that there is a high level of agreement on this axis.**

C. Results related to the third axis "Inevitable risk during the audit process"

We checked if the average of the answers for the axis as a whole equals the value (3) which reflects the neutral score using (One Sample T-Test). Table (25)

Table (25)
results of the statistical analysis of the axis "Inevitable risk during the audit process" (Relative weights in the table are rounded to the nearest integer)

Paragraph	Average	Standard deviation	relative weigh	rank	Level of agreement
There is a possibility that account or accounting operations may be exposed to material misstatement.	**4.13**	**0.74**	**83%**	**1**	**High**
There is a weakness in internal controls over audit processes.	**3.78**	**0.89**	**76%**	**6**	**High**
Financial transactions submitted by the auditor are subject to material misstatements.	**3.63**	**0.85**	**73%**	**8**	**High**
The entity is keen to avoid any material misstatements in the financial statements	**3.85**	**0.72**	**77%**	**3**	**High**
There is weakness in the ability of auditors to detect material misstatements	**3.39**	**0.97**	**68%**	**9**	**High**

The possibility for long-term judicial disputes.	**3.81**	**0.80**	**76%**	**4**	**High**
Electronic accounting information systems are used.	**3.69**	**0.92**	**74%**	**7**	**High**
Awareness of items and accounts that are inherently dangerous.	**3.92**	**0.73**	**78%**	**2**	**High**
Facilitate review of management estimates	**3.80**	**0.79**	**76%**	**5**	**High**
Total score of the axis	**3.78**	**0.43**	**76%**		**High**

shows the analysis results.

- The average values for the paragraphs ranged between (3.14 out of 5) for the first paragraph which ranked (First) with a relative weight of 83%, and (3.39 out of 5) for the fifth paragraph which ranked (last) with a relative weight of 68%. In general, it is noted that the general average of the axis as a whole was found to be (3.78 out of 5) with a standard deviation of (0.43) and a relative weight of 76%, indicating a high level of agreement on the paragraphs of the axis.

➢ **To examine if the average for the whole axis equals the value of (3) which reflects a neutral score, (One Sample T-Test) was performed. Table (26) shows this.**

Table (26)

T-Test result to verify if the answers average for the axis (Inevitable risk during the audit process) equals the neutral score 3 (* relevant at the level 0.05)

Third axis	Average	Standard deviation	T-Test value	Level of significance
Inevitable risk during the audit process	**3.78**	**0.43**	**16.70***	**0.000**

The results were statistically significant at the level (0.05), where the significance level was (0.000). The average of the answers exceeded the value (3) by (0.78), **indicating that the position of the members of the study sample towards the axis "Inevitable risk during the audit process" was positive, meaning that there is a high level of agreement on this axis.**

D. Results related to the fourth axis "The risk of auditor's assessment of the internal control environment"

We checked if the average of the answers for the axis as a whole equals the value (3) which reflects the neutral score using (One Sample T-Test).

Table (27)
results of the statistical analysis of the axis "The risk of auditor's assessment of the internal control environment" (Relative weights in the table are rounded to the nearest integer)

Paragraph	Average	Standard deviation	relative weigh	rank	Level of agreement
There is an elaborate system for internal control at financial companies.	3.80	0.86	76%	5	High
Boards of directors cooperate with the executive management when establishing the internal control system.	3.87	0.76	77%	3	High
The internal control system is implemented by the Internal Audit Department.	3.78	0.77	76%	7	High
Internal control systems have procedures in place to ensure implementing the audit.	3.88	0.71	78%	2	High
The Internal Audit Department discusses the internal control system with the external auditor.	3.78	0.72	76%	7	High
Procedures are reviewed by the internal auditor to ensure that they comply with policies, plans, systems, laws and regulations.	3.88	0.72	78%	2	High
There is an internal control environment that ensures review of financial operations.	3.88	0.75	78%	2	High
There are clear criteria for assessing internal control.	3.69	0.96	74%	9	High
Audit committees ensure that ethical standards are in place and ensure compliance.	3.79	0.87	76%	6	High
Written objectives of internal audit responsibilities are reviewed by the Audit Committee.	3.75	0.79	75%	8	High

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Analysis of the data provided by the periodic reports reduces control risk.	**3.90**	**0.75**	**78%**	**1**	**High**
The entity is working to increase the effectiveness of the procedures of internal control systems.	**3.81**	**0.80**	**76%**	**4**	**High**
Total score of the axis	**3.82**	**0.47**	**76%**		**High**

shows the analysis results.

- The level of agreement on all paragraphs of the axis is "High", where the average values for the paragraphs of the axis ranged between (3.9 out of 5) for the paragraph "analysis of the data provided by the periodic reports reduces control risk" which had a relative weight of 78% and ranked (First) in terms of average value and (3.69 out of 5) for the paragraph "There are clear criteria for assessing internal control", which had a relative weight of 74% and ranked last in terms of the average value. In general, it is noted that the general average for the axis as a whole was (3.82 out of 5) with a standard deviation of (0.47) and a relative weight of 76%. This indicates a high level of agreement on the paragraphs of the axis "The risk of auditor's assessment of the internal control environment".

➢ **To check if the average of the answers for the whole axis equals the value of (3) which reflects a neutral score, (One Sample T-Test) was used.** Table (28) shows this.

Table (28)

T-Test result to verify if the answers average for the axis (The risk of auditor's assessment of the internal control environment) equals the neutral score 3 - (* relevant at the level 0.05)

Fourth axis	Average	Standard deviation	T-Test value	Level of significance
The risk of auditor's assessment of the internal control environment	3.82	0.47	15.81*	0.000

The value of the T-test is statistically significant at the level 0.05, where the calculated level of significance was found to be (0.000). The answers average exceeded the value (3) by (0.82) degrees, indicating that the position of the members of the study sample towards the axis "**The risk of auditor's assessment of the internal control environment" was positive, meaning that there is a high agreement on this axis.**

E. Results related to the fifth axis "Risk of audit tests"

Table (29) shows the analysis results.

Results of the statistical analysis of the axis "Risk of audit tests" (Relative weights in the table are rounded to the nearest integer)

Paragraph	Average	Standard deviation	relative weigh	rank	Level of agreement
Auditors perform analytical audit tests for the audited statements and accounts.	**3.98**	**0.84**	**80%**	**2**	**High**
Analytical audit tests are used well to obtain sufficient evidence to verify the validity of financial balances.	**3.62**	**0.85**	**72%**	**10**	**High**
Applied analytical tests tries to achieve all objectives mentioned in the International Audit Manual related to analytical audit.	**3.50**	**0.90**	**70%**	**11**	**High**
Auditors compare between different time periods and use ratios to link information	**3.75**	**0.85**	**75%**	**8**	**High**
Auditors compare between financial and non financial information to ensure the reasonableness of balances provided in the financial statements.	**3.90**	**0.74**	**78%**	**3**	**High**
Auditors are guided by the audit manuals and international accounting standards.	**3.82**	**0.84**	**76%**	**6**	**High**
Auditors compare actual client data with client expectations.	**3.73**	**0.72**	**75%**	**9**	**High**
Auditors use the statistical sampling approach to ensure the validity of the financial statements.	**3.85**	**0.79**	**77%**	**5**	**High**
Auditors test the appropriateness of accounting entries in the journal and ledger and any modifications performed when preparing the data.	**3.88**	**0.73**	**78%**	**4**	**High**
Auditors seek the help of specialized experts when necessary.	**3.76**	**0.93**	**75%**	**7**	**High**
Auditors compare financial data being audited with data from previous periods.	**3.85**	**0.72**	**77%**	**5**	**High**

Auditors carefully define the scope of the audit process.	**3.99**	**0.72**	**80%**	**1**	**High**
Total score of the axis	**3.80**	**0.46**	**76%**	**High**	

The average values for the paragraphs of the axis ranged between (3.99 out of 5) for the paragraph "Auditors carefully define the scope of the audit process", which had a relative weight of 80% and ranked (First), and (3.50 out of 5) for the paragraph "Applied analytical tests tries to achieve all objectives mentioned in the International Audit Manual related to analytical audit", which had a relative weight of 70% and ranked (Last). In general, the value of the general average for the axis as a whole was (3.80 out of 5) with a standard deviation of (0.46) and a relative weight of 76%. This indicates a high level of agreement on the paragraphs of the axis.

- **To check if the average of the answers for the whole axis equals the value of (3) which reflects a neutral score, (One Sample T-Test) was used.**

Table (30) shows this.

Table (30)

T-Test result to verify if the answers average for the axis (Risk of audit tests) equals the neutral score 3 (* relevant at the level 0.05)

Fifth Axis	Average	Standard deviation	T-Test value	Level of significance
Risk of audit tests	**3.80**	**0.46**	***16.09**	**0.000**

The value of the T-test is statistically significant at the level (0.05), where the calculated level of significance was (0.000). The answers average exceeded the value (3) by (0.8) degrees, **indicating that the position of the members of the study sample was positive, meaning that there is a high level of agreement on this axis.**

- Table (31) summarizes the results of the overall score for the independent axes as a whole. The first axis "Client strategy analysis" ranked first with an average of (3.95 out of 5) while the third axis "Inevitable risk during the audit process" ranked last with an average of (3.78 out of 5). The Total average for the domain as a whole was (3.86 out of 5) with a relative weight of 74%. This indicates that there is a high level of agreement for the members of the study sample on the dependent axes as a whole. Table (31) shows the analysis results.

Table (31)

Summary of the results of the statistical analysis of the independent variables. (Relative weights in the table are rounded to the nearest integer)

Axis	Average	Standard deviation	Relative weight	T-Test value	Level of significance	Rank
Client strategy analysis	**3.95**	**0.42**	**79%**	***20.55**	**0.000**	**1**

The risk of material misstatements in the financial statements	**3.92**	**0.43**	**78%**	***19.49**	**0.000**	**2**
Inevitable risk during the audit process	**3.78**	**0.43**	**76%**	***16.70**	**0.000**	**5**
The risk of auditor's assessment of the internal control environment	**3.82**	**0.47**	**76%**	***15.81**	**0.000**	**3**
Risk of audit tests	**3.80**	**0.46**	**76%**	***16.09**	**0.000**	**4**
Total score of the domain	**3.86**	**0.35**	**77%**	***22.18**	**0.000**	

F. Results related to the dependent variable "Efficiency and effectiveness of the audit process"

Table (32) shows the analysis results for the paragraphs of the sixth axis "Efficiency and effectiveness of the audit process"

Table (32)

results of the statistical analysis of the axis "Efficiency and effectiveness of the audit process" (Relative weights in the table are rounded to the nearest integer)

No.	Paragraph	Average	Standard deviation	relative weigh	rank	Level of agreement
1	The auditors complete all audit procedures and achieve its objectives.	4.00	0.68	80%	1	High
2	The information provided by the audit reports assists decision-makers in making their decision	4.00	0.64	80%	1	High
3	Clients feel confident in the provided audits	3.88	0.82	78%	5	High
4	The audit process meets all of its objectives.	3.80	0.89	76%	8	High
5	Audit reports meet client requirements and legal standards.	3.80	0.75	76%	8	High
6	Audit process is designed and performed according to the professional standards.	3.76	0.73	75%	9	High
7	There is a guarantee for carrying	3.73	0.80	75%	10	High

	out audit tasks and operations according to professional work standards.					
8	**Audit offices maintain records and entries that are precise and organizing to their work.**	**3.89**	**0.85**	**78%**	**4**	**High**
9	**Audit offices are keen to maintain communication with the clients.**	**3.99**	**0.82**	**80%**	**2**	**High**
10	**Audit processes are done away from any side effects**	**3.93**	**0.82**	**79%**	**3**	**High**
11	**Audit offices commit to submitting the audit report in accordance with generally accepted principles.**	**3.88**	**0.79**	**78%**	**5**	**High**
12	**Audit offices work on developing the abilities and skills of auditors.**	**3.81**	**0.92**	**76%**	**7**	**High**
13	**Audit offices use modern technological techniques to perform their tasks.**	**3.86**	**0.90**	**77%**	**6**	**High**
14	**Auditors possess a high degree of professionalism and skill when conducting the audit.**	**3.89**	**0.77**	**78%**	**4**	**High**
15	**Auditors receive sufficient support from management to carry out their work.**	**3.86**	**0.72**	**77%**	**6**	**High**
16	**Audit offices are committed to professional ethics in the audit processes**	**4.00**	**0.64**	**80%**	**1**	**High**
Total score of the axis		**3.88**	**0.43**	**78%**	**High**	

The average values for the paragraphs of the axis ranged between (4 out of 5) for the paragraphs (1, 2, and 16), which had a relative weight of 80% and ranked first, and (3.73 out of 5) for paragraph (7) which had a relative weight of 75% and ranked last. The general average of the axis as a whole was (3.88 out of 5) with a standard deviation of (0.43) and a relative weight of 78%, indicating a high level of agreement. Table (33) shows the results of (One Sample T-Test) to check neutrality.

Table (33) T-Test result to verify if the answers average for the axis (Efficiency and effectiveness of the audit process) equals theneutral score 3 - (* relevant at the level 0.05)

Sixth axis	Average	Standard deviation	T-Test value	Level of significance
Efficiency and effectiveness of the audit process	**3.88**	**0.43**	***18.66**	**0.000**

The value of T-test is statistically significant at the level (0.05), where the calculated level of significance was (0.000). **The answers average exceeded the value (3) by (0.88) degrees, the direction is positive, i.e. there is a high level of agreement on the axis paragraphs.**

<u>G.</u> Testing and discussing the study Hypotheses

The main Hypotheses:

In this part will be test the hypotheses that is stated: “There is a statistically significant relationship, at a confidence level of 5%, between independent axes (client strategy analysis, risk of material misstatements in the financial statements, inevitable risk while performing the audit, risk of the auditor’s assessment of the internal control environment and the risk of the auditor performing audit tests) and between increasing the efficiency and effectiveness of the audit process”.

The main Hypotheses diverges into five sub-Hypotheses. The accuracy of these Hypotheses was checked by using Pearson Correlation Coefficient to measure the relationship between the independent axes and the dependent variable “increasing the efficiency and effectiveness of the audit process”. Statistically, we test the null hypothesis (H0), which assumes the absence of a statistically significant relationship versus the alternative hypothesis (H1) that assumes a statically significant relationship. The test result is judged according to the calculated level of significance value (Sig) where the null hypothesis is rejected and the validity of the alternative hypothesis is achieved if the (Sig) value was less than 0.05 and therefore the test is said to be significant. The null hypothesis is accepted if the value of (Sig) was found to be higher than 0.05, concluding that there is no statistically significant relationship.

The following are the results of testing the sub-Hypotheses and the main Hypotheses to investigate the existence of relationship between the independent variables (Client strategy analysis, Risk of material misstatements in the financial statements, inevitable risk during the audit process, the risk of auditor’s assessment of the internal control environment, and the risk of the auditor performing the audit tests) and the dependent variable “increasing the efficiency and effectiveness of the audit process”

- ✓ Testing the first sub-Hypotheses “There is a statistically significant at the level 0.05 between client strategy analysis and increasing the efficiency and effectiveness of the audit process”

- ✓ Pearson Correlation Coefficient between the independent variable "Client strategy analysis" and the dependent variable "Increasing the efficiency and effectiveness of the audit process" was found to be (r = 0.612). This correlation was statistically significant at 0.05, where the calculated level of significance value was (Sig = 0.000), which indicates that "there is a statistically significant relationship at the level 0.05 between client strategy analysis and increasing the efficiency and effectiveness of the audit process". This result is consistent with the study Hypotheses. Table (34) shows that.

Table (34)

Results of testing "The relationship between client strategy analysis and increasing the efficiency and effectiveness of the audit process" (*statistically significant at the level 0.05)

Independent variable	Dependent variable		
	No. of answers (N)	**Pearson correlation coefficient (r)**	**Level of significance (Sig.)**
Client strategy analysis	**83**	***0.612**	**0.000**

- Testing the second sub-Hypotheses "There is a statistically significant at the level 0.05 between the risk of material misstatements in the financial statements
  and increasing the efficiency and effectiveness of the audit process"

- ➢ Pearson Correlation Coefficient between the independent variable "The risk of material misstatements in the financial statements" and the dependent variable "Increasing the efficiency and effectiveness of the audit process" was found to be (r = 0.545). This correlation was statistically significant at 0.05, where the calculated level of significance value was (Sig = 0.000), which indicates that "there is a statistically significant relationship at the level 0.05 between the risk of material misstatements in the financial statements and increasing the efficiency and effectiveness of the audit process". This result is consistent with the study Hypotheses. Table (35) shows that

Table (35)

Results of testing "The relationship between the risk of material misstatements in the financial statements and increasing the efficiency and effectiveness of the audit process" (*statistically significant at the level 0.05)

Independent variable	Dependent variable		
	No. of answers (N)	**Pearson correlation coefficient (r)**	**Level of significance (Sig.)**

Client strategy analysis	**83**	***0.545**	**0.000**

Testing the third sub-Hypotheses "There is a statistically significant at the level 0.05 between the inevitable risk during the audit process and increasing the efficiency and effectiveness of the audit process"

- Pearson Correlation Coefficient between the independent variable "The inevitable risk during the audit process" and the dependent variable "Increasing the efficiency and effectiveness of the audit process" was found to be (r = 0.320). This correlation was statistically significant at 0.05, where the calculated level of significance value was (Sig = 0.003), which verifies "the existence of a statistically significant relationship at the level 0.05 between the inevitable risk during the audit process and increasing the efficiency and effectiveness of the audit process". This result is consistent with the study Hypotheses. Table (36) shows that.

Table (36)

Results of testing "The relationship between the inevitable risk during the audit process and increasing the efficiency and effectiveness of the audit process" - (*statistically significant at the level 0.05)

Independent variable	**Dependent variable**		
	No. of answers (N)	**Pearson correlation coefficient (r)**	**Level of significance (Sig.)**
Client strategy analysis	**83**	***0.320**	**0.003**

Testing the fourth sub-Hypotheses "There is a statistically significant at the level 0.05 between the risk of auditor's assessment of the internal control environment and increasing the efficiency and effectiveness of the audit process"

- Pearson Correlation Coefficient between the independent variable "The risk of auditor's assessment of the internal control environment" and the dependent variable "Increasing the efficiency and effectiveness of the audit process" was found to be (r = 0.629). This correlation was statistically significant at 0.05, where the calculated level of significance value was (Sig = 0.000), which indicates that "there is a statistically significant relationship at the level 0.05 between the risk of auditor's assessment of the internal control environment and increasing the efficiency and effectiveness of the audit process". This result is consistent with the study Hypotheses. Table (37) shows that.

Table (37)

Results of testing "The relationship between the risk of auditor's assessment of the internal control environment and increasing the efficiency and effectiveness of the audit process" - (*statistically significant at the level 0.05)

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Independent variable	Dependent variable		
	No. of answers (N)	Pearson correlation coefficient (r)	Level of significance (Sig.)
Client strategy analysis	83	*0.629	0.000

Testing the fifth sub-Hypotheses "There is a statistically significant at the level 0.05 between the risk of audit tests and increasing the efficiency and effectiveness of the audit process"

- Pearson Correlation Coefficient between the independent variable "Risk of Audit tests" and the dependent variable "Increasing the efficiency and effectiveness of the audit process" was found to be (r = 0.654). This correlation was statistically significant at 0.05, where the calculated level of significance value was (Sig = 0.000), which indicates that "there is a statistically significant relationship at the level 0.05 between the risk of audit tests and increasing the efficiency and effectiveness of the audit process". This result is consistent with the study Hypotheses. Table (38) shows that.

Table (38)

Results of testing "The relationship between the risk of audit tests and increasing the efficiency and effectiveness of the audit process" - (*statistically significant at the level 0.05)

Independent variable	Dependent variable		
	No. of answers (N)	Pearson correlation coefficient (r)	Level of significance (Sig.)
Client strategy analysis	83	*0.654	0.000

- In general, it is evident that the value of the Correlation Coefficient between the independent axes as a whole and the dependent variable "Increasing the efficiency and effectiveness of the audit process" was found to be (r = 0.321). This correlation was statistically significant at the level 0.05, where the calculated level of significance value was (sig = 0.000) which indicates the presence of a statistically significant relationship between the independent axes as a whole and increasing the efficiency and effectiveness of the audit process. Table (39) shows that.

Table (39)

Summarized Results of testing the first Hypotheses and the related subHypotheses

Independent variable	Dependent variable		
	No. of answers (N)	**Pearson correlation coefficient (r)**	**Level of significance (Sig.)**
Client strategy analysis	**83**	***0.612**	**0.000**
Risk of material misstatements in the financial statements	**83**	***545**	**0.000**
Inevitable risk during the audit process	**83**	***320**	**0.003**
Risk of the auditor's assessment of the internal control environment	**83**	***629**	**0.000**
Risk of audit tests	**83**	***654**	**0.000**
Independent axes as a whole	**83**	***713**	**0.000**

In light of the above, we can verify the validity of the main Hypotheses of the study, which assumes "the existence of a statistically significant relationship at the level 0.05 between the independent axes (Client strategy analysis, Risk of material misstatements in the financial statements, inevitable risk during the audit process, the risk of auditor's assessment of the internal control environment, and the risk of the auditor performing the audit tests) and increasing the efficiency and effectiveness of the audit process". This result is consistent with the main study Hypotheses.

The Fourth Section :
Conclusions and recommendations

4.1 The study conclusions:

1. It was revealed that, through client strategy analysis, auditors are more able to detect internal and external strategic risks for the client, and therefore increasing the efficiency and effectiveness of the audit process. The total score for the axis was 79%.
2. Avoiding any material misstatements in the financial statements and increasing the auditors' ability to detect material misstatements leads to a reduction in the inevitable risk. The total score for the axis was 76%.
3. The importance of increasing analytical tests during the audit process in order to minimize the risk of audit tests to the lowest limit as this contributes to increasing the efficiency and effectiveness of the audit process. The total score for the axis was 76%
4. The auditor's assessment of the internal control environment has an impact on the efficiency and effectiveness of the audit process. This

indicates the importance of the auditor's examination of the internal control systems in a professional and precise manner, which contributes to increasing the efficiency and effectiveness of the audit process. The total score for the axis was 76%

5. The accuracy & clarity of the information produced by the accounting system & the accuracy & reasonableness of the accounting estimates indicate a reduction in the risk of material misstatements in the financial statements. The total score for the axis was 78%.
6. The results of the statistical analysis showed "the existence of a statistically significant relationship at the level 0.05 between the independent axes (Client strategy analysis, Risk of material misstatements in the financial statements, inevitable risk during the audit process, the risk of auditor's assessment of the internal control environment, and the risk of the auditor performing the audit tests) and increasing the efficiency and effectiveness of the audit process" . This result is consistent with the main study Hypotheses.

4.2 Study recommendations

1) It is necessary for auditors to use client strategy analysis in order to increase the level of efficiency and effectiveness of the audit process.
2) Auditors should be keen to provide personal attention to the clients and to understand their issues.
3) Auditors need to provide their services to customers promptly when sought, and they should sustain good communication with customers on an ongoing basis, additionally auditors need to provide any professional information necessary to meet their needs, as this boosts the efficiency and effectiveness of the audit process.
4) The need for auditors to analyze and monitor the data provided by the periodic reports and to measure the effectiveness of the control systems procedures on the day-to-day operations of the entity, as this helps reduce the risk of assessing the internal control environment.
5) The importance of using the comparison approach, whether comparing customer data with customer expectations or comparing customer data across different time periods, which contributes to the detection of the risk of audit tests and thus increases the efficiency of the audit process.
6) Auditors should be keen to obtain the highest academic and professional certificates, as this contributes to advancing their academic, practical and professional abilities, thus increasing the efficiency and effectiveness of the audit process.

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Appendix

(Survey list)

In the name of Allah, the merciful

M/form identification

Greetings

Researcher set up this form for their search of unmarked (The effect of using the strategy analysis approach to measure business risk on the quality of the audit process) You please mark (√) the questionnaire questions accurately and objectively search to achieve its objectives and assure you our secret answer your information being used for research purposes only.

From us to you all thanks and appreciation

Researcher

Dr: Walid Samir Abdel Azeim Elgabali

Walidsamir96@yahoo.com

Accounting and Auditing Department

First section

please mark (√) in the appropriate place.

- **Gender**

Male	Female

- **Age**

Under 30 years	30 – 40 years	41 – 50 years	Over 50 years

- **academic specialization**

Accounting	
Business administration	

- **qualification:**

Diploma	Bachelor	Master	Doctorate

➢ **job title:**

Auditor	Audit manager	Audit assistant	Audit office owner

➢ **years of experience:**

Under 5 years	5 – 13 years	14 – 20 years	Over 20 years

➢ **professional certificates**

American CBA	Arabic ACBA	None	Other (PCPA)

Section II/measuring research variables

Statement	Strongly agree	agree	Neutral	Disagree	Strongly Disagree
The auditors reduce the risk of misstatements in the client's financial statements					
The auditor receives adequate support from the office management to be able to carry out his work to the fullest extent					
Auditors understand clients' issues					
Auditors are interested in solving clients' problems peacefully					
Auditors are keen to provide personal attention to the client					
Auditors are always keen to identify clients' needs and demands					
Auditors are keen to express impartial and fair technical opinions about the financial statements					
Audit offices are keen to maintain communication with the clients					
Audit offices are keen to keep their promises to the clients at the specified time					
Audit offices' financial reports meet client requirements					
Auditors try to identify unethical behaviors of					

management or employees					
Auditors assist in detection of internal and external strategic risks					
Auditors focus on the most important risks to the client relating to the financial statements					
Guidance of the client to how to deal with internal and external business risk, thus improving the client performance.					
Auditors request written statements from management that there is no tampering with the financial data.					
Auditors carry out the audit, taking into account the possibility of tampering with the financial data.					
Auditors carry out the required procedures to obtain the information necessary to identify and assess the risks of material misstatements					
Auditors notify the responsible parties about any deficiencies in the internal control system.					
Auditors conduct periodic interviews with employees interested in the risks of material misrepresentation and manipulation of financial data.					
Auditors conduct an audit to analyze selected opening accounts in the balance sheet of previously audited financial data.					
Auditors are committed to revising accounting estimates to identify deviations that lead to material misstatements.					
The auditors document any fraudulent work discovered during the audit process.					
In the event of there being a manipulation or material misstatements in the data and the management abstention from correction, the auditors take the appropriate position.					
During the audit process, auditors are keen to attend the actual stock inventory process and verify the evaluation method implemented.					
The nature of the procedures of the entity being audited affects the inherent risks.					

The accuracy and clarity of information produced by the accounting system affects the financial statements.					
The size of the entity affects the risk of material misstatements in the financial statements.					
There is a possibility that account or accounting operations may be exposed to material misstatement.					
There is a weakness in internal controls over audit processes.					
Financial transactions submitted by the auditor are subject to material misstatements.					
The entity is keen to avoid any material misstatements in the financial statements					
There is weakness in the ability of auditors to detect material misstatements					
The possibility for long-term judicial disputes.					
Electronic accounting information systems are used.					
Awareness of items and accounts that are inherently dangerous.					
There is an elaborate system for internal control at financial companies.					
Boards of directors cooperate with the executive management when establishing the internal control system.					
The internal control system is implemented by the Internal Audit Department.					
Internal control systems have procedures in place to ensure implementing the audit.					
The Internal Audit Department discusses the internal control system with the external auditor.					
Procedures are reviewed by the internal auditor to ensure that they comply with policies, plans, systems, laws and regulations.					
There is an internal control environment that ensures review of financial operations.					
There are clear criteria for assessing internal control.					

Audit committees ensure that ethical standards are in place and ensure compliance.					
Written objectives of internal audit responsibilities are reviewed by the Audit Committee.					
Analysis of the data provided by the periodic reports reduces control risk.					
The entity is working to increase the effectiveness of the procedures of internal control systems.					
Auditors perform analytical audit tests for the audited statements and accounts.					
Analytical audit tests are used well to obtain sufficient evidence to verify the validity of financial balances.					
Applied analytical tests tries to achieve all objectives mentioned in the International Audit Manual related to analytical audit.					
Auditors compare between different time periods and use ratios to link information					
Auditors compare between financial and non-financial information to ensure the reasonableness of balances provided in the financial statements.					
Auditors are guided by the audit manuals and international accounting standards.					
Auditors compare actual client data with client expectations.					
Auditors use the statistical sampling approach to ensure the validity of the financial statements.					
Auditors test the appropriateness of accounting entries in the journal and ledger and any modifications performed when preparing the data.					
Auditors seek the help of specialized experts when necessary.					
Auditors compare financial data being audited with data from previous periods.					
Auditors carefully define the scope of the audit process.					

The auditors complete all audit procedures and achieve its objectives.					
The information provided by the audit reports assists decision-makers in making their decision					
Clients feel confident in the provided audits					
The audit process meets all of its objectives.					
Audit reports meet client requirements and legal standards.					
Audit process is designed and performed according to the professional standards.					
There is a guarantee for carrying out audit tasks and operations according to professional work standards.					
Audit offices maintain records and entries that are precise and organizing to their work.					
Audit offices are keen to maintain communication with the clients.					
Audit processes are done away from any side effects					
Audit offices commit to submitting the audit report in accordance with generally accepted principles.					
Audit offices work on developing the abilities and skills of auditors.					
Audit offices use modern technological techniques to perform their tasks.					
Auditors possess a High degree of professionalism and skill when conducting the audit.					
Auditors receive sufficient support from management to carry out their work.					
Audit offices are committed to professional ethics in the audit processes					

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Manufacturing Economic Value Creation and Economic Development

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Abstracts
In Nigeria, firms specifically manufacturing firms lack sufficient ability to innovate in order to create value and add value to expand their operation to bring about expansion and economic progress because there is no conducive environment for them to operate. Against this background, this study examined manufacturing economic value creation and economic development in Nigeria. The study specifically, analyses the trend of manufacturing economic value creation, estimates the relationship between manufacturing economic value creation and economic development and analyse the direction of causality relationship between manufacturing economic value creation and economic development in Nigeria. The secondary data for the analysis were collected from World Bank Development Index (WDI). The data were analysed using the Fully Modified Ordinary Least Squares (FMOLS) method and Granger causality test while normality test, correlation analysis and unit root test were conducted as a preliminary evaluation of the data collected. The result of the fully modified OLS indicates that value creation (β =0.629402, t=10.27719 & $p<0.05$) and greenhouse gas emission (β=0.114513, t=3.108018 & $p<0.05$) exert a significant positive effect on economic development in Nigeria while the coefficient of manufacturing capacity utilisation (β=0.064705, t=1.054548, $p>0.05$) indicates that manufacturing capacity utilisation does not have a significant effect on economic development in NigeriaThe study concluded that value creation has a significant positive effect on economic development in Nigeria. among others, the study recommends the need for government to ensure that policy or programmes on manufacturing should be aimed at improving their capacity to create value by providing a conducive environment that help to improve performance in the Nigerian manufacturing industry

Keywords: Economic Development, Manufacturing sector, Value Creation, Value added, Fully Modified OLS

1.Introduction

Value creation is critical to a society's economic success and development because it provides the foundation for market systems and social institutions to evolve effectively through time in response to people's ever-changing preferences (Gregorio, 2013). The development of strategic resources is frequently required to create value. It occurs when a company's operational efficiency improves, resulting in more money for its stockholders (Oladele, 2013). (Pandey, 2002) defined value creation as the growth in the financial worth of shareholders produced by the performance of a company, as measured by the ratio of market value to book value of shares. Meanwhile, value refers to the feature that makes anything appealing, valuable, or helpful, as well as the quantity of money required to acquire something and what must be given, done, or endured in order to achieve it. When a company creates value, it raises or improves the value of its stakeholders. To the stakeholder, this might entail more appreciation, more power, or a stronger political connection, as well as an improvement in social position or happiness (Oladele, 2013).

The connection value, or the total of the values generated by the customer and supplier in a relationship, may come from a variety of places. It might come from the supplier's or buyer's resources and talents that benefit the other. However, value may be generated by both sides working together, which is usually done via cooperation (Tescari & Brito, 2016). Among the many ways of increasing value creation are the growth of relational and intellectual capital, supply chain and customer relationship management, trust, and commitment (Barcelo-Valenzuela et al., 2008). The share of value produced by the supplier-customer relationship that is captured by the customer is represented by the wedge between the customer's willingness to pay and the price charged by the provider (buyer). As a result, raising the customer's willingness to pay or lowering the price charged, or both, increases the value gained by the buyer, sometimes at the cost of the provider. If the opposite movements occur, this part of value may also be lowered (Tescari & Brito, 2016)

Of course, creating and developing value for consumers takes a lot of effort and long-term expenditures. They are the ultimate source, or at the very least a crucial driver, of strategic success (Verdin & Tackx, 2015). Profitability, dividend policy, and finance policy, according to (Naceur & Goaied, 2011), are three determinants of value generation. Banks will be able to dramatically enhance their market capitalization if they can add growth to their profitability. The "bird-in-hand" hypothesis states that the market price of a share is a function of the present value of the estimated cash flows realisable from the shares, i.e., the estimated cash dividends payable during the ownership term and the market price realisable upon the shares' disposition. Splitting a firm's net operational cash flows into fixed cash flows for debt and residual cash flows, on the other hand, has no influence on the firm's value in the absence of taxes, agency expenses, or information irregularities.

For ongoing excellent performance, value generation is a required but insufficient requirement. It is insufficient to just provide a useful product or service. In order to capture enough value, price and cost structures will need to be adjusted. For its stockholders, the service must create enough income and profit. The service will not be sustainable in the long run if the value provided by a private firm is not adequately captured. The firm's worth evolves throughout time, owing mostly to the firm's inventions and advancements. Value creation is increased when these innovations raise the consumer's willingness to pay (for example, when the product's quality improves) or lower the cost of supply (for example, via the use of alternative distribution channels such as the Internet) (Lieberman & Balasubramanian, 2007). As the gains of advancement are passed on to consumers, communities, rivals, and others, the benefits garnered by the originator sometimes fade swiftly (Gregorio, 2013). Because there is no suitable climate in the economy to function, enterprises in Nigeria, particularly manufacturing firms, lack the capacity to innovate in order to produce value and add value in order to extend their operations and bring about expansion and economic success. They struggle to get financial resources, particularly from commercial banks, which limits their potential to produce value (Hernita et al., 2021).

On the basis of the relevance of buyer-supplier interactions to firm competitiveness and economic development, various studies have been undertaken to highlight the importance of value creation in company growth and performance, as well as how value creation promotes shareholder wealth. However, since most studies concentrate on either the buyer or the supplier, they automatically equate value creation with value obtained by the party under investigation, the study of value creation in these interactions has various problems and offers a variety of methodologies (Pitelis Dr., 2009). Furthermore, the majority of the research focused on established and developing market economies, with little or no attention paid to African nations, including Nigeria. Furthermore, no empirical work has been done utilising quantitative data to determine the influence of manufacturing enterprises' economic value on economic development. In light of this, the overall goal of this research was to look at manufacturing economic value production and Nigerian economic growth. The research looks at the trajectory of manufacturing economic value production in Nigeria, as well as the link between manufacturing economic value creation and economic development and the direction of causation between manufacturing economic value creation and economic development. This research is necessary since the notion of value creation is important to the subject of strategic management, as a company or society that does not produce value will not be able to increase in profit, expand, or improve economically.

This study conducts an extensive literature review and consults relevant research articles published in a variety of academic journals and conference proceedings in order to provide answers to the stated objectives, and uses both the Fully Modified OLS technique and the Granger causality test on annual time series data from secondary sources. Manufacturing capacity utilisation and greenhouse gas emissions were independent factors in the model, whilst economic development was the dependent variable. Because both value added and value produced are represented in a firm's profit level, which is captured by manufacturing value added for manufacturing businesses, this research uses manufacturing value added as the measure of value creation to estimate its impact on economic development. As a measure of economic advancement, the GDP per capita was utilised. Following this introductory section, the second half of the study focuses on a literature review with the goal of clarifying the idea of value creation, providing a theoretical framework for the concepts, and exploring the current state of knowledge on the topic. The third part defines and examines the research technique, including how to obtain information for the study and how to analyse the data. The results and conclusion section of the study is the final section.

2. Review of the Literature

The conceptual review, theoretical expositions, and assessment of current investigations make up the three sections of this study. On a conceptual level, the term "value" refers to something's worth or significance. Simply said, it is the characteristic that makes anything attractive, valuable, or helpful; the amount of money required to acquire something; or what must be given, done, or endured in order to gain something (Oladele, 2013). Value encompasses not just achieved utility as shown by monetary returns or pleasure (e.g., consumer surplus, shareholder returns, management rents), but also the potential for future usefulness inherent in value that has not yet been appropriated (Gregorio, 2013). The perceived advantage to the client is what value creation is all about (Verdin & Tackx, 2015). It is also described as a growth in the financial worth of shareholders resulting from an organization's success, as measured by the ratio of market value to book value of shares (Pandey, 2002). The development of strategic resources is frequently required to create value. It occurs when a company's operational efficiency improves, resulting in more money for its stockholders (Oladele, 2013). Value creation is defined by economic theories as the difference between the value of the final product (the benefit received by the end user) and the value necessary to manufacture the product (the cost to the producer) (David Besanko et al., 1996). On the other hand, economic development refers to a consistent course of action that improves an economy's productive and fruitful potential through time, resulting in higher levels of national production and wealth (Todaro & Smith, 2005). Economic development, according to (Aliber & Kindleberger, 2008), is defined as increased output from increased input and efficiency. Economic development, according to (Snowden, 1986), is a long-term increase in the ability to deliver more diversified economic commodities to the people, based on advances in technology as well as institutional and ideological changes.

Sen's capacity theory and interactive social-economic development model give a theoretical foundation for this research. The capacity hypothesis is based on the premise that the most important human need is to seek happiness, which is not synonymous with wealth maximisation. Person capacities are used to define well-being, implying genuine chances to be and accomplish what is most important to each individual (Sen, 1979). Functions and capacities are the two basic foundations of Sen's philosophy. The so-called "beings and doings," or everything a person can perform, is classified as a function. Being educated, fed, and a member of a community are examples of "beings," while "doings" include things like playing football, travelling, reading, and utilising energy resources. They are all part of a human's operating system. The number of accessible functions is related to one's sense of well-being. Sen refers to this as "well-being freedom," which is the foundation for one's own happiness (Sen, 1979). The interactive Model of Self-Reliant Socioeconomic Development is designed to supplement the model of entrepreneurial development in order to produce technical innovation and result-oriented entrepreneurs with practical experience in key industrial areas. The double headed arrows are the most important institutions for progress. In the school system, ascending arrows represent academic career advancement, while descending arrows stress the function of higher education in providing instruction to match classroom learning with actual job experience in industry. Workers in the business will also guarantee that education and research are tailored to the country's requirements (Ogundele, 2005). Several studies have been undertaken against an empirical backdrop to highlight the relevance of value creation in corporate development and performance, as well as how value creation increases shareholder wealth. Whatever the case may be, the bulk of these research focused on established and developing market economies, with just a handful mentioning African nations, including Nigeria. Furthermore, previous research focused on how innovation activities translate to value creation, the magnitude of economic value creation and how it is distributed among a firm's stakeholders, value creation and capture in buyer-supplier relationships, and entrepreneurial intensity and shareholder value creation. (Figueiredo, 2011), for example, investigated value creation via innovation in mid-range developing markets such as Ecuador and Colombia. These markets are especially important since they have advanced swiftly from typical emerging economies but are not yet designated newly developed economies. The value creation activities at SMEs in the Ecuadorian market are the subject of this research. The author's results show that SMEs in mid-range developing economies build strategies to produce value for clients from emerging markets, and that they utilise partnerships to get access to the essential materials, such as natural resources and goods. (Lieberman & Balasubramanian, 2013) established a broad technique for estimating the quantity of economic value generation and its distribution across a firm's stakeholders using publicly accessible data in a separate research. Data from General Motors and Toyota was used to demonstrate the process. The findings revealed that GM's value generation and distribution structure differs dramatically from Toyota's. In general, the Japanese automobile sector has outperformed the US industry in recent decades, therefore the discrepancies in value creation and distribution seen in these statistics might be due to variances between the two countries.

(Paulo, 2016), for example, creates and tests a novel model for value generation and capture in buyer-supplier partnerships. Value production is unravelled by the identification of its sources, both intrinsic and relational, in addition to encompassing both value creation and capture in the same model. A survey of 127 duos was used to evaluate the concept (buyer and supplier). Both parties gain from the entire value produced by the partnership, according to the findings, although the degree of value capture differs. The supplier sees a higher value in the connection than the customer does, which motivates the former to put in even more effort to keep the relationship going. (Cezanne & Saglietto, 2016) also look at how human capital-intensive businesses create symbolic value. Examine how the inalienable and unique character of particular human capital necessitates a rethinking of the firm's function and limitations in light of critical resource theory. They illustrate that the company tries to coordinate the specialisation of its major partners within the constraints of its economic borders in order to maximise its value potential over time. As a result, the firm's worth is determined by how well it manages all of its resources. After that, they concentrate on how HCIF may produce various values. According to the author, the firm's competitive edge is based on several types of values, particularly the symbolic value embedded in human capital. They contend that the business is the value creator, and that the consumer recognises and receives value from whatever the firm offers. (Erasmus & Scheepers, 2008) looked at the link between entrepreneurial energy and the value provided by a firm for its shareholders. The market adjusted total share return (TSR) and the value based financial performance metric Economic Value Added are used to quantify shareholder value generation, while an adapted corporate entrepreneurship (CE) measuring instrument is used to gauge entrepreneurial intensity (EVA). For the year 2003-2005, the research was carried out on a sample of companies listed on the Johannesburg Securities Exchange (JSE) in the industrial sector. The findings show that EI and the change in an enterprise's EVA from 2003 to 2005 have a statistically significant association. Over time, it seems that businesses with a greater level of entrepreneurship contribute more economic value. Excess profits for shareholders seem to be generated by organisations with greater levels of entrepreneurship.

3. Methodology

Survey research was used in this study. The study design isn't only for gathering facts; it may also lead to the development of essential knowledge principles and the resolution of critical issues (Kerlinger, 1969). As a result, this strategy was chosen for this study since it allowed the researcher to get cross-referencing data as well as independent data validation. The unit of analysis in this research is a business whose workers (L) use the firm's capital (K) to turn materials and other acquired inputs (M) into valuable outputs, as described by (Lieberman & Balasubramanian, 2007). (Y). The amount of payments to "stakeholders" who contribute required elements of production to the business must match the firm's total revenues at any point in time. This identity may be stated as: defining Y as the firm's actual production and assuming just three stakeholders (labour, capital, and materials suppliers).

$$pY \equiv wL+rK+mM \quad (1)$$

Where: p is the price of the output, Y is the total output (measured in *real* or price-adjusted terms), L is the quantity of labor (total number of labour force), K is the amount of capital employed by the firm, M is the quantity of materials and other purchased inputs, w is the wage rate, r is the rate of return on capital, and m is the price of purchased materials (Lieberman & Balasubramanian, 2007). The equation denotes that the firm's revenues must equal its factor payments. Meanwhile, a proportional change in all prices (e.g., a doubling of p, w, r and m) leaves the relationship constant. When these variables change in such a way that, p+Δp, Y+ΔY and so on. Assuming that the changes are small relative to the initial values, for the subsequent period, equation 2 can be written as:

$$p\Delta Y+Y\Delta p = w\Delta L+L\Delta w+r\Delta K+K\Delta r+m\Delta M+M\Delta m \quad (2)$$

Dividing by pY, noting that the shares of labour, capital and material in the revenues are sL=(wL/pY), sk=(rK/pY) and sM=(mM/pY) and re-arranging Equation 2, we can write:

$$(\Delta Y/Y)-sL(\Delta L/L)-sK(\Delta K/K)-sM(\Delta M/M) = sL(\Delta w/w) + sk(\Delta r/r) + sm(\Delta m/m) - (\Delta p/p) \quad (3)$$

This formula represents the fact that the incremental value created by the firm in each period must equal the incremental value distributed. Based on the left hand side of Equation 3 and define R such that:

$$R = (\Delta Y/Y) - sL(\Delta L/L) - sK(\Delta K/K) - sM(\Delta M/M) \quad (4)$$

Hence, the firm’s revenue is assumed to be paid out to those who provide the firm with labor, capital and materials; hence the factor shares sum to unity (sL + sK + sM = 1). In the economics literature on productivity, Equation (4) is the Total Factor Productivity (TFP) residual (Domingos & Hulten, 2000).

In line with the above framework as conceptualised from productivity literature, the study modeled the relationship between value creation and economic development where value creation as proxy by manufacturing value added, manufacturing capacity utilisation and greenhouse gas emission were the independent variables while economic development was measured by GDP per capita was the dependent variable. The functional relationship of the model is stated as follows:

Model 1: Value Creation and Economic Development Model

$$\mathbf{GDPc} = \beta_0 + \beta_1 \mathbf{VC} + \beta_2\mathbf{MC} + \beta_3 \mathbf{GG} + \varepsilon \quad (5)$$

Where;

GDPc = Economic Development (Gross Domestic Product Per Capita)

VC= Value Creation (Manufacturing Value Added)

MC = Manufacturing Capacity Utilisation

GG = Greenhouse Gas Emission

β_1-β_5 = Regression Coefficient for each independent Term

β_0 = Constant Term

ε = Random or Stochastic Term

Model 2: Value Creation Cause and Effect Model

As stated in equation 5 above the model for the relationship is stated as: GDPc = β_0 + β_1 VC + β_2MC + β_3 GG +ε_t. The Multivariate Granger system for the relationship between value creation and economic development is specified in general form as follows.

$$\begin{pmatrix} \mathrm{GDPc}_{1t} \\ \mathrm{GDPc}_{2t} \end{pmatrix} = CD_t + \sum_{t=1}^{p} \begin{pmatrix} \beta_{11} & \beta_{12} \\ \beta_{21} & \beta_{22} \end{pmatrix} \begin{pmatrix} \mathrm{GDPc}_{1t-1} \\ \mathrm{GDPc}_{2t-1} \end{pmatrix} + \begin{pmatrix} \varepsilon_{1t} \\ \varepsilon_{2t} \end{pmatrix}$$

In the model set up, y_{1t} does not Granger cause y_{2t} if and only if

$\alpha_{2i} = 0$, $i = 1, 2, ----p$ GDPc

Based on economic theory, value creation and manufacturing capacity utilisation are expected to have positive effect on economic development but the effect greenhouse gas emission on economic development is expected to be negative. In the model, since both value added and value created is reflected by the growth in the profit level of the firm which is captured by manufacturing value added for manufacturing firms, this study makes use of manufacturing value added as the measure for value creation to determine its effect on economic development. The GDP per capital was used as proxy for economic development. The secondary data for this study were collected from World Bank Development Index (WDI). The data set in this group was entirely quantitative in nature and measured on the ratio scale. The data were analysed using the *Fully Modified* Ordinary Least Squares (FMOLS) method. This technique is an alternative approach to OLS, as proposed by (Phillips & Hansen, 1990) to provide optimal estimates of cointegrating regressions. The method modifies least squares to account for serial correlation effects and for the endogeneity in the repressors that result from the existence of a cointegrating relationship.

4. Results and Conclusion

i. Preliminary Results

In the analysis of data collected, the dynamic OLS and granger causality test are applied on the empirical data collected on the Nigerian economy on the subject matter. Meanwhile, before the empirical result is estimated, preliminary tests that informed the selection of the actual estimation techniques which include normality test, correlation and trend analysis, lag order selection and unit root test are presented as follows:

Table 1: Descriptive statistics

Variable	Mean	Median	Maximum	Minimum	Std. Dev.	Jarque-Bera	Prob
GDPC	309111.1	324500.0	383000.0	193000.0	68817.65	1.936620	0.379724
VC	4.22E+12	3.90E+12	6.83E+12	1.82E+12	1.83E+12	1.656400	0.436835
MC	53.15500	54.32000	59.31000	36.10000	5.349267	30.53298	0.000000
GG	3067.222	4540.000	4600.000	1200.000	1718.576	3.000993	0.223019

Source: Author, 2019

The Jarque-Bera statistics revealed that manufacturing capacity utilisation is normally distributed, as its p-value is statistically significant at the 5% level of significance, whereas economic development, value creation, and greenhouse gas emissions are all positive. This finding shows that the stationarity test and the use of estimate methods that account for the problem of normalcy in the data set should be used to rectify the issue of normality in the data set.

Table 2: Correlation Matrix

	GDPC	VC	MC	GG
GDPC	1.000000	0.918982	0.561951	-0.806717
VC	0.918982	1.000000	0.478726	-0.905350
MC	0.561951	0.478726	1.000000	-0.359189
GG	-0.806717	-0.905350	-0.359189	1.000000

Source: Author, 2019

Table 2 shows the connection between the explanatory factors as a test of multicollinear distortions. The correlation coefficients are not very strong in general. Table 2's Pearson correlation coefficients for value creation have the greatest absolute value of 0.91. One may argue that, although most values deviate considerably from zero, this is unimportant given the low strength of the values. Furthermore, no evidence of multicollinear distortions was found in trials that included eliminating variables in a pseudo stepwise approach.

Table 3: Lag-Order Selection Criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	31.48288	NA	4.64e-07	-3.233279	-3.037229	-3.213792
1	80.18095	68.75023*	1.06e-08*	-7.080112*	-6.099861*	-6.982673*

LR: sequential modified LR test statistic (each test at 5% level)
FPE: Final prediction error
AIC: Akaike information criterion
SC: Schwarz information criterion
HQ: Hannan-Quinn information criterion

Source: Author, 2019

Based on the result in table 3 a maximum of 1 lag as suggested by sequential modified LR test, Final prediction error, Akaike information criterion (AIC) and Hannan-Quinn information criterion (HQ) was used in the analysis

Table 4: Unit root test results.

Variables		**ADF Test (Value)**		**Order of Integration**
		Level	**First Diff**	
GDPc		2.400308	-2.686255	I(1)
VC		1.458846	-5.018800	I(1)
MC		0.449041	-2.306669	I(1)
GG		-1.318056	-3.373140	I(1)
Critical Value @	1%	-2.708094	-2.717511	
	5%	-1.962813	-1.964418	
	10%	-1.606129	-1.605603	

Source: Author, 2019

The unit root test utilising the Augmented Dickey Fuller (ADF) test revealed that all of the variables in the data set are stationary at the first difference at a significance level of 5%. As a consequence, the ADF test revealed that all variables are stationary only at the first difference [I(1)] at a level of significance of 5%.

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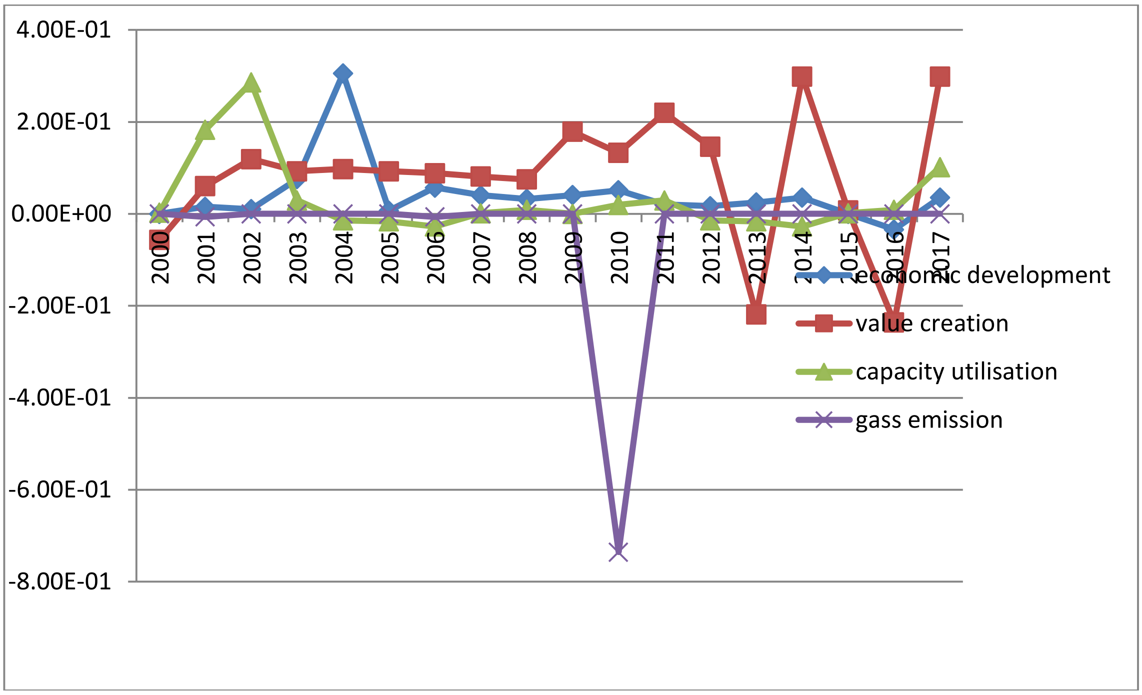
ii. Trend Analysis
The trend of economic development and value creation is presented with the aid of line graph as follows:
Figure 2: Trend of Economic Development and Value Creation in Nigeria from 1984-2015



Source: Author, 2019
Figure 1 depicts the pattern of economic growth, which reveals that the rate of economic development has been extremely slow and rather unsteady throughout the time. However, between 2002 and 2005, the rate of economic growth accelerated dramatically. Throughout the era, value creation has been quite variable. Although the trend of value creation remained constant and modest between 2002 and 2008, there was a substantial contraction in the trend of value production between 2012 and 2014, as well as between 2014 and 2017. Although the trend of industrial capacity utilisation was low and unpredictable throughout the period, it grew dramatically between 2000 and 2003. The trend in gas emissions has been fairly modest throughout the years, but it spiked dramatically between 2009 and 2011.

iii. Empirical Results

Table 5: Fully Modified OLS Estimate

Dependent variable: GDPc

Variable	Coefficient	Std. Error	t-Statistic	Prob.
VC	0.629402	0.061243	10.27719	0.0000
MC	0.088716	0.193847	0.457663	0.6548
GG	0.114513	0.036844	3.108018	0.0083
C	-6.868293	1.912186	-3.591854	0.0033
Long-run variance	0.002120			
R-squared	0.894183			
Adjusted R-squared	0.869764			

Source: Author, 2019.

The calculated model shows that value creation (=0.629402, t=10.27719, p0.05) and greenhouse gas emissions (=0.114513, t=3.108018, p0.05) have a considerable beneficial impact on Nigerian economic growth. According to the findings, a unit increase in value creation leads to a 63 percent rise in economic growth, whereas a unit increase in greenhouse gas emissions leads to an 11 percent increase in economic growth. However, the manufacturing capacity utilisation coefficient (=0.064705, t=1.054548, p>0.05) reveals that manufacturing capacity utilisation has no meaningful influence on Nigerian economic growth. The country's recent focus on sustainable development, with a particular emphasis on environmental preservation, may have had a favourable influence on greenhouse gas emissions and economic growth. Given the high level of unemployment and insufficient training and development of workers in the nation, the minimal impact of industrial capacity utilisation should come as no surprise.

Table 6: Granger Causality Test

Hypothesis	F-Statistics	Prob.
Panel A: **Causality from other variables to GDPC**		
VC → GDPc	4.02280	0.0011
MC → GDPc	2.76962	0.0072
GG → GDPc	0.11504	0.7395
Panel B: **Causality from GDPC to other variables**		
GDPc → VC	0.81915	0.3731
GDPc → MC	3.51182	0.0243
GDPc → GG	3.29123	0.0911

Source: Author, 2019

Value creation and industrial capacity utilisation granger produce economic progress, as seen in Table 6. Economic growth was also shown to increase industrial capacity utilisation by 5%. According to the findings, there is a unidirectional causation between economic development and value creation, which runs at a 5% significant level from value creation to economic development. There was also a bi-causality between economic growth and manufacturing capacity utilisation, which runs at a 5% significant level on both sides.

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5. Conclusion and Recommendations

The fully modified OLS indicates that value creation (=0.629402, t=10.27719 & p0.05) and greenhouse gas emission (=0.114513, t=3.108018 & p0.05) have a significant positive effect on economic development in Nigeria, however manufacturing capacity utilisation (=0.064705, t=1.054548, p>0.05) does not. The granger causality test revealed a unidirectional causality between economic development and value creation, which runs from value creation to economic development, as well as a bi-causality relationship between economic development and manufacturing capacity utilisation, which runs from both sides at a 5% significant level. According to the findings, value creation has a considerable beneficial impact on Nigerian economic growth. As a result, increased value production contributes to Nigerian economic progress. The results of a research done by (Paulo, 2016), who developed and tested a novel model for value generation and capture in buyer-supplier partnerships, confirm this conclusion. The findings showed that both parties gain from the relationship's overall value creation, although the degree of value capture differs. The supplier's worth is larger than the buyer's, which drives the former to increase its efforts even more to guarantee that the partnership continues. (Erasmus & Scheepers, 2008) research on the link between entrepreneurial intensity and the value provided by a firm for its shareholders backed up this conclusion. The findings show a statistically significant link between entrepreneurial desire and the change in an enterprise's EVA level from 2003 to 2005. Over time, it seems that businesses with greater levels of entrepreneurship contribute more economic value. Companies with greater levels of entrepreneurship seem to provide surplus returns for shareholders above market returns.

Based on the facts above, government policies or programmes on manufacturing should attempt to strengthen their ability to produce value by creating a favourable atmosphere that aids in the improvement of performance in the Nigerian manufacturing sector. In addition, policymakers, industry regulators, and practitioners should support the pursuit of the profitability goal and do more to create regulations around other performance improvement indicators than profit. Future policies should emphasise development, expansion, and performance improvement initiatives that prepare the manufacturing sector for competition and other problems in the nation.

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APPENDIXES

Year	**GDPc**	***VC***	***MC***	***GG***
2000	1.93E+05	1.8236E+12	36.1	4.60E+03
2001	1.96E+05	1.9268E+12	42.7	4.57E+03
2002	1.98E+05	2.1561E+12	54.9	4.57E+03
2003	2.13E+05	2.36335E+12	56.5	4.57E+03
2004	2.78E+05	2.5853E+12	55.7	4.57E+03
2005	2.80E+05	2.83263E+12	54.80	4.57E+03
2006	2.96E+05	3.08458E+12	53.30	4.54E+03
2007	3.08E+05	3.32687E+12	53.38	4.54E+03
2008	3.18E+05	3.57864E+12	53.84	4.54E+03
2009	3.31E+05	4.21619E+12	53.84	4.54E+03
2010	3.48E+05	4.78366E+12	54.9	1.20E+03
2011	3.55E+05	5.82636E+12	56.5	1.20E+03
2012	3.61E+05	6.68422E+12	55.7	1.20E+03
2013	3.70E+05	5.21619E+12	54.80	1.20E+03
2014	3.83E+05	6.78366E+12	53.30	1.20E+03
2015	3.83E+05	6.82636E+12	53.38	1.20E+03
2016	3.70E+05	5.21619E+12	53.84	1.20E+03
2017	3.83E+05	6.78366E+12	59.31	1.20E+03

Dependent Variable: LOG(GDPC)
Method: Fully Modified Least Squares (FMOLS)
Date: 01/03/19 Time: 10:59
Sample (adjusted): 2001 2017
Included observations: 17 after adjustments
Cointegrating equation deterministics: C
Long-run covariance estimate (Bartlett kernel, Newey-West fixed bandwidth
= 3.0000)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(VC)	0.629402	0.061243	10.27719	0.0000
LOG(MC)	0.088716	0.193847	0.457663	0.6548
LOG(GG)	0.114513	0.036844	3.108018	0.0083
C	-6.868293	1.912186	-3.591854	0.0033

R-squared	0.894183	Mean dependent var	12.64064
Adjusted R-squared	0.869764	S.D. dependent var	0.228147
S.E. of regression	0.082334	Sum squared resid	0.088126
Long-run variance	0.002120		

VAR Lag Order Selection Criteria

Endogenous variables: LOG(GDPC) LOG(VC) LOG(MC) LOG(GG)
Exogenous variables: C
Date: 01/03/19 Time: 11:47
Sample: 2000 2017
Included observations: 17

Lag	LogL	LR	FPE	AIC	SC	HQ
0	31.48288	NA	4.64e-07	-3.233279	-3.037229	-3.213792
1	80.18095	68.75023*	1.06e-08*	-7.080112*	-6.099861*	-6.982673*

* indicates lag order selected by the criterion
LR: sequential modified LR test statistic (each test at 5% level)
FPE: Final prediction error
AIC: Akaike information criterion
SC: Schwarz information criterion
HQ: Hannan-Quinn information criterion

Pairwise Granger Causality Tests
Date: 01/03/19 Time: 13:02
Sample: 2000 2017
Lags: 1

Null Hypothesis:	Obs	F-Statistic	Prob.
VC does not Granger Cause GDPC	17	0.14797	0.7063
GDPC does not Granger Cause VC		6.18724	0.0261
MC does not Granger Cause GDPC	17	7.80543	0.0144
GDPC does not Granger Cause MC		0.11301	0.7417
GG does not Granger Cause GDPC	17	0.11504	0.7395
GDPC does not Granger Cause GG		3.29123	0.0911
MC does not Granger Cause VC	17	0.47742	0.5009
VC does not Granger Cause MC		0.04122	0.8420
GG does not Granger Cause VC	17	3.51081	0.0820
VC does not Granger Cause GG		4.19044	0.0599
GG does not Granger Cause MC	17	0.13469	0.7191
MC does not Granger Cause GG		0.19375	0.6665

The Reality of Creating Shared Value at Small and Medium Enterprises in the Kingdom of Bahrain

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Abstract:
Creating Shared Value (CSV) has been presented by Porter and Kramer to get rid of capitalism idea, as tool to vanquish the perception that business profit at the expense of society. This research aim is to study the reality of value sharing in small and medium enterprises in the Kingdom of Bahrain, which is measured through its three levels, (level 1- reconceiving product and markets, level 2- redefining productivity in the value chain, level 3- enabling cluster development.), as well as determining the reality of achieving each of the three levels in the SMEs in the Kingdom of Bahrain. This research contains five parts, introduction, literature review, research methodology, data analysis & presentation, and discussion & conclusion. A questionnaire distributed to 233 managers and owners of the SME's which they were working under the umbrella of the business incubators and registered at the Ministry of Trade and Tourism in the Kingdom of Bahrain.

Keywords: Creating Shared value (CSV), Social Responsibility (SR), Business Results (BR), Corporate Social Responsibility (CSR) Small and Medium Enterprises (SMEs), Kingdom of Bahrain.

1. Introduction

SMEs have a significant role in the international economy as well as in the Kingdom of Bahrain. They play a major role in supporting the society and serving it by offering their energy through their products and by being effective in providing work chance for unemployed. The Bahraini government support SMs entrepreneurs in different initiatives such as financial and advising through Timken, and Bahrain Business Incubators.

1.1 Statement of the Problem

Achieving social responsibility required some money to be spent on community projects, this is possible for large companies, which can afford such amount of money. As for small medium-sized projects, achieving social responsibility poses a major dilemma for them, because of its weak financial capabilities. In spite of that SMs social responsibility has been examined in various distinctive settings, in which the measuring level of creating shared value at SMs and its practices have not been discussed. Truly, there appears to exist a shortage in creating share value at the SMs scoter literature. This research will focus on analyzing the reality of creating shared value in small and medium enterprises in the Kingdom of Bahrain.

1.2 Objectives of the Study

- To investigate the reality creating shared value SMEs in the Kingdom of Bahrain.
- To prove that adopting the concept of creating shared value is a journey companies need to embark on and understand that they can be achieving business value through social responsibility projects.
- To prove that driving economic success and at the same time creating social value is not only a responsibility but also an opportunity to rethink the way we are doing business and drive sustainable economic growth.

1.3 Research Questions

- What is the reality of achieving social responsibility at SMEs in the Kingdom of Bahrain?
- What is the reality of achieving business value at SMEs in the Kingdom of Bahrain?
- What is the reality of creating shared value SMEs in the Kingdom of Bahrain?

1.4 Scope of the Study

This study was conducted in the Kingdom of Bahrain. Information was sought from managers, and owners of the SME's which they were working under the umbrella of the business incubators and registered at the Ministry of Trade and Tourism in the Kingdom of Bahrain as the target group of the study. This research took a period of five months during which data was collected from the field, organized, analyzed and presented in analytic form.

1.5 Significance of the Study

The necessity of this study was to note that many SMEs in the Kingdom of Bahrain had enormous benefit from the study. More specifically, the study focused on the relationship between social responsibility SR and business results BR. The main contribution to this study is expected to emphasize on the reality of creating shared value at SMEs in the Kingdom of Bahrain

2. Literature Review

The debate about CSV revolves around different paradigms according to which business can gain economic returns and create value for society. Stakeholder theory, social entrepreneurship, sustainability, Bottom of the Pyramid (henceforth, BoP), Blended value, CSR and CSV are clearly intermixed (Dembek et al., 2015).

According to (Porter & Kramer, 2011) creating shared value (CSV) should supersede corporate social responsibility (CSR) in guiding the investments of companies in their communities. CSR programs focus mostly on reputation and have only a limited connection to the business, making them hard to justify and maintain over the long run. In contrast, CSV is integral to a company’s profitability and competitive position. It leverages the unique resources and expertise of the company to create economic value by creating social value. The table below shows the difference between social responsibility and shared value:

Table 1. Corporate Social Responsibility (CSR) and Creating Shared Value (CSV)

	Criteria	**CSR**	**CSV**
•	Fulcrum	Social responsibility is based on the concepts of the citizenship institution, philanthropy, sustainability, and so on. At the same time, it has three dimensions, first one is the environmental dimension, the second one a social dimension, and the third one economic dimension, but it is practiced as a secondary marketing activity as a result of external pressures on the organization,	Shared value is based on duality (economic value - social value) and it is the basis of enterprise competition.
•	Impact	While social responsibility has a limited impact on the organization's profits, social responsibility programs have a specific part in the budget.	The shared value represents the basis for the institution’s investments and profits and is linked to the organization as a whole
•	Role	Social responsibility seeks to provide some donations and charitable works to address some social problems	The process of creating shared value is working to redefine the role of companies as a major force to solve the pressure of social problems that exist in society
•	Tools	Social responsibility relies on defensive approaches to improve its reputation and cover some unethical practices	The starting point for creating shared value is to utilize resources, skills and managerial capabilities to improve the social dimension
•	Work-based	This is completely different from the idea of social responsibility. As it focuses on the concepts of citizenship organization, philanthropy,	The idea of creating shared value revolves around the idea that companies and businesses can have a positive impact on solving existing

		and sustainability, and it is a tool aimed at marketing the institution	social problems in society if they are addressed with a new business model.
•	Concept	Social responsibility, which is not always profitable, and it is unlike the shared value	Shared value concept does not express the economic or social business that does not aim to achieve profit directly or indirectly, but rather expresses the business in which the realization of profits is considered as a primary catalyst for growth
•	Dimensions	Social responsibility is based on carrying out actions that are not related to the main titled work of the institution	The shared value integrates the social and environmental dimension in the craft activities of the enterprise to achieve economic value.

Source: (Porter & Kramer, 2011) (Christiansen, 2014), and (López & Monfort, 2017)

Measuring Shared Value

In general value may be created across three main dimensions (economic, social and ecological). In early 2011, Porter and Kramer introduced the concept of shared value, which means the extension of achieving enterprises social responsibility, so that their projects related to society, sustainability and other charitable works have the ability to achieve economic profits for projects at the same time, (Wheeler et al., 2003), (Williams & Hayes, 2013).
The idea behind CSV is to integrate social issues into the capitalistic economic mechanism in order to enlarge benefits for both business and society, thereby enabling the reconciliation of the two separated realms. (Porter & Kramer, 2011); (Porter et al., 2012) identified three ways by which companies can create shared value, namely: reconceiving products and markets, rethinking productivity in the value chain, and local cluster development (Daood et al., 2017), as shown in the following table.
According to (Porter & Kramer, 2011) and (Bockstette & Stamp, 2011); (Bockstette & Stamp, 2013), companies pursue to achieve shared value at three levels: the first: re-creating products and markets, the second: redefining productivity in the value chain, and the third: enabling the development of local groups: working in coordination with others to create a stronger competitive context. Each of the three levels has a goal to measure in terms of tracking the progress of shared value and the results of their strategies for each shared value opportunity, so the companies identify and track the social and commercial results resulting in the strategy that they followed to achieve the shared value; through common economic and social

goals, which are ultimately intended to address a social problem and improve business performance to create a stronger competitive context, (B, 2013).

Table 2. Business and Social Results by Level of Shared Value

LEVELS OF SHARED VALUE	BUSINESS RESULTS	SOCIAL RESULTS
Reconceiving product and markets: How targeting unmet needs drives incremental revenue and profits	• Increased revenue • Increased market share • Increased market growth • Improved profitability	• Improved patient care • Reduced carbon footprint • Improved nutrition • Improved education
Redefining productivity in the value chain: How better management of internal operations increases productivity and reduces risks	• Improved productivity • Reduced logistical and operating costs • Secured supply • Improved quality • Improved profitability	• Reduced energy use • Reduced water use • Reduced raw materials • Improved job skills • Improved employee incomes
Enabling cluster development: How changing societal conditions outside the company unleashes new growth and productivity gains	• Reduced costs • Secured supply • Improved distribution infrastructure • Improved workforce access • Improved profitability	• Improved education • Increased job creation • Improved health • Improved incomes

The results of measuring the shared value are not only attributable to the internal environment factors and the procedures of the SMEs, but there are many external factors, as well as the effect of the small and medium-sized enterprises group on social results, so in order to move away from the randomness of the results, we have studied all institutions. In fact, it is believed that there is a strong interdependence between business and society (Bockstette & Stamp, 2013); (Porter & Kramer, 2002); (Kramer & Kania, 2006), as shown in the following Figure 1.

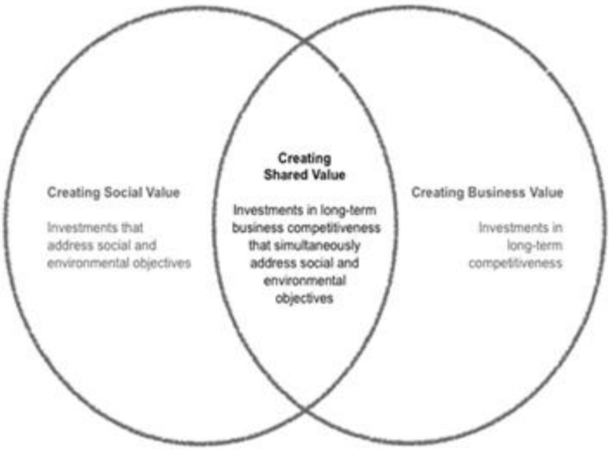

Figure 1. Interdependence between Business and Society
(Porter & Kramer, 2011) "Creating Shared Value: How to reinvent capitalism – and unleash a wave of innovation and growth". Harvard Business Review, 89(1/2): 62-77.
(Bockstette & Stamp, 2013), "Traditional corporate model of financial and material goods donations to a model in which a corporation leverages all of its assets to make a social impact, (2013), http://sharedvalue.org.au

Benefits of Adopting a Shared Value Approach

One of the win-win outcomes both for the firm and its stakeholders (Porter & Kramer, 2002). It could also affect consumer`s behavioral intentions (Brown & Dacin, 1997), help to avoid consumer and activists boycotts (Xueming & Bhattacharya, 2009) and even improve employee attraction, motivation and retention. The Shared Value it is not about sharing existing value (which is, essentially, what philanthropy is) but about creating new value for both shareholders and the community, together. Also, it is not corporate social responsibility in which companies focus primarily on building their reputation through activities that have limited connection to their business operations, (Aly, 2019). Cases of major corporations in terms of CSV have also been the most widely addressed in the literature even though it is small firms that best perform the key role of CSV related to cluster development and stakeholder projects (Corazza et al., 2017). (M. Andrés et al., 2022) conclude that reputation can even have a more positive impact on non-financial or social aspects, which led to create great opportunity for small and medium enterprises to reap profits from social responsibility projects that achieve through their application of the principles of shared value.

SMEs Definition:

The definition of SMEs varies from country to another, For example, the International Finance Corporation (IFC) and the World Bank stated that MSME Country Indicator examines the formally registered Micro, Small and Medium-sized Enterprises (MSME) in 132 economies, out of which 12 have no exact definition on MSME, and 26 economies have more than one MSME definition (i.e. different definitions among statistical institutions, financial institutions and government agencies), http://www.ifc.org/msmecountryindicators.
SME definition is far from being a solved, meaningful and acknowledged issue. One of the main challenges in developing a cross-country analysis the lack of a universal definition of what constitutes an SME. According to the Ministry of Industry, Trade, and Tourism (2020) in the Kingdom of Bahrain SMEs is define according to the no. of employees and annual turnover (BD). Micro enterprises that has up to 5 employees and from 1 to 50,000 annual turnover, Small enterprises that has 6 to 50 employees and from 50,001 to 1 Million annual turnover, Medium enterprises that has 51 to 100 employees and from 1,000,001 to 3 Million annual turnover. https://www.moic.gov.bh/en/Pages/Home.aspx.

3. Research Methodology

3.1 Research Design

The study was conducted through descriptive survey design; information on the Reality of Creating Shared Value at Small and Medium Enterprises in the Kingdom of Bahrain was presented as received from the respondents. Descriptive survey is a process of collecting data in order to answer questions concerning the current status of the subject in the study. The rationale behind the selection of the design was that it helped the researchers to explore the existing status of Shared Value at SMEs in the Kingdom of Bahrain and establish the effective management of creating shared value at SMEs in the Kingdom of Bahrain.

3.2 Target Population

A population refers to the aggregate of all cases that conform to some designated set of specifications it is the entire set of relevant units of analysis or data (Kothari, 2008). The population consist of all managers and owners of the SMEs which they were working under the umbrella of the business incubators and registered at the ministry of trade and tourism in the Kingdom of Bahrain.

3.3 Sampling Design and Sample Size

A sample is a group in a research study on which information is obtained. The sample is always smaller than the population; this is because the researchers can rarely have time to access all members of the population. Sampling therefore refers to the process of selecting individuals in the sample. Sampling is necessary because population interest is large, diverse and scattered over a large geographic area (Kothari, 2008). Simple random sampling was used since no complexities were involved. All that will be needed is a relatively small, clearly defined population (Orodho & Kombo, 2002). This was used because every SMEs had defined employees who were picked randomly. A random sample of 233 managers and owners of the SMEs were selected. These individuals provided information by filling in the questionnaires on the status of shared value at SMEs in the Kingdom of Bahrain.

3.4 Data Collection Instruments

Primary data was collected through the use of self-administered questionnaires. A questionnaire consisted of a number of questions printed or typed in a definite order on a form or set of forms. This method of data collection had the advantage of low cost, it was also proven to be free from bias of the interviewer, it also gave the correspondence adequate time to give well thought answers and since large samples could be made use of, the results were more dependable and reliable (Kothari, 2008). The questionnaire contained both structured and semi-structured questions.

3.5 Instrument Validity and Reliability

(Borg & Gall, 1989) define reliability as the degree of consistency that the instruments demonstrate in whatever it is measuring. To ensure reliability, the researchers carried out a pilot study where approximately 10% of the target population was exposed to the instrument prior to the actual study. (Borg & Gall, 1989) define validity as the degree to which a test measures what it purports to measure. Theoretically, alpha varies from 0 to 1, the higher the Cronbach alpha, the more reliable the test results will be. The reliability was 0.8. To ensure validity, the researchers consulted the university supervisor who proof read the questionnaire and advised on any necessary changes. This ensured validity and reliability as shown in the following table.

Table 3. Reliability Statistics

Dimensions	Cronbach's Alpha	No. of Items
1	.825	8
2	.858	12
Total	.878	20

Table 3, indicates that all the questionnaire dimensions have a high Cronbach's Alpha value that exceeded .800, and this indicates the presence of internal consistency for these dimensions, and thus credibility is achieved. This also gives the impression that the questions of each dimension revolve around a single idea or issue and are not dispersed.

4. Data Analysis and Presentation

The data was tabulated, then analyzed by the use of the descriptive statistical analysis technique. The descriptive statistics involved the measure of central tendency (weighted mean) and measures of dispersion. Results were the summarized in tables. The five-point likert scale was also used to measure the extent of SMEs managers and owners' perception on shared value. Data analysis enabled the researchers to make conclusions on the creation of shared value at SMEs in the Kingdom of Bahrain as in the following table.

Table 4. Statistics

		Gender	Age	Qualification	Type
N	Valid	233	233	233	233
	Missing	0	0	0	0

Table 4, indicates that the demographic variables are Gender, Age, Qualification and Business Type.

Table 5. Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	105	45.1	45.1	45.1
	Female	128	54.9	54.9	100.0
	Total	233	100.0	100.0	

Table 5, indicates that 45.1% of the respondents were Male and graduates, 54.9% were Female. This shows that there is an equal opportunity for gender.

Table 6. Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 25 years	55	23.6	23.6	23.6
	25-35	85	36.5	36.5	60.1
	36-45	75	32.2	32.2	92.3
	More than 46	18	7.7	7.7	100.0
	Total	233	100.0	100.0	

Table 6, indicates that 23.6% of the respondents were Less than 25 years, 36.5% were between 25-35 years, 32.2% were between 36-45 years and 7.7 % were more than 46 years. This shows that 92.3% of the respondents are still yang and the have opportunity for developing their business.

Table 7. Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High school and below	42	18.0	18.0	18.0
	Professional Diploma	56	24.0	24.0	42.1
	Graduates	107	45.9	45.9	88.0
	Postgraduate	28	12.0	12.0	100.0
	Total	233	100.0	100.0	

Table 7, indicates that. 45.9% of the respondents were university graduates, 12% had attained postgraduate degrees, 18% had High school certificates and below and a minimal 24 % had Professional Diploma. This information is necessary in knowing how much time the respondents could be having for self-development. This shows that the respondents have time for self-development. This is motivating because the respondents are aware of the need for building their careers.

Table 8. Type

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Industrial	51	21.9	21.9	21.9
	Commercial	91	39.1	39.1	60.9
	Services	78	33.5	33.5	94.4
	Agricultural	10	4.3	4.3	98.7
	Others	3	1.3	1.3	100.0
	Total	233	100.0	100.0	

Table 8, indicates that. 21.9% of the respondents were in industrial sector, 39.1% were in commercial sector, 33.5% were in services sector, 4.3% were in agricultural sector and 1.3% were in others. This shows that there is diversification in investment.

Table 9. Business Results BR Descriptive Statistics

		N	Minimum	Maximum	Mean	Std. Deviation
1	Achieving economic returns by targeting to increase returns	233	1.00	3.00	2.0429	.48942
2	Achieving economic returns by increasing the market share	233	1.00	5.00	4.4378	.82354

3	Achieving economic returns through increased market growth	233	1.00	5.00	4.2790	.89266
4	Achieving economic returns by improve profitability	233	2.00	5.00	4.3991	.77649
5	Achieving economic returns through productivity improvement	233	1.00	5.00	4.2232	.89634
6	Achieving economic returns by reducing logistical and production costs	233	1.00	5.00	4.2403	.89187
7	Achieving economic returns through quality improvement	233	1.00	5.00	4.3691	.82068
8	Achieving economic returns by improving the distribution infrastructure	233	1.00	5.00	4.1330	.89268
	Valid N (list wise)	233			4.0155	

Table 9, indicates that the total arithmetic mean of the expressions related to business results BR is (4.0155), with an overall evaluation degree that is in agreement, and a standard deviation between (.89634 and .48942), which is less than (1), which indicates a general consistency in the opinions of the respondents. This indicates that most of the respondents aware of the importance of the marketing variables such as market share, market growth, profitability, productivity, logistical and production costs, quality, and distribution infrastructure in achieving economic returns.

Table 10. Social Responsibility SR Descriptive Statistics

		N	Minimum	Maximum	Mean	Std. Deviation
1	Contribute to healthcare improvement projects	232	1.00	5.00	4.0948	.96231
2	Your organization contributes to supporting sports activities.	232	1.00	5.00	3.6078	1.09960
3	Your organization is concerned with reducing environmental pollution (water, air, soil).	233	1.00	5.00	3.8455	.87700
4	Your organization provides jobs for people with disabilities.	233	1.00	5.00	3.7296	.98691

5	Your organization is reducing costs for special needs people.	232	1.00	5.00	3.9483	.85123
6	Your institution receives university students for training during their studies	233	1.00	5.00	3.8498	.92788
7	Your organization provides assistance to associations that aim to improve the environment in order to reduce carbon dioxide.	232	1.00	5.00	3.6940	1.00490
8	Your organization seeks to develop afforestation and natural surroundings.	232	1.00	5.00	3.6897	1.05612
9	Your organization uses energy saving systems (LED, Solar)	233	1.00	5.00	4.0815	.95919
10	Your organization offers job opportunities to the local community.	233	1.00	5.00	3.9957	.87837
11	Your institution provides health insurance for its workers.	232	1.00	5.00	4.0388	.86453
12	Your organization participates in local activities and events on a regular basis.	232	1.00	5.00	3.4893	1.10294
	Valid N (list wise)	226			3.8146	

Table 10, indicates that the total arithmetic mean of the expressions related to social responsibility SR is (3.8146), with an overall evaluation degree that is in agreement, and a standard deviation between 1.10294 and .85123), which is around (1), which indicates a general consistency in the opinions of the respondents. This indicates that most of the respondents aware of the social responsibility SR variables such as healthcare improvement projects, supporting sports activities, reducing environmental pollution, provides jobs for people with disabilities, reducing costs for special needs people, receives university students for training, provides assistance to associations that aim to improve the environment, seeks to develop afforestation and natural surroundings, uses energy saving systems, offers job opportunities to the local community, provides health insurance for its workers, and participates in local activities and events on a regular basis.

Table 11. Correlations

		Mean var b	Mean var c
Mean var b	Pearson Correlation	1	-.747*
	Sig. (2-tailed)		.033
	N	8	8
Mean var c	Pearson Correlation	-.747*	1
	Sig. (2-tailed)	.033	
	N	8	12

*. Correlation is significant at the 0.05 level (2-tailed).

Table 11, results demonstrated an inverse relationship between social responsibility SR and business results BR. This means that is, when the projects focus on social responsibility SR makes them lose some of their revenue to employ them in social responsibility projects, which leads to a decline in Business Results. This indicates a weak understanding of the concept of shared value SV by owners of medium and small enterprises. Therefore, it can be said that owners of medium and small enterprises will be unable to achieve profits through social responsibility projects.

5. Discussion and Conclusion

Discussion

The purpose of this paper is to study the reality of creating shared value at SMEs in the Kingdom of Bahrain. The findings demonstrated an inverse relationship between social responsibility SR and business results BR. Also the findings revealed that, when the projects focus on social responsibility SR makes them lose some of their revenue to employ them in social responsibility projects, which leads to a decline in Business Results. Moreover findings indicates that there is a weak understanding of the concept of shared value SV by managers and owners of medium and small enterprises. Overall, this study provides explanations of respondents' views about the reality of creating shared value at SMEs in the Kingdom of Bahrain. The research sample has an awareness of social responsibility, but its practice through shared value is generally limited. Moreover managers and owners of SMEs are fully aware of the importance of business results, because it is closely linked to survival, growth and profits. We would argue that there is a need to raise awareness of both the importance of shared value and business results. We would suggest that SMEs should benefit other countries in this matter, in addition to providing incentives for those SMEs who consider and apply shared value.

Conclusion

The study is conducted in SMEs in the Kingdom of Bahrain and investigate the reality of creating shared value at SMEs in the Kingdom of Bahrain. The findings revealed that there is an inverse relationship between social responsibility SR and business results BR. Thus, the paper contributes to literature and bridges the gap between theory and practice in identifying new empirical evidence on shared value, social responsibility SR and business results BR.

The study has implications for both SMEs and big enterprises in the Kingdom of Bahrain. The study also benefits academics, managers, consultants and practitioners in terms of educating, providing support, and raising awareness on the reality of creating shared value in Kingdom of Bahrain, and in countries that have similar features to those of Kingdom of Bahrain or can be useful to those interested in understanding more about Kingdom of Bahrain (Arbab & Al-Ehtawi, 2020)

This research has the following limitations: firstly, time limitation time to have face to face meeting to explain any confusion with the questionnaires and secondly, some difficulties in getting managers and owners of SMEs responses to the survey questions because of their workload and the responsibility they have. The researcher intends to overcome this by using simple language while constructing the questionnaire and giving brief and direct questions that require short answers.

This paper focused on owners and managers of SME'S from Kingdom of Bahrain. Researchers should consider other staff of SMEs. Future research should be undertaken to integrate other approaches when researching the relationship between shared value, social responsibility SR and business results BR.

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The Relationship between Corporate Life Cycle and the Dividend Policy: An Empirical Evidence from Non-Financial Companies Listed on the Kuwaiti Stock Exchange

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Abstract:
The main objective of this study is to investigate the relationship between the different stages of the corporate life cycle and its dividend policy with evidence from listed companies on the Kuwaiti Stock Exchange, the study contributes to the accounting literature by providing practical evidence from the Kuwaiti business environment as an example of emerging economies on the relationship between the stages of the company's life cycle and dividend policy. This can contribute to limiting the research gap for this important topic. Additionally, the study expands the scope of research on the determinants of the dividend policy, which may reduce the debates around this topic and contribute to the interpretation of the company's decision to distribute dividends and the size of these distributions.
Keywords:

Corporate Life Cycle - Dividend Policy - Cash Flows - Kuwaiti Stock Exchange

1- Introduction:

Dividend policy is one of the most important financial policies for businesses and is often used by managers to send a signal to financial analysts, current and potential investors about the company's future profitability and performance, so it serves as a key measure for determining firm value. Companies may choose between three dividend policy strategies:

The first strategy: Determining the amount of dividend as a target percentage of the company's net profit and this may lead to volatile dividends, especially when profits are unstable and according to (Rampershad & Villiers, 2019) this strategy is more common in emerging economies.

The second strategy: The company maintains relatively stable or smooth dividends, which is common in developed economies.

The third strategy: To retain all profits and use them as a source of finance for expansion and growth.

It is widely believed in accounting literature that dividend policy can mitigate agency conflicts, for example in the cases of moral hazard and information asymmetry, investors would prefer to invest in companies that pay dividends than to invest in those that retain profits for expansion purposes (Choi et al., 2016), as retained profits in this case may be subject to opportunistic practices by management through utilizing these funds for their own interests. This belief is supported by both agency theory and signal theory, according to such theories it is assumed that in imperfect markets, dividend policy can be used as a tool for resolving agency conflicts between managers and shareholders (Atanassov & Mandell, 2018), as it is, from one side, a control mechanism on managers to get rid of any surplus in cash, which limits any possible opportunistic behaviour, on the other hand, it can be considered as a signal for the company's commitment to working for the sake of investors and thereby alleviating agency conflicts.

Although research in the fields of accounting and financing have been interested in analysing factors influencing dividend policy such as ownership structure, board characteristics, liquidity, investment opportunities (Yusof & Ismail, 2016), tax considerations, political systems, and the quality of governance mechanisms (Atanassov & Mandell, 2018), dividend policy remains a centre of many debates in the accounting literature as no convincing findings have been reached (Singla & Samanta, 2019). In this context, this study aims to expand the scope of factors influencing dividend policy by analysing its relationship with the different stages of corporate life cycle. The research is mainly based on the life cycle theory, which is considered one of the most important theories that attempted to explain this relationship as the theory suggests that while companies progress through life cycle stages there will be changes in their profitability, growth opportunities and levels of free cash flow, which may affect their ability to pay dividends (Habib & Hasan, 2019).

Based on the above, it is clear that there are several motives behind this study one of these motives that prior research did not provide any definite evidence on the relationship between the corporate life cycle and dividend, therefore analysing this relationship in the Kuwaiti business environment which is considered as one of the fastest growing emerging economies will help to explain the differences between companies' dividend policies, moreover the majority of studies in this regard were conducted in developed which have many differences from developing economies in the Middle East which can limit in the generalizability of such studies results. Furthermore, there have been a growing interest within the accounting standards boards and regulators towards factors influencing dividend policy for the purpose of getting a better understanding for dividend policies in the different stages of corporate life cycle. The research gap is therefore outlined in the scarcity of accounting studies on the relationship between the different stages of corporate life cycle and the dividend policy.

The rest of the study is structured as follows: Section 2: The relationship between corporate life cycle and dividend policy. Section 3: Literature review and hypotheses development. Section 4: The empirical study models development. Section 5: The empirical study. Section 6: The analysis of the empirical study and testing the hypotheses. Finally, section 7: Findings, recommendations, and future research directions.

2- The Relationship between Corporate Life Cycle and Dividend Policy:

Corporate life cycle refers to the financial and economic stage that the company is going through, and each stage is characterized by certain features and requirements distinct from the other stages this is due to the variation in strategies, structures and activities of companies when moving from birth stage till the decline stage. (Dickinson, 2011a) suggested that this transition throughout the life cycle is non-linear and is associated with a range of internal factors such as strategy selection, financial resources, management ability and a range of other external factors such as the competitive environment, and the macro-economic factors (Dickinson et al., 2018). The importance of analysing corporate life cycle stages stems from each stage association with the certain corporate policies related to decisions such as the decisions of cash holding, net investment in property and equipment, debt and equity, acquisitions and diversification decisions, and tax avoidance, as well as the interest of investors and other market participants (such as analysts) who are financially concerned with the life cycle stages when estimating and pricing the companies' value (Habib & Hasan, 2019).

Based on (Anthony & Ramesh, 1992) (Tee, 2019) divided corporate life cycle into five stages: Introduction stage, Growth stage, Mature stage, Shake-Out stage, Decline stage. Determining in which stage a company is located is a complex process as companies have many overlapping products and may operate in various industries with several production lines and each product or industrial sector can be positioned in a different stage of the life cycle, making it difficult to predict in which stage of the life cycle is the company at a certain point of time (Hasan et al., 2015).

The Life Cycle Theory of Dividend is one of the most important theories that explains the relationship between the stages of corporate life cycle and dividend policy, this theory suggests that as a company is moving from one stage to another it is passing through changes in its profitability, growth opportunities and its free cash flow levels (Habib & Hasan, 2019). This transition through different stages may affect its ability to pay dividends, and in this context, some studies implicitly claims that dividends distribution is linked to corporate life cycle patterns. (DeAngelo et al., 2006) study was one of the first studies that have attempted to examine this relation using a large sample of U.S. industrial companies, and found that the likelihood of paying dividends is positively related to the maturity of the company, and this result is consistent with the belief that smaller companies are in the capital infusion stage, which limits their ability to pay dividends, while mature companies have more profitability with less investment opportunities which allows them to pay dividends to shareholders. These findings were consistent with (Coulton & Ruddock, 2011) in which a sample data from Australian companies from 1993 to 2004 was analysed and found that corporate life cycle explained the level of franking credits associated with dividends distribution.

On the other hand, (Brockman & Unlu, 2011) attempted to explain the relationship between corporate life cycle and dividend policy through disclosure transparency, as within Opaque Disclosure Environments, managers tend to distribute more dividends to improve the company's reputation with financiers and stakeholders, in the same means within a transparent disclosure environment managers tend to reduce excess cash by paying dividends, (Flavin & O'Connor, 2017) also claim that dividends increase over the course of the company's life cycle but peak during maturity and this is consistent with the reputation-building hypothesis.

3. Literature Review and Hypotheses Development:

3.1- Literature Review:

This section aims to highlight the findings of prior research related to analysing the relationship between corporate life cycle and dividend policy to identify the research gap related to this topic. For example, (Trihermanto & Nainggolan, 2020) aimed to analyse the relationship between social responsibility, corporate life cycle and dividend policy by empirically examine a sample of Indonesian listed companies, producing a number of (923) observations (company-year) in the period from 2008 to 2015. They found that companies invest in social responsibility when they reach the maturity stage in their life cycle, and that there is a positive association between social responsibility expenditures on the dividend policy.

While the (Hsu, 2018) attempted to analyse the relationship between social responsibility performance and corporate life cycle by empirically examining a sample of American companies with a total number of (19707) observations from 2005 to 2015, (Hsu, 2018) found that corporate life cycle is a critical factor in financial decision-making and that companies with higher social responsibility performance bear at maturity the cost of debt and issue much lower shares than companies with less social responsibility performance.

(Ni & Zhang, 2019) analyse the impact of mandatory social liability disclosure on dividend policy. The study depended on using a sample consisting of listed companies on the Chinese stock exchange, forming a number of (8228) observations from 2006 to 2011. The study found that mandatory disclosure of social responsibility significantly reduces dividends' distribution in companies with low governance mechanisms where shareholders lack effective tools to protect themselves from stakeholder pressures.

(Al-Hadi et al., 2019) also tried to analyse the impact of corporate life cycle on the relationship between corporate social responsibility performance and financial distress. The study empirically examined a sample of Australian companies where 651 company-year were observed from 2007 to 2013. This study found that positive social responsibility activity significantly reduces the company's financial distress, and this relationship is more noticeable at the maturity stage.

(Bhattacharya et al., 2020) attempted to analyse the impact of the transition between the stages of the company's life cycle on dividend policy and relied on a sample of U.S. companies where (44229) companies were observed from 1989 to 2012, the study found that the start-up stage, growth, volatility and decline stages are likely to reduce (increase) dividends compared to maturity, and that mature companies do not conduct any fundamental changes to the amount of dividends when they return (transition) to growth (volatility) stage.

Based on the previous studies, it can be seen that most of prior research focused on analysing the relationship of dividend policy to both social responsibility, corporate life cycle, accounting quality, accruals, but not to the direct and intermediate effects of these variables collectively on the dividend policy.

Additionally, there is an inconsistency in the findings of previous studies on the impact of corporate life cycle on dividend policy, therefore this study attempts to provide practical evidence from the Kuwaiti business environment on the direct and intermediate effects between these variables based on some interpretive theories that are used in this area, which contributes to reducing the debate raised on the relationships between these variables.

Majority of studies have also been conducted on the impact of corporate life cycle on dividend policy in developed environments such as the American, Indian and South Africa business environments, which requires investigating these relationships in the Kuwaiti environment, which differs in its characteristics from other developed business environments.

3.2- Corporate Life Cycle and Dividend Policy:

The Life-Cycle Theory was developed by the attempts of (Fama & French, 2001), (Grullon et al., 2002), and (DeAngelo et al., 2006) and the theory points to the trade-offs between advantages (Flotation cost savings) and costs (free cash flow agency costs) of retaining profits through the different stages of the company's life cycle.

As early-stage companies have significant investment opportunities while their ability to generate internal cash flows is limited, so they tend to retain cash to finance their investment projects rather than distributing dividends to shareholders. From another perspective, companies in the maturity stage usually are having higher degrees of profitability and are more able to generate free cash flows in excess of their investments requirements, therefore the optimal policy for such companies is to retain part of their profits to invest in projects that are seen to generate a positive net present cash flows and to distribute the excess cash to shareholders, and dividends at this stage are a sign of the company's access to sustainable profitability as well as to avoid agency costs associated with free cash flows (Trihermanto & Nainggolan, 2020).

Although dividend policy is important for companies, shareholders, potential investors, and financial analysts, it remains a centre of ongoing debates in the accounting literature as there are many variations and inconsistencies in the findings of previous studies on its impact on share prices during the different stages of corporate life cycle, as well as on the determinants of dividend policy (Trihermanto & Nainggolan, 2020); (Coulton & Ruddock, 2011). Moreover, there are many reasons why a company may distribute dividends, for example dividends can act as a signal to investors that the company is performing well and can also reduce chances of management manipulations in profits, which in turn reduces agency costs (Kangarlouei et al., 2013). Based on the previous discussion the following hypothesis can therefore be formulated:

There is a significant relationship between the company's life cycle stages and its dividend policy

4. The Empirical Study Models Development:

4.1 The Independent Variable Measurement: Corporate Life Cycle Stage:

This study adopts (Dickinson, 2011b) model in determining the stages of the company's life cycle, although this model is not directly related to the company's characteristics at each stage of its life cycle, it is considered one of the most accurate and reliable models in accounting studies as it is useful in determining the life cycle stage on the company level, while other metrics are complex and have many Overlapping in the stages of the life cycle. This model also depends on the financial information at each stage, moreover, it provides additional information on the future changes in the return of net operational assets (Choi et al., 2016). This model is based on using the company's cash flow data from operating investing and financing activities, and based on economic theories that use signals (positive or negative) for the three types of net cash flows to create eight potential patterns

Accordingly, corporate life cycle stages are determined according to the net cash flows sign of (Dickinson, 2011b) model using five dummy variables. When the observations (year/company) match the sign of net cash flows at the introduction stage (INTRO), growth stage (GRO), maturity stage (MAT), decline stage (DEC), or shake stage (SHAKE) it takes the value of (1), and if otherwise takes the value (zero). Due to the low amount of observations and based on the study of (Zadband & Omrani, 2014), the introduction and growth stages will be combined in one stage (the growth stage), similarly, the decline and the shake stages will be combined in one stage (the decline stage) and therefore this study will adopt a three stages life cycle scale consisting of the growth, maturity and decline stages.

4.2 The Dependent Variable Measurement: Dividend Policy:

The study relied on two measures for dividends distribution, which are: (1) the ratio of cash dividends to total assets, and (2) the ratio of cash dividends to net sales (Ni & Zhang, 2019); (Choi et al., 2016). These two measures were adopted following the suggestion of (Benlemlih M., 2019) who claims that dividends ratios that are based on profitability of or cash flows can be volatile, resulting in instability of dividends distribution and therefore can bias the results, and are easily manipulated using various accounting tricks. Although the use of dividends to market share price includes market perceptions but is associated with pricing problems when stock prices fall, in addition to other problems that are related to market capitalization.

4.2- Control Variables:

a) *Firm Size (SIZE):* Measured using the natural logarithm for total assets at the end of the year.

b) *Cash Holding (CASH):* Measured by cash and short-term investments to total assets.

c) *Leverage (LEV):* Measured using book value of total debt to book value of total assets at the end of the year.

d) *Growth Opportunities (GROWTH):* Measured using the natural logarithm for sales growth compared to previous year, life cycle theory suggests that companies with investment opportunities will retain profits to finance growth opportunities, while companies with low investment opportunities will receive high cash flow and tend to pay more dividends.

e) *Profitability (ROA):* Measured by net income after tax to total book value of assets

The study model:

$$Divasset_{it} / Divsale_{it} = \beta 0+\beta_1(GRO\ it) + \beta_2\ (MAT\ it) + \beta_3\ (DEC\ it)+ \beta_4\ (SIZE\ it)+ \beta_5(CASH\ it)+ \beta_6\ (LEV\ it\ )+ \beta_7\ (GROWTH\ it\ ) + \beta_8\ (ROA\ it\ ) + \varepsilon_{it}$$

Where:

Divasset$_{it}$: The ratio of cash dividends to total assets at first.

Divsale $_{it}$: The ratio of cash dividends to net sales.

β0: The constant value.

GRO$_{it}$: The growth stage for company $_i$ in year $_t$.

MAT$_{it}$: The maturity stage for company $_i$ in year $_t$.

DEC $_{it}$: the decline stage for company $_i$ in year $_t$.

SIZE: Company size.

CASH: retained cash.

LEV: leverage.

GROWTH: Growth Opportunities.

ROA: Profitability.

5. The Empirical Study:

5.1 The Study Population and Sample:

The study population consists of listed companies on the Kuwaiti stock exchange in the period from 2019 to 2021, and the study sample was selected based on the following criteria: the availability of the company's financial reports in a regular base, the availability of sufficient data to measure the study variables, the company has not been written off from the stock market, merged or discontinued during the study period, and the company has been on the stock exchange for more than five years and has not been sustaining regular losses for more than a year. Companies from the financial sector were excluded because of their specific regulations and accounting standards. The application of these selection criteria has resulted in the selection of 95 joint stock companies and a total of 285 observations (company/year).

5.2 Sources of Data:

The study depended on content analysis of the financial reports of the companies within the sample for the period from 2019 to 2021, reports were retrieved from the companies' websites, argamm.com, mubasher.info, as well as the Kuwaiti Stock Exchange website (www.boursakuwait.com).

6. The Analysis of the Empirical Study and Testing the Hypotheses:

6.1 Testing data validity for statistical analysis:

To test how close continuous Variables are following their natural distribution, Kolmogorov-Smirnov and Shapiro-Wilk tests were used, and the results have shown that the probability value (P. value) or (Sig.) is less than 0.05, which means that data are not following the natural distribution in all variables, and this result is confirmed as Skewness does not approach (zero) and Kurtosis factor does not approach (3) for most variables. To address this problem, the natural log function has been used for these variables to approach normal distribution, and since the sample size is large, the problem that data is not following the normal distribution will not affect the validity of the study models, as the significance level of these variables was (0,000_).

Linear Multicollinearity was also examined by calculating the variance Inflation Factor (VIF) for each independent variable to measure the effect of correlation between independent variables. The VIF value for all study variables did not exceed (10) so the study model does not have Multicollinearity problems, the association between variables has no statistical significance and is very low, which indicates the strength of the model in interpreting and determining the effect of the independent variable on the dependent variables.

Durbin-Watson test was also performed to verify that there is no autocorrelation problem between the study variables. The Durbin-Watson values lies between the top tabular values and four minus the top tabular values, indicating that the study models are not having autocorrelation issues.

6.2 Descriptive Statistics for the Study Variables:

Table 1 shows a description for the study's variables which are: dividend policy, company size, cash holding, leverage, growth opportunities, and profitability.

Table (1) Descriptive statistics for the study variables

	Variable	N	Mean	Standard deviation	Minimum	Maximum	Range
Ratio of cash dividends to total assets	DIVasset	285	.362	.095	. 137	. 483	. 315
Ratio of cash dividends to net sales	DIVsale	285	.395	.095	. 173	. 537	. 276
Company size	SIZE	285	9.72	1.725	4.725	11.936	7.361
Cash holding	CASH	285	.283	. 119	. 113	. 689	. 537
Leverage score	LEV	285	5.18	1.172	3.253	7.521	4.627
Growth opportunities	GROWTH	285	.263	.091	-.132	.495	.523
Profitability	ROA	285	.352	. 128	-.151	.396	.527

It is clear from table (1) that average cash dividends decreased during the study period, as the mean of the cash dividends to total assets ratio is (36.2%) with the maximum ratio amounted to (48.3%) while the minimum is (13.7%). The mean of cash dividends to net sales ratio is (39.5%), the maximum is (53.7%) and the minimum is (17.3).

As for the control variables, table (1) shows that the mean for the company size is (9.725), and the mean for cash holding (28.3%.), the average mean is (5.18), the mean for growth opportunities during the study period was (26.3%), as for the company's profitability, the mean is (35.2%).

Table (2) Descriptive statistics for the study dummy variables

Binomial Test					
Variable	Verified observations (1)		Unverified observations (0)		Sig.
	Number	Ratio	Number	Ratio	
GRO	93	33%	192	67%	0.00
MAT	102	36%	183	64%	0.75
DEC	90	32%	195	68%	0.00

From table (2), it is noted that there is an increase in the number of the companies' observations in maturity stage, as the number of observations at this stage is (102) company-year with (36%) compared to less observations in the growth stage amounted to (93) company-year and (33%) and the number of observations in the decline stage is (90) companies - year and for only (32%).

6.3 Testing the Study Hypotheses:

To test the validity of the study hypotheses, the correlation and regression analysis of the relationship between the independent variables and the dependent variable in the study models was performed using the Statistical Software Package (SPSS) as follows:

First: Correlation Analysis:

The Pearson Correlation coefficient was used to determine the strength and direction of the relationship between the stages of the company's life cycle and the dividend policy, table 3 shows the correlation matrix for the study variables.

Table (3) Pearson Correlation link matrix for study variables

Variable		DIVasset	DIVsale	GRO	MAT	DEC	SIZE	CASH	LEV	GROWTH	ROA
DIVasset	Corr	1.000									
	Sig										
DIVsale	Corr	.963**	1.000								
	Sig	.000									
GRO	Corr	-.021*	-.042**	1.000							
	Sig	.005	.007								
MAT	Corr	.872**	.891**	-.725**	1.000						
	Sig	.000	.000	.000							
DEC	Corr	-.792**	-.782**	-.423**	-.525**	1.000					
	Sig	.000	.000	.000	.000						
SIZE	Corr	.923**	.912**	-.362**	.728**	-.658**	1.000				
	Sig	.000	.000	.015	.000	.000					
CASH	Corr	-.917**	-.901**	.327**	-.825**	.713**	-.927**	1.000			
	Sig	.000	.000	.011	.000	.000	.000				
LEV	Corr	-.917**	-.895**	.321**	-.836**	.763**	-.932**	.902**	1.000		
	Sig	.000	.000	.009	.000	.000	.000	.000			
GROWTH	Corr	-.825**	-.863**	.195**	-.821**	.723**	-.675**	.795**	.863**	1.000	
	Sig	.000	.000	.025	.000	.000	.000	.000	.000		
ROA	Corr	.825**	.913**	-.521**	.814**	-.823**	.825**	-.896**	-.893**	-. 766**	1.000
	Sig	.000	.000	.043	.000	.000	.000	.000	.000	.000	
	Sig	.000	.000	.001	.000	.000	.000	.000	.000	.000	.000

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

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The correlation between the company's life cycle stages and dividend policy, table (3) shows a negative correlation between the growth stage and dividend policy, whereas the correlation coefficient sign is negative for both the ratio of cash dividends to total assets and to net sales, and the level of significance is less than (0.05). While the maturity stage has a positive correlation with the dividend policy, and a significance level of less than (0.05). Finally, there is a negative correlation between the decline stage and dividend policy, as the correlation coefficient sign was negative for both the ratio of cash dividends to total assets and to net sales, and the level of significance is less than (0.05).

The correlation between dividend policy and control variables, the results showed a positive correlation between dividend policy and both the size and profitability of the company, where the correlation factor sign was positive for both the ratio of cash dividends to total assets and to net sales. While the ratio of dividend policy was negative to both cash holding, leverage, and growth opportunities where the correlation factor sign was negative for both the ratio of cash dividends to total assets and to net sales and significance level is less than (0.05).

Second: Multiple Linear Regression:

Ordinary Least Squares (OLS) for developing the regression model to measure the impact of the company's life cycle stages as an independent variable on the dividend policy as a dependent variable.

The following table shows the results of the multiple regression analysis for the relationship between the stages of the company's life cycle and dividend policy.

Table (4) Results of multiple linear regression analysis

$Divasset_{it}$ / $Divsale_{it}$ = β0+β_1(GRO it) + β_2 (MAT it) + β_3 (DEC it)+ β_4 (SIZE it)+ β_5(CASH it)+ β_6 (LEV it)+ β_7 (GROWTH it) + β_8 (ROA it) + ε_{it}										
Dependent variables	**$Divasset_{it}$**					**$Divsale_{it}$**				
	Unstandardized Coefficients		**Standard Regression Coefficient**			**Unstandardized Coefficients**		**Standard Regression Coefficients**		
Independent variables	**B**	**Std. Error**	**Beta**	**T**	**Sig.**	**B**	**Std. Error**	**Beta**	**T**	**Sig.**
(Constant)	**0.245**	**0.062**		**4. 124**	**0.002**	**0.214**	**0.085**		**2.412**	**0.015**
GRO	**-0.032**	**0.011**	**-0. 123**	**-3. 152**	**0.041**	**-0.056**	**0.023**	**-0. 217**	**-3. 532**	**0.000**
MAT	**0.152**	**0.021**	**0.753**	**8. 231**	**0.000**	**0.231**	**0.021**	**0835**	**11. 214**	**0.000**
DEC	**-0.032**	**0.017**	**-0278**	**-4. 175**	**0.001**	**-0.092**	**0.027**	**-0. 423**	**-4.000**	**0.000**
SIZE	**0.015**	**0.003**	**0.425**	**7. 413**	**0.000**	**0.031**	**0.004**	**0.467**	**3. 500**	**0.000**
CASH	**-0.004**	**0.004**	**-0.006**	**-3. 280**	**0.042**	**-0.024**	**0.035**	**-0.032**	**-0. 231**	**0.012**
LEV	**-0.017**	**0.019**	**-0. 213**	**-2. 82**	**0.031**	**-0.008**	**0.002**	**-0.081**	**-2. 429**	**0.014**
GROWTH	**-0. 127**	**0.042**	**-0. 135**	**-3. 412**	**0.023**	**-0. 235**	**0.0850**	**-0. 256**	**-2. 681**	**0.005**
ROA	**0.134**	**0.043**	**0.195**	**3. 92**	**0.006**	**0.016**	**0.023**	**0.034**	**2.324**	**0.017**
Multiple regression coefficient R =. 631						**Multiple regression coefficient R = .627**				
Coefficient of determination R^2 = . 546						**Coefficient of determination R^2 =. 528**				
Adjusted coefficient of determination $Adj\ R^2$=.523						**Adjusted coefficient of determination $Adj\ R^2$=.517**				

F-value extracted from the analysis of variance table (ANOVA) = 92. 13	**F-value extracted from the analysis of variance table (ANOVA) = 83. 23**
Probability value (Sig) = .000	**Probability value (Sig) = .000**

Table (4) shows that Adjusted R2 for cash dividends to total assets is (0.523), while for cash dividends to net sales it is (7.51), which reflects that the determination value of the model is high, as most changes can be explained through the model. As for the overall significance of the regression model used, it can is determined through the analysis of variance (ANOVA), where f-value was (96.44) at a significance level of (0.00) for dividend policy to total assets, and for net sales it was (83.23) with a significance level of (0.00), which shows a high significance level for the model used in the study and its validity for achieving the study objective.

From table (4) multiple regression analysis shows that the maturity stage has a significant positive impact on dividend policy, as the regression coefficient (β) sign was positive and the probability value (Sig = 0.000) which is less than the significance level of (0.05). This is in line with Flavin and O'Connor (2017) findings, which confirmed that dividends distributions are increased over the course of the company's life cycle but is peaked during the maturity stage and this is consistent with the reputation-building hypothesis, and with (Trihermanto & Nainggolan, 2020) findings which emphasized that the company in its early stages has significant investment opportunities but its capacity for cash flows is low so companies at this stage usually prefer to keep cash to finance their future projects, while matured companies are more profitable and have fewer growth opportunities so companies at this stage tend to pay dividends.

The results also showed a positive significant impact for both the company size and profitability on dividend policy, for either dividends to total assets or net sales, while there is a significant negative impact for cash holding, leverage and growth opportunities on dividend policy, where the probability value is less than the significance level of (0.05).

The regression model for the impact of the company's life cycle on dividend policy can be formulated as follows:

First: $Divasset_{it}$ model (ratio of cash dividends to total assets):

$$\widehat{\mathrm{Divasset}}\mathbf{it} = 0.245 - 0.032(\mathrm{GRO}) + .152(\mathrm{MAT}) - 0.032(\mathrm{DEC}) + .015(\mathrm{SIZE}) - .004(\mathrm{CASH}) - 0.017\ (\mathrm{LEV}) - 0.127(\mathrm{GROWTH}) + 0.134\ (\mathrm{ROA})$$

Second: $Divsale_{it}$ model (ratio of cash dividends to net sales):

$$\widehat{\mathrm{Divsale}}\mathbf{it} = 0.214 - 0.056(\mathrm{GRO}) + .231(\mathrm{MAT}) - 0.092(\mathrm{DEC}) + .031(\mathrm{SIZE}) - .024(\mathrm{CASH}) - 0.008(\mathrm{LEV}) - 0.235(\mathrm{GROWTH}) + 0.016\ (\mathrm{ROA})$$

7. Findings, recommendations, and future research directions:

Dividend policy is one of the financial decisions that have strategic impacts, often used by managers as a signal for the company's future performance and profitability. Dividend policy is influenced by many factors, including the company's transition from one stage to another during its life cycle, quality of corporate governance (board characteristics, ownership structure), company characteristics (profitability, free cash flows, growth opportunities, company size and level of risk).

The results of the study showed that the maturity stage in the company's life cycle has a positive and significant relation with the dividend policy, which confirms the validity of the first hypothesis and is consistent with the life cycle theory of dividend and the findings of (DeAngelo et al., 2006) and the findings of (Flavin & O'Connor, 2017). This can be explained through the fact that most companies at the maturity stage have higher profitability and lower investment opportunities, so these companies tend to pay dividends to reduce agency conflicts linked with free cash flows.

In addition, the results showed that dividend policy has a positive and significant relationship with both the size and profitability of the company, the correlation coefficient sign was positive for both the ratio of cash dividends to total assets as well as to net sales, while its relationship was negative with both cash holding, leverage, and growth opportunities, which consistent with both (Cheung et al., 2018) and (Choi et al., 2016) findings.
Based on the study findings, it is recommended that companies should pay more concern to the importance of the decision dividends distribution as one of the important decisions that can affect the company's objectives and value, Dividends decision can be used as a signal for the company's future profitability, to reduce the information asymmetry problem and to reduce agency conflicts. On the other hand, with high transaction costs companies may decide to retain profits for expansions and reinvestment purposes to achieve higher returns. Managers may also find it useful to understand in which stage their company are going through, as it may be undergoing systematic changes during its life cycle in operational, investment and financing activities, which will be affecting its dividend policy. For example, in the early stage's companies have lower profitability and greater growth opportunities, so they tend to retain cash, while at maturity stage companies have greater profitability and lower growth opportunities leading to increased dividends distribution.
Finally, researchers and companies, especially in emerging economies, are encouraged to analyse other factors influencing dividends distribution decisions such as political systems, legal protection systems, and tax avoidance practices. Another future direction related to the topic of dividend distribution is examining the relationship between cash dividend policy and the managerial ability of the board of directors. Also examining other financial and accounting implications of corporate lifecycle stages such as: tax avoidance, financial performance, quality of financial reports, audit fees, investment and financial policies, and corporate governance are crucial for companies operating in emerging economies.

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