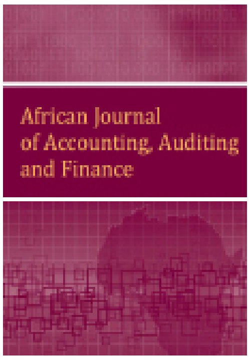

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The role of the media in corporate governance and economic development: North African democratic transition

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The role of the media in corporate governance and economic development: North African democratic transition

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Abstract: This study provides an overview of the main theories behind corporate governance patterns from a critical perspective and expands the body of knowledge by explaining how media can be integrated into the institutional economic model as an important factor affecting corporate governance and economic development. Using the desk study method for the case of Tunisia's democratic transition, we argue that the media plays an important role in disseminating information and helping build public consensus about governance, corporate law reform, capital market decisions and economic choices. Therefore, we corroborate our study by conducting a comparative analysis with other North African countries. We demonstrate that, in the Tunisian post-revolution experience, democratic transition is preserved thanks to free media, but the process is still a long way from building economic growth and good corporate governance. The emergence of social democracy inhibits ownership diffusion and does not encourage private investment and economic growth.

Keywords: corporate governance; culture; politics; legal systems; media; economic development.

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1 Introduction

Investigating international corporate governance remains an important issue because the differences in corporate governance and ownership structure among countries have persisted during the past half-century despite convergence in economies and business practices. Companies continue to share the same imperatives: the ability to raise new capital, resource allocation efficiency, and firm value growth. These imperatives have driven countries to adopt the same and most efficient corporate rules and structures. However, a simple look at the corporate ownership structure around the world shows significant differences in the corporate governance structure and ownership concentration. Publicly traded corporations in the USA and the UK have a diffuse ownership structure with strong and powerful managers, whereas in Europe, firms continue to have controlling shareholders. Concentrated family ownership dominates French, Italian, and Spanish firms, and employee involvement and mandated labour are in the control of German corporations through codetermination. In Japan, bank ownership of large blocks dominates that of firms and remains an important dimension of international differences.

Researchers face the challenge of theorising diversity in corporate governance patterns and identifying key factors that explain these differences (La Porta et al., 1997, 1999, 2000, 2002; Roe, 1996, 2003; Bebchuk and Roe, 1999; Licht, 2001; Licht et al., 2005; Matoussi and Jardak, 2012).

Researchers have traditionally studied corporate governance within the framework of agency theory; however, recently, it has been argued that this theory fails to account for key differences across countries (Fligstein and Choo, 2005; Aguilera and Jackson, 2003).

Within the framework of agency theory, researchers have theorised the need for convergence toward the most efficient corporate governance model. Path dependence theory denies the convergence of corporate governance toward a single model and theorises that there are many efficient corporate governance systems related to the national context and that differences in ownership structure and corporate governance patterns may persist (Bebchuk and Roe, 1999). Thus, other theories have emerged and have investigated the factors that explain these differences: law, politics and culture.

La Porta et al. (1997) developed a legal theory on the protection of investors by legal systems. Laws and their enforcement are central to understanding corporate governance diversity around the world. Roe’s (2003) political theory confronts legal theory and offers another explanation for corporate governance patterns that focuses on political variables. Cultural theory argues that cross-country differences in corporate governance can be explained by the differences between national cultures. In fact, Licht (2001) demonstrated the need for a systematic cross-cultural theory of corporate governance. Stulz and Williamson (2003) explored the relationship between culture and characteristics of corporate governance systems. While, Matoussi and Jardak (2012) provide a model that integrates three factors affecting corporate governance patterns: politics, the legal system and culture.

All of these studies ignored the role of media as an important factor affecting corporate governance. We argue that the media put pressure on the lawmaking process, corporate governance, and investor protection rights and contributes to building an economic model.

This study reviews the principal theories behind corporate governance patterns from a critical perspective and expands the body of knowledge by explaining how media can be integrated into the institutional economic model as an important factor affecting corporate governance patterns and economic development.

A theoretical analysis based on a desk study of the role of the media through the observed case of Tunisia could support our idea. Tunisia was the first country in the Arab Spring (AS) to exploit social media to change its political regime, adopt new values, and reconsider the corporate governance model, resource allocation and wealth distribution. This change demonstrates the need to change corporate governance and to adopt the most effective model. The recent Tunisian revolution has made sense of the role of media because the emergence of social media and new free journalists has shaped the configuration of the new Tunisian model in the marketplace. Other Arab countries such as Egypt, Libya, Syria, and Yamane have adopted the same process.

The remainder of this paper is organised as follows. First, we present the background of corporate governance and economic models in Section 2, and then illustrate in Section 3 the role of the media in the institutional economic model. Section 4 is reserved for the case studies. Finally, Section 5 concludes the study.

2 Theoretical background of corporate governance and economic models

Researchers have the challenge of theorising the diversity of corporate governance patterns within the framework of agency theory and have attempted to identify the most efficient corporate governance model for economic growth. The idea of convergence to the best and most efficient model has been contested by other researchers who try to explain why differences may exist and how more than one efficient model of corporate governance can coexist in the world.

In the literature, four principal theories are identified and attest to the insufficiency of agency theory in explaining corporate governance and ownership differences: legal, political, cultural and path-dependence theories.

2.1 Agency theory

In the past 30 years, there has been a great deal of interest in comparing the evolution of corporate governance around the world, primarily because of efforts to enhance mechanisms of control and encourage the adoption of best-practice codes in different countries after a series of scandals and corporate failures [Herath and Freeman (2012) surveyed the corporate governance research literature published from 2000 to 2010]. Researchers have explored large differences in corporate governance patterns worldwide within the agency theory framework.

Agency theory views a firm as a nexus of contracts, defining all relations within the firm and between the firm and other firms. The principal delegates responsibility to agents to perform firm management; therefore, the contract between the principal and the agent specifies the rights, duties, and compensation of the agent. The problem discussed in agency theory was the causes and consequences of the separation of ownership and control in large US corporations. With this theory, all available evidence suggests that firms with diffuse ownership controlled by managers perform at least as well as owner-controlled firms with concentrated ownership do. The efficiency in this case is usually measured by comparing the profit rates across firms with different ownership structure types. These results led economists to consider why the separation of control and ownership was efficient. Researchers have explored the problem of monitoring the agent by the principal and called the cost of doing this monitoring agency costs. They find a set of solutions to this problem: the board of directors, manager compensation, disclosure laws, and the market for corporate control. Thus, corporate law and financial market regulations solve the agency problem by specifying the rules governing the disclosure and governance of corporations. According to agency theory, the law is created to meet the functional needs of owners who prefer not to directly administer firms. These legal rules are efficient because they maximise the return to owners and minimise agency costs. Corporations that use separation of ownership and control will prosper because of shareholder wealth maximisation (US firms' US model), and companies that do not use separation of ownership and control ignore the agency costs and shareholder wealth maximisation goal, leading to underperformance and inefficiency.

The debate in the framework of agency theory was centred on the US model (shareholder model) and the German model (stakeholder model).

The US model is characterised by a diffuse ownership structure. Firms are managed by professional teams that are constrained by the board of directors. Workers have few rights and no representation on the board. Outside directors, securities analysts, and government authorities (SEC), play a major role in providing transparent information and monitoring managers. Incentive compensation is used to align management's interests more closely with those of shareholders. The takeover market is an active mechanism of corporate control. The US model characterises corporate governance in the UK, Canada, and New Zealand; thus, it is designated as an Anglo-Saxon or market-based model.

The German model is characterised by concentrated ownership. The major shareholders are often banks, insurance companies, or other financial institutions. The control of the firm is exercised by blockholders, with a predominant conflict between the controlling shareholders and minority shareholders. Cross-shareholding among insiders is common, and information flow is controlled and opaque. Labour plays an important role in corporate governance under the co-determination system, which provides the representation of workers on the board of directors. In this model, an independent board and market for corporate control play weak roles. The German model dominates Continental Europe and parts of Asia including Japan. This model is called the bank-centred model. Other corporate governance systems dominated by ownership concentration are classified under a bank-centred model; however, *but* they do not have exactly the same characteristics. While blockholders monitor the firm, the identity of these controlling shareholders is different from that in Germany. Thus, the principal holder is not a financial institution but rather a family or government owner. Owners are managers of the same firm. Generally, workers have less power. This is the case in major developing countries.

Studies have investigated which corporate governance model provides the best economic growth. The results are mixed. While there is evidence that the US model is the most conducive to economic growth (Hansmann and Kraakman, 2004; La Porta et al., 2002), there is also evidence that banks and financial markets independently produce economic growth (Levine, 1997). However, many scholars have argued that there is a strong need for convergence to a single governance model (market-based model) to face the competitive pressure of global commerce (Hansmann and Kraakman, 2004; Perotti and Von Thadden, 2003). Other researchers disagree with this opinion and suggest that convergence will not occur and that there is no one best and more efficient model (Bebchuk and Roe, 1999; Fligstein and Choo, 2005). Chhillar and Lellapalli (2015) reviewed the arguments in the existing literature on the phenomenon of convergence of the traditional models of corporate governance of corporate governance based on agency theory and discussed the possibility of convergence to a single model. They argue that the difference in the legal and institutional setups of the countries makes it difficult to see the convergence of these corporate governance models. Martynova and Renneboog (2011) concluded that there have been significant reforms in regulations since 1990 across all countries in the study to adopt best corporate governance practices; however, there were significant differences in the patterns of reforms, such as reforms related to creditor protection and investor protection. This idea confirms the conclusions of Wójcik (2006), Davies and Schlitzer (2008) and Khanna et al. (2006) that complete convergence does not occur.

Fligstein and Choo (2005) think that the prediction of convergence proposed by agency theorists presents several limitations. First, the functional needs of owners of capital lead to the creation of institutions, and therefore, whatever institutions survive are efficient. Second, the US model of public firms is a local phenomenon generated by historical and political forces. Other models of governance (in Japan, Germany, France, Italy, Taiwan, etc.), despite reaching a high level of industrial development, did not reproduce the American one. Fligstein and Choo (2005) argue that agency theorists have ignored the roles of history, law, culture, and politics in explaining corporate governance patterns. Aguilera and Jackson (2003) argue that agency theory fails to account for key differences across countries. They argued that "agency theory retains a small number of the institutional environment influencing corporate governance… Firms must adapt to multiple features of their environment and their behavior is unlikely to be explained by a single force such as the agency costs." Institutional researchers have criticised agency theory and shown how law (Porta et al., 1998), politics (Roe, 2003), and culture (Licht et al., 2005) shape corporate governance.

Scholars can be divided into two groups. The first group recognises that political, cultural, and legal factors might affect the organisation of firms (La Porta et al., 1997; Demirgüç-Kunt and Maksimovic, 1998). They have been interested in the question of how dispersion of ownership produces better economic growth (supremacy of the US style). These scholars have engaged in ambitious projects to document the differences in political and legal systems and what corporate governance systems tend to produce. They maintain the idea that systems are more efficient than others are. A large body of research attempts to quantify the differences in legal and political systems and to show that they are the result of economic growth. They claimed that there is an inevitable convergence toward the Anglo-Saxon model.

The second group, more sceptical about seeking efficiency, documents how political, cultural, and legal systems interact with firms to produce a system that reflects less efficiency considerations than the outcomes of particular political, social and economic struggles (Bebchuk and Roe, 1999; Hall and Soskice, 2001; Roe, 2003). According to these scholars, it seems less important that laws be implemented to create economic growth than that stable conditions exist more generally. It is less important to produce solutions to the societal challenge to create economic growth than to create stable government and political institutions that do not emphasise profit-seeking. They claim that the development of ownership structures and governance systems is likely to be path-dependent, and there is a need to explain the persistence of the plurality of corporate systems.

The two groups agree that political and cultural factors produce corporate governance institutions in a given country, and thus, produce practices followed by firms. However, their opinion differs in that the more sociological and historical approach sees these differences in corporate governance systems as generated by historical and social processes and reduces the role of economic processes. On the other hand, institutional economic scholars see that corporate governance systems reflect how economic factors deal with agency costs created in divergent political, societal and legal contexts. Economic actors choose a corporate governance system that minimises agency costs to them (Porta et al., 1998).

2.2 Legal theory

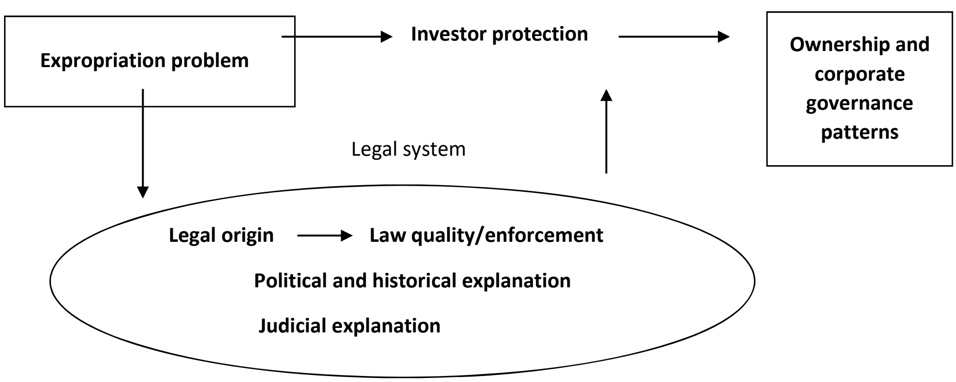
La Porta, Lopez, Shleifer and Vishny 'LLSV' (1998–2002) criticised the literature that argues that market forces make regulation unnecessary. In this literature, competition in product and capital markets forces firms to adopt corporate governance mechanisms that minimise agency costs and increase efficiency. The logic of risk diversification leads to shareholder diffusion, and an open world economy leads to convergence. However, the LLSV noted that despite increasing international competition, the Berle and mean separation of owners from managers has not become universal. In the USA and the UK, a high degree of separation is marked by deep equity markets and diffuses ownership, as is the case in Germany and in Continental Europe.

La Porta, Lopez, Shleifer, and Vishny's 'law and finance' theory emerged from legal systems. This theory posits that the extent to which a country's laws protect investor rights and the extent to which these laws are enforced can explain the finance and governance adopted in that country. Effective regulation keeps managerial agency costs low; therefore, diffuse ownership can occur. In contrast, less effective regulation allows higher agency costs, and thus, concentrated ownership. LLSV contradicts the traditional perspective on financial contracting 'law and economics'. From this perspective, financial market regulation is unnecessary. Contracts between issuers and investors can limit expropriation. Financial markets do not require regulations if the court system enforces these contracts. La Porta et al. (2000) expressed doubts about the efficiency of this enforcement. They suggest that courts in most countries are subject to political pressure and corruption. Faced with the ambiguity of this theory's efficiency, La Porta et al. (2002) propose other forms of protecting rights, such as laws and regulations.

The theory behind the law and finance literature is straightforward for investor protection rights. Securities are characterised not only by their cash flows (traditional finance), but also by the rights that they bring to their owners: the voting rights (for strategic decision making, to elect board directors, to obtain relevant information on the company, to participate in making decisions concerning fundamental corporate changes, to extract from the managers a return on their investment, etc.) need to be protected because of the expropriation problem. The rights attached to securities become critical when managers act according to their own interests. When outside investors finance a firm, they face the risk of expropriation by controlling shareholders and managers (insiders). Expropriations can take various forms. Managers have an incentive to use the firm's profits to benefit themselves. Managers can expropriate investor funds by acquiring perquisites, paying excessive compensation, or selling assets to another firm they own at below-market prices. If expropriation is extensive, distant potential investors do not buy stock or finance firms. However, when shareholders' rights are protected, investors can get paid, and therefore, firms have easy access to external funds.

The first contribution of the law and finance literature is that it has oriented the debate on investor protection rights as a key mechanism of corporate governance. They expose another problem that is not identified by agency theory: the expropriation of owners' funds by managers and controlling shareholders. The LLSV raised the question of how to protect investors and limit expropriation. They argue that rights depend on the jurisdictions in which securities are issued. The laws and the quality of their enforcement are important determinants of shareholders' rights and how well these rights are protected. In Figure 1, we provide a causal model of the legal theory. On the left-hand side of Figure 1, we find an expropriation problem that needs to be resolved by the protection of investors. The way one country protects investors may vary depending on the legal system, which is based on the legal origin of the law. The differences between countries in their legal rules for protecting investors may impact ownership structure, corporate governance, and stock market capitalisation across countries.

Figure 1 Causal model of LLSV



The second contribution is that it explains the difference between countries in their investor protection index and their stock market development by the legal origin of law: civil law or common law. The difference in the legal protection of investors may explain why firms are financed and owned differently worldwide. Legal protection can provide an alternative explanation of ownership and corporate governance patterns other than the bank-centred/market-centred explanation. Why do the USA and UK firms diffuse ownership structures? Why do Germany and Japan maintain large and powerful banks in the control of publicly traded corporations? Why did Continental Europe continue to have concentrated ownership? The response is that legal rules in different countries shape corporate governance and ownership patterns around the world. But how well legal rules protect investors varies according to legal origin. The LLSV attributes the differences between countries in their legal rules to differences in legal origin. They concluded that common-law countries have more dispersed ownership and a more protective system than civil-law countries. Hence, according to the LLSV, reforming corporate governance by protecting outside investors through legal convergence rather than functional convergence should help expand financial markets and improve resource allocation efficiency. Legal convergence refers to radical changes in rules and enforcement mechanisms toward successful standards (convergence toward US securities law protecting minorities). A comparative framework between agency theory and LLSV theory is provided in Table 1.[1]

Table 1 Comparative framework between legal theory and agency theory

	Agency theory framework		*LLSV framework*
Problems	Conflicting incentives problem.	Information asymmetry problem.	Expropriation problem: expropriation of the owners' funds by insiders (private benefits of control)
Incentives: agent (manager)	Growth – high salary prestige.	Perfect information about the firm activities and opportunities of growth.	
Principal (shareholder)	Higher dividend – lower risk – higher stock price.	Imperfect information about the firm value and the efforts deployed by managers.	Difficulty to detect the expropriation by outsiders
Solutions	Aligning the interests to serve shareholder interests. Reducing the agency costs.	Disclosure requirements.	Protection of minority shareholders
Mechanisms	Board of directors – incentive compensation – market for corporate control.		Laws and their enforcement
Corporate governance models	Market centred model/bank centred model classification.		Civil law/common law classification

Researchers criticise LLSV theory. First, common law systems tend to be in peaceful and democratic countries, whereas civil law systems tend to be in poor countries wracked by war. This has led researchers to offer alternative explanations for the superiority of the common-law system in affecting economic growth. Second, the LLSV examines laws protecting minorities. These include corporate and bankruptcy laws. Thus, there are several omissions in the LLSV data, such as takeover rules and disclosure rules, which require enhancement in most legal reforms and the regulations imposed by the securities exchanges to protect investors of listed companies (Fligstein and Choo, 2005).

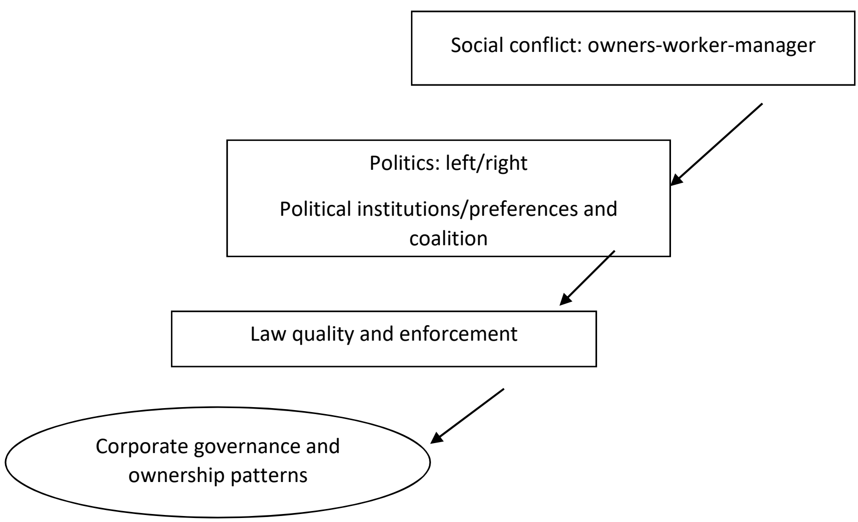
Third, Roe (2003) argues that legal traditions can evolve in different directions, depending on the politics that shape legislation. Common law countries can move toward interventionist legislation (Britain under the Labour Government in 1945), and civil law can move toward less regulation (France after 1945). The LLSV believes that politics affect corporate governance, but the law remains the crucial channel through which politics affect governance. However, Roe (2003) argues that politics shapes law and its enforcement.

2.3 Political theory

Roe (2003) criticises the LLSV theory and argues that there are variables other than law and its quality that are important in explaining the differences in ownership structure and corporate governance models around the world. The critical variable was politics. For Roe (2003), high-quality of law enforcement may simply restore confidence between minorities and controlling shareholders and does not inevitably to diffuse ownership because there are other incentives that can drive concentrated ownership. Roe (2003) demonstrates that political variables correlate more strongly with shareholder diffusion than the quality of corporate laws. He states that law matters "when politics enables it to matter; that is, when property rights are assured, when enforcement and independent judges are allowed to work, and when the political balance in society gives it a place. Even then, the consequences of corporate governance of any given set of laws are driven by politics" (Gourevitch, 2003). Political forces not only define laws, but also determine how laws operate.

Figure 2 presents the causal model of political theory. A nation must achieve social peace before economic growth is achieved. Firms that suffer from internal turmoil or external disorders are less valuable than those that produce social peace. If conflicts exist between different actors in the firm, such as workers, owners, and managers, investors are reluctant to finance the firm. Thus, investors search for firms that minimise the expected cost of conflict. Political preferences and institutions can reduce this conflict through their effect on the legal system, which affects ownership structure and corporate governance patterns. Political conditions may redistribute power, create a coalition that affects ownership structure, and determine which corporate governance systems may survive.

Figure 2 Causal model of political theory



In the USA, a diffuse ownership structure is the most dominant form. The conflict of interests between managers and shareholders raises the problem of aligning objectives toward shareholder value maximisation in the USA. However, in other economically advanced nations, the ownership structure is concentrated rather than dispersed. Concentrated ownership generally occurs in Continental European social democracies. Roe demonstrates that where social democracy is strong, shareholder concentration is high, and shareholder rights are weak. Social democracy focuses on firm interests rather than shareholder interests such as employee job security, income distribution, social welfare and social stability.

In social democracies, there is great support for employee pressures from the government, unlike in the USA, where employee pressures are weak. Social democracies press managers to stabilise employment. Thus, the corporate governance mechanisms used in the USA to align the interests of managers to diffuse shareholders, such as incentive compensation and takeover markets, are not usually used in these social democracies. Strong labour power inhibits ownership diffusion. Large-block shareholding has persisted as the best way to control firms and incur high managerial agency costs. In Germany, diffuse shareholders cannot face the dominance of labour on the board of directors. Social democracies are poorly suited to diffuse ownership. They press managers to coalesce with employees; consequently, owners must seek other means to control managers, and the best alternative is close ownership or ownership concentration. In the USA, there is a political precondition to diffuse ownership and to the disappearance of blocks and family ownership, namely the absence of social democracy in the USA. Labour rarely owns stocks and rarely participates in the governance of the firm, decision-making, and the board of directors.

Roe (2003) argues that there is a relationship between politics and corporate governance. In France, there is a long history of 'statist economic policy'. Before World War I, when the state was conservative, securities markets were strongly developed; in recent times, the state shifted to the left, preventing sharp ownership separation. In Germany, codetermination supports a social-democratic thesis. For a quarter of the century, Italy held a communist party on the verge of political power. Ownership concentration helps make deals stick inside a large firm and counter coalitions inside the firm. Japan's lifetime employment with insider boards and strong creditor banks is another way of achieving social peace. The UK's first securities market developed under *laissez faire* politics, and seemed to stagnate when its political economy changed. The USA has weak social democratic influence, a strong securities market, and a diffuse ownership structure.

Pagano and Volpin (2006) argue that social democracy can be seen as a political condition that impedes the separation of ownership and control. A causality process runs in both ownership and politics. This process is shaped by political origins. Pagano and Volpin (2006) distinguish two origins: democratic and aristocratic. For an aristocratic origin, society had been accustomed for a long time to a concentration of political and economic power in the hands of the aristocracy and the royal family. The concentrated interests of capitalist dynasties drive workers to react by concentrating their interests on unions and social democratic parties. Unions and social democratic powers are likely to arise as a counterbalance and an important ingredient in the late democratisation of society. For a democratic origin, society's wealth was dispersed, and political power was handled by democratic mechanisms. When large firms emerged, the extension of dynastic rule to these firms met the opposition of a large part of society. Small shareholders feared being overwhelmed by large organisations. Minority shareholders are unable to defend their rights. In the absence of dynastic concentrated control, workers' incentive to concentrate their power is weak, and professional managers have become powerful in managing diffuse firms. Pagano and Volpin (2006) argue that dispersed ownership is likely to have democratic origins and concentrated ownership is likely to have an aristocratic origin. Britain is aristocratic in origin. British workers have developed a strong sense of class identity and powerful trade unions. The British corporate governance system for the period 1950–1960 began to resemble the Continental

European system. In the 1980s, ownership dispersed when Margaret Thatcher weakened the power of unions. The UK is unique as a country characterised by aristocratic origins that has moved toward an equilibrium close to that of the USA. Thus, Roe's (2003) hypothesis is confirmed: dispersed ownership is incompatible with powerful unions.

Gourevitch (2003) criticises political theory and believes that Roe has simplified his argument for the purpose of statistical analysis and has solved the problem of weak leftist presence in concentrated ownership countries with path dependence. However, in his country case study, there are some nuances regarding coalitions and institutions. These nuances can be integrated into political theory, and must be considered as alternative political variables. Gourevitch (2003) focused on these alternative arguments and theorised and implemented them as an extension of Roe (2003) political theory. The first political argument concerns interest-group preferences and powers. There are two political cleavages: a class-based, left versus right divide, and sector-based, cross-class coalitions. Roe's (2003) argument is based on the left-right structure of politics. He seeks to show that the left-right division has a consequence on firm ownership and governance. However, Roe (2003) did not consider the second cleavage based on cross-class coalitions. He notes the existence of these coalitions but does not theorise about them. The second political argument concerns political institutions. Divergence in outcomes cannot be explained only by divergence in preferences but also by the mechanisms of preference aggregation, such as electoral law, federalism, legislative-executive relations and party systems. Corporate governance may reflect the degree to which institutions favour the formation of specific coalitions.

2.4 Cultural theory

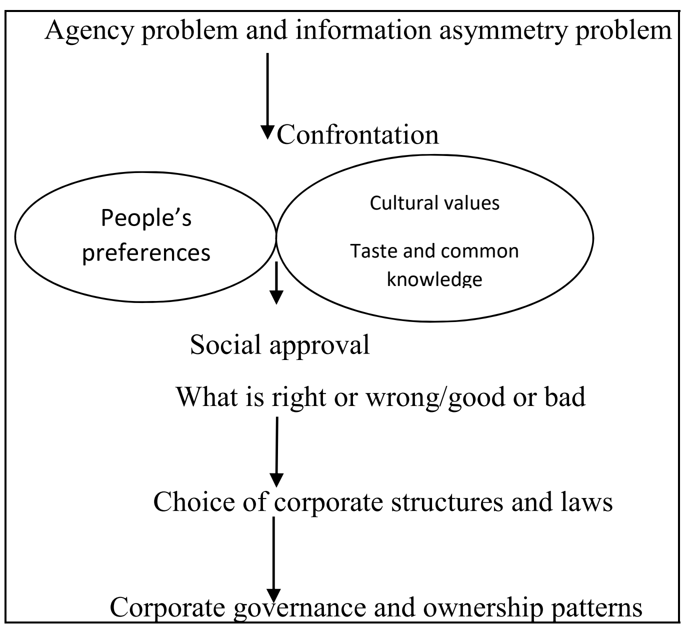
Cultural factors seem to be of great importance in explaining the differences in corporate governance and ownership patterns. There are variations in culture across the world, as well as in the values and priorities attached to certain behaviours and business practices. Licht (2001) proposed a novel theory of the role of culture in the development of corporate governance and financial regulation. He explains how cultural values may affect the choice of a specific model for corporate governance and securities regulation. It is impossible to adopt rules or corporate governance models that can be applied to all countries. Licht et al. (2005), Stulz and Williamson (2003) and Kwok and Tadesse (2006) make testable hypotheses and conduct empirical investigations.

Licht (2001) observes that large institutional investors such as CalPERS, the largest US pension fund, find it necessary to adopt corporate governance principles that are sensitive to cultural differences. CalPERS adopts culturally sensitive corporate governance principles for the major markets it invests in because a corporation is influenced by the culture and traditions that are unique to each market, and these traditions affect corporate governance structures and principles. Licht (2001) also observes that the failure to adopt the fifth draft European directive, which consists of harmonising company law across the European Union, is due to the cultural differences between countries. Culture can constrain the process of harmonising company laws. The failure of the fifth directive presents an example of cultural obstacles facing convergence toward a unified system of corporate governance. Reform programmes should not be based on stereotypical views. In this way, international organisations such as the OECD, IMF, and World Bank argue that cultural differences prevent the implementation of a single corporate governance model and may need specific adaptation to national culture.

One can observe that there are some differences between the cultural values of the USA and those shared in other parts of the world. Americans emulate values such as ambition, success, wealth, social power, individualism, and tolerance of uncertainty. These values lead to the American shareholder model of corporate governance, which emphasises equity financing, ownership dispersion, and the protection of minority rights. Germans are more sensitive to values such as equality and social justice, a collective approach to decision making, mutual help, and uncertainty avoidance. Therefore, the stakeholder model of corporate governance emphasises creditor financing, large-block ownership of shares owned by banks and employee governance.

American cultural and ethical values regarding self-dealing are better than Continental European values. However, American managers are not as good as Japanese managers because the Japanese cultural values of harmony and consensus mitigate self-dealing and opportunism. Culture is often cited in research on insider trading regulations. Japan (absence of insider trading regulation) and Germany (culture shock considering anti-insider trading regulation) tolerate insider trading 'as part of the game of securities trading' and do not consider it as immoral. However, the USA has a hostile attitude toward insider trading and requires ethics for insider trading. International differences in insider trading regulations exist because of culturally different views on what securities laws should regulate.

Figure 3 Causal model of cultural theory



The question raised in this part of the analysis is: how do national cultural values affect people's behaviour in corporate settings? Figure 3 presents the causal model of the cultural theory. As we can show in the schema, in a corporate setting, actors face the agency problems of investors' expropriation and information asymmetry between managers and investors. These problems should be resolved with regard to, which is socially approved. People's preferences are synchronised with cultural values to identify what is generally accepted. Thus, to the extent that individuals have acquired a culture, they can know if their actions are socially considered right or wrong. Corporate structures and laws must attain a certain level of social approval. The degree of social approval depends on the degree of conformity with cultural values in society. Cultural values are the heritage of common tastes in certain interpersonal relations and institutions. These factors may influence the choice of corporate structure and legal rules. A corporate governance system incompatible with social preferences is rejected and cannot be adopted. Thus, different corporate governance models may persist.

Licht (2001) argues that the reasons for choosing ownership concentration or dispersion range from the popular culture. For example, Germans who lack equity culture have a high degree of risk aversion. They prefer debt instruments to equity coupled with higher risk and higher returns. Therefore, in countries with high uncertainty avoidance, such as France and Germany, we should expect lower shares of equity securities in investor portfolios and lower shares of firms with dispersed ownership. By contrast, in the USA and the UK, with lower uncertainty avoidance, we should expect higher shares of equity securities.

One important criticism of Licht's (2001) cultural theory is that he ignores religion as an important proxy for the culture used in the literature. He theorised culture within the framework of Hofsted's cultural value dimensions. In response to this criticism, Stulz and Williamson (2003) use countries' predominant religion as a proxy for their national culture to investigate the impact of culture on investor and creditor rights around the world. The results demonstrate a significant impact of religion on creditor rights and a lesser impact on investor protection.

2.5 Path dependence theory

Bebchuk and Roe (1999) attempted to explain the differences in ownership structures and corporate governance among countries in advanced economies and attributed these differences to structural path dependence. According to Bebchuk and Roe (1999), path dependence is defined as the reason why countries that are otherwise comparable in all other aspects of their economies could nonetheless differ in some crucial aspects. In other words, given the two countries, and if they have the same economic conditions but different corporate structures and rules, could these differences persist? The response is yes, and this persistence is explained by the fact that a country's corporate structures and rules depend on its initial corporate structures and rules. Bebchuk and Roe (1999) identified two sources of path dependence: structure-driven and rule-driven path dependence.

Structure-driven path dependence consists of the direct effect of the initial ownership structure on succeeding ownership structures. The corporate structure of a country at a certain point in time depends directly on its ownership structure at earlier points. If there are two firms from two advanced economies, one with diffused ownership and the other with a controlling shareholder, these differences at time T0 could be due to differences in economic conditions and legal rules. At time T1, the two countries have the same legal rules and economic conditions; however, the ownership structure shows no changes. The initial ownership at T0 affects the identity of ownership at T1. Bebchuk and Roe (1999) identified two reasons for structured path dependence. The first is the efficiency of corporate ownership structure patterns. The second reason is the persistent power of the ownership structure.

Bebchuk and Roe (1999) identified another source of path dependence on ownership structure, namely, rule-driven path dependence. If the two countries have different corporate rules, this difference produces different patterns of corporate ownership structures. Initial ownership structures might indirectly affect subsequent ownership structures through their effect on the legal rules that shape the relationship between firms, managers, shareholders and stakeholders. Legal rules discourage financial institutions from accumulating and holding large blocks to prevent ownership concentration. This type of rule exists in the USA, where corporations are dominated by diffuse ownership structures. In other countries, we can find legal rules that allow controllers to extract large private benefits of controlled 'rent-protection'; these rules lead to a concentrated ownership structure. Legal rules also affect the choice of the governance structure. The American Stock Exchange rules encourage the election of a high proportion of independent directors. Japanese norms prefer insiders, who dominate corporate boards. German rules mandate that labour has half of the board seats in large firms. For Bebchuk and Roe (1999), the efforts of harmonisation in Europe have failed with regard to powerful interest groups, preventing any corporate rule changes in these countries.

2.6 The legal-cultural-political theory: the new institutional economic model

Matoussi and Jardak (2012) explain the disparity in corporate governance around the world by legal, political, and cultural variables, and build their work on Williamson's (2000) new institutional economic model. Specifically, they reduce the four levels of social analysis in Williamson's (2000) model to only three: Levels 1 and 2 deal with cultural and legal factors, respectively, whereas Level 3 represents corporate governance and investor protection, which are a result of the interaction of the first two levels.

Levels 1 and 2 are linked to the polity. Political institutions have a significant impact on the market economy by determining property rights and ensuring market stability.

In Level 4, we find economic development, which is the result of the interaction among three factors: culture, law and polity. Indeed, culture provides legitimacy to any set of formal rules, and change can never be efficient if it is imposed by law and politics. However, polities shape economic performance because they enforce economic rule.

Thus, informal and formal institutions affect the governance model and economic growth, while corporate governance affects stock market development. However, the key element of corporate governance through which institutions impact the stock market is investor protection. The higher the quality of investor protection, the higher the capital market development. Matoussi and Jardak (2012) demonstrated that the link between informal and formal institutional development and financial market development is indirect and mediated by corporate governance and investor protection levels. They show that legal origin and cultural values are fully mediated by investor protection, whereas political factors are only partially mediated.

In the next section, we extend Matoussi and Jardak (2012) model by adding the role of the media in corporate governance patterns and economic development.

3 The role of the media in the institutional economic model

Media plays an important role in a country's economic development. Free media can expose public policy and spotlight government action. They help build a public consensus to bring about legal reform and combat corruption.

3.1 The role of the media in the economic development and corporate governance

Media can lead to more efficient markets that work better with the diffusion of transparent information. They can also facilitate trade and transmit ideas across boundaries, because people with more information are allowed to make better choices (Islam, 2002). When free media is fragile, the government can shackle mass media. People can be manipulated, and some types of mass media can give the ruling elite more power and not lead to human wealth and global economic development.

Schramm (1964) explained what mass media can do: widen horizons, focus attention, and create an atmosphere of development. Schramm (1964) analysed the literature on international communications and concluded that the correlation between the level of mass media communications and economic development is positive and high.

To support economic development, the media need a good institutional environment: freedom, skills, rules, checks and balance. Islam (2002) suggests three conditions for media that are expected to promote economic development: the media should be independent, provide high-quality information, and have a wide influence. The media reduces the information asymmetry between those who govern and those who are supposed to serve. They can increase government responsibility by monitoring and penalties.

We argue that the media can influence a country's economic development through its impact on cultural behaviour, political systems, legal rules and corporate governance systems. However, these relationships must be explored in greater detail.

3.1.1 The effect of the media on the economic development through political, cultural and legal dimensions

The role of the media in economic development is greater in democratic countries than in non-democratic ones. Islam (2002) reports a schema of the relationship between democratic intensity and the freedom of the press. The level of media freedom varies across countries, and even democratic states may differ in their tolerance of media freedom. By contrast, free media can promote democracy. The media plays an important role in politics as they influence public opinion and help common people to change the government and to give power and coalition to any political party left or right, democratic or republican, Islamist, or secular.

The second issue is the effect of media on culture and the mores of society. Culture can be changed through information provided by the media. In countries where information is kept secret and scarce, the potential value of the information is underestimated. This is why the public's perception of this information alone does not help change human life (Carty, 2014).

The third issue is the effect of the media on the law and legal system without forgetting the inverse causal relation that law and formal regulation can also affect the independence and freedom of the media (Krug and Price, 2002). Countries can adopt a new law, but its implementation is not guaranteed because common approval by the people is needed. In this way, media can help make the law more effective and facilitate its implementation. However, if the informal code of conduct conflicts with the law and dilutes its effectiveness, the media should begin by changing the culture, as indicated in the second issue.

Media reporting objectively economic, social, and political information has the capacity to analyse the information and thus affect the behaviour and common beliefs of people, and therefore, affect the distribution of benefits in society.

3.1.2 The effect of the media on the economic development through corporate governance

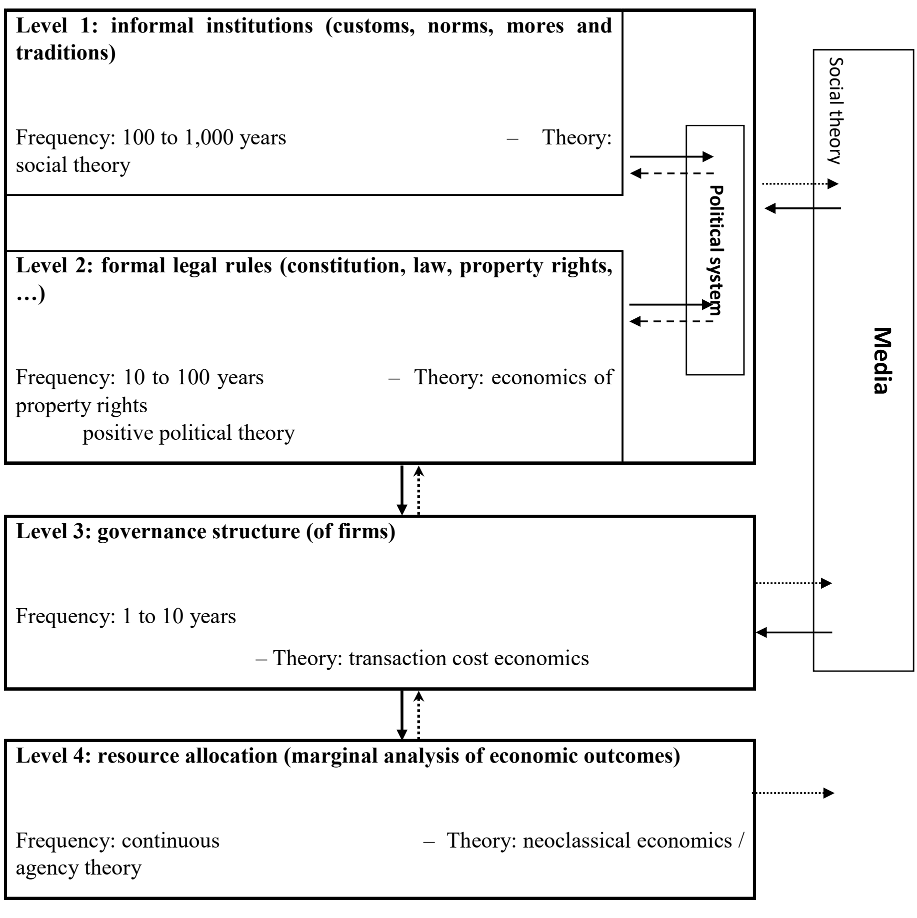
The relationship between the media and organisations through communication of public information is vital to guarantee good corporate governance. The media plays a regulatory role in creating awareness of corporate governance in business houses to safeguard the responsibility and transparency of the corporate sector (Chaher and Spellman, 2012).

Media play a role in corporate governance in the first channel by affecting reputation. The media evaluates the firm's and leader's actions and transmits the information to a wide audience; therefore, the media has the potential to influence the reputation of firms and managers (Bednar, 2017). They can pressure corporate managers and directors to behave in a socially acceptable manner way. Dyck and Zingales (2002) report The Affaire of Sears Roebuck, in 1992, when the *Wall Street Journal* published a strange advertisement of the board of directors of Sears Roebuck with the title 'The non-performing assets of Sears' can be the best example. This advertisement revealed that all the directors identified by names were responsible for the poor performance of Sears. The same story can be reported for SK Telecom after the London newspaper *Financial Times* published an article on transfer pricing used by the company. Active press increases institutional investors. This provides a method to impose penalties on companies. Media represents an important mechanism for changing corporate policies and increasing returns. Press coverage can shame managers who care about their reputations to act in favour of firm policies. Dyck and Zingales (2002) argued that managers' reputations are affected by the media in two ways. First, the media publishes news about the actions of managers in the managerial labour market. Second, media interprets managers' actions and helps shape their perceptions. At an acquisition announcement, the stock price declines when the proposed transaction is widely and negatively covered by the media and the manager of the acquiring firm faces a greater loss in reputation. Dyck and Zingales (2004) found that countries in which newspapers are more diffused have lower private benefits of control. A one-standard-deviation increase in newspaper diffusion reduces the value of control by 6.4 percentage points. Together with the firm-specific variables, newspaper diffusion explains 20% of the variation in the private benefits of control.

Dyck et al. (2008) found that lobbying by investment funds increases the coverage of corporate governance violations in the Anglo-American press. Liu and McConnell (2013) investigated whether the US managers of publicly traded firms are sensitive to public media news. They conducted a study of 636 proposed mergers and acquisitions accompanied by a negative stock market reaction at its announcement. The results show that the level of media attention and media coverage tone plays important roles in managers' decisions to abandon value-reducing acquisition. The more negative the tone of the media coverage of the firm acquisition, the greater the likelihood that managers will oppose decisions that diverge from shareholder value maximisation. Liu et al. (2017) also examined the post-retirement outside board seats held by former CEOs of S&P 1500 firms and found that CEOs' post-retirement outside board memberships are influenced by the level and tone of media coverage given to CEOs' firms while the CEOs were on their post. These results confirm that media can play a positive role in corporate governance, as shown by Farrell and Whidbee (2002), Dyck et al. (2008) and Joe et al. (2009).

Diamastuti et al. (2021) found that the government's role, organisational commitment, and media exposure have direct effects on good corporate governance and corporate social responsibility disclosure. However, media exposure through good corporate governance mediation does not have a significant effect on corporate social and environmental responsibility disclosure.

Figure 4 The role of media in the new institutional economic model



Clancy et al. (2022) investigated media coverage effects on credit rating change decisions. They find that negative media coverage has a strong association with credit rating change events, but positive media coverage does not. Credit rating agencies recognise information embedded in negative media coverage predictions and negative market sentiments when making rating change decisions.

Recently, Ang et al. (2021) showed that social media criticisms are incremental to the information delivered by traditional media, analyst reports and institutional investors. They find that social media criticisms posted by small investors and board criticisms can predict a potential acquirer's subsequent decisions. They also found that message board criticism can predict governance outcomes beyond acquisition decisions.

The second channel of influence is that media attention can drive enforcement of corporate governance through corporate laws. This channel is clarified in the first part of the analysis. We can argue that the higher the media independence, the higher the rule of law, and that the manager will protect investors and minority shareholder rights.

3.2 The new global institutional economic model

We build our conceptual model of the interaction between the media and Williamson's (2000) institutional framework, as revisited by Matoussi and Jardak (2012), and provide a more global vision of the role of the media in drawing a big picture of the international divergence of economic and corporate governance patterns. It incorporates the role of the media on the right-hand side of Figure 4.

4 The role of the media in a changing economy: the case of Tunisia revolution

In this section, we demonstrate that the media can play an important role in the institutional economic model of Tunisia's post-revolution. We report the change that the revolution has had to the media and the effect that the media has had on the political regime, social movement, legal reform and corporate governance model.

4.1 Media concept and operationalisation

Media is a complex variable, and its measurement needs to be further clarified. Media refer to various means of communication. The traditional type of media is print media, such as newspapers and magazines, or electronic media, such as radio and television. Another type of media has emerged: digital media, also called social media. In this century – of the digital age – computers and the internet have gained central importance in human life, and social media has played a prominent role in this picture. It is obvious that the importance of social media in our lives is increasing daily, and social media can even lead to global social movements. Not surprisingly, its effect on individuals, especially young people, is inevitable (Al-Menayes, 2015). The rapid advancement of media technology has significantly impacted the way people communicate daily. Ravikumar (2023) provides seven reasons for the use of social media: identity, conversation, sharing, presence, relationship, reputation and groups. Each one is associated with entering and using social media.

Table 2 Media measurement and operationalisation in the literature

Research reference	*Media measure*	*Results*
Dyck and Zingales (2002)	Independent variable: traditional media • The diffusion of the press based on the circulation of daily newspapers in the country. • The freedom of the press. • Violations against broadcast media. • Violations against print media.	The more diffuse the press in a country is, the more companies are responsive both to environmental issues and to minority shareholders' concerns. The diffusion of the press is determined by country's cultural and ethnic tradition.
Dyck and Zingales (2004)	Independent variable: traditional media: Public opinion pressure measured by newspapers' diffusion: the circulation of daily newspapers normalised by population.	Countries where newspapers are more diffused have lower private benefits of control.
Dyck et al. (2008)	Independent variable: traditional media: News coverage of alleged governance violation: • The number of articles in English newspapers and in Russian papers mentioning a company that make a reference to the alleged violation. • The dummy variable that takes the value one if there was any news coverage and zero otherwise.	Media can be effective in reducing corporate governance violation only if most people believe that it is socially valuable to protect minority shareholders. If not, as it is in Russia, media shaming does not work. Media can be influenced by the lobbying of different economic interests.
Liu and McConnell (2013)	Media attention: the number of firm-specific news stories about the firm's attempt over the ten calendar days beginning with the announcement day of the acquisition transaction. Media tone: the number of negative words of the news stories over the ten calendar days beginning with the announcement date of the transaction.	The level of media attention and the tone of media coverage play an important role in managers' decisions to abandon value-reducing acquisition attempts. Such value-reducing takeover attempts are more likely to be abandoned the more negative is the tone and the broader is the media coverage of such proposed takeovers.
Liu et al. (2017)	Media attention: logarithm of the number of firm-specific news stories about the CEO's firm in the *Wall Street Journal*, the *New York Times*, and the Dow Jones News Service over the four-year period beginning one month prior to the CEO's departure. Media tone: the fraction of negative words in these news stories where the negative words are defined in Loughran and McDonald (2011).	The greater the level of media attention given to a CEO's firm during his career, the greater the number of outside board seats he will hold post retirement. High media coverage coupled with a more negative tone actually reduces the number of the former CEO's outside board seats.
Ang et al. (2021)	Social media: the internet stock message board postings: the fraction of the number of negative comments posted on the acquirer's firm-specific stock message board that oppose an acquisition attempt to the total number of acquisition related comments.	Small investors' negative postings are able to predict a potential acquirer's subsequent decision to withdraw its attempt. The predictive information extracted from social media is incremental to that captured by proposal announcement returns, conventional media coverage, analyst reports, and institutional investors' responses related to the proposed acquisition.

In the literature, media was operationalised differently, and we present the principal different measures used in the literature in Table 2.

4.2 Research methodology

To address our research objective, we used a desk study method to examine Tunisia's democratic transition.

Tunisia's democratic transition offers the possibility of illustrating the role of the media in changing political regimes, adopting new values, and reconsidering corporate governance and resource allocation models. We chose Tunisia because the recent Tunisian revolution has undergone a radical change and has made sense of the role of the media, and new free journalists have shaped the configuration of the new Tunisian model in the marketplace. Attempts to build efficient economic models are of great interest.

This study covers the time of the revolution and the period post-revolution. Other Arab countries such as Egypt, Libya, Syria, and Yamane have adopted the same process. Therefore, we corroborate our analysis with a desk study that provides a comparative analysis of other North African countries. Therefore, we collected data from the World Bank and created a business database for the period post-revolution. In the first part of this study, we provide graphs to validate our theoretical predictions.

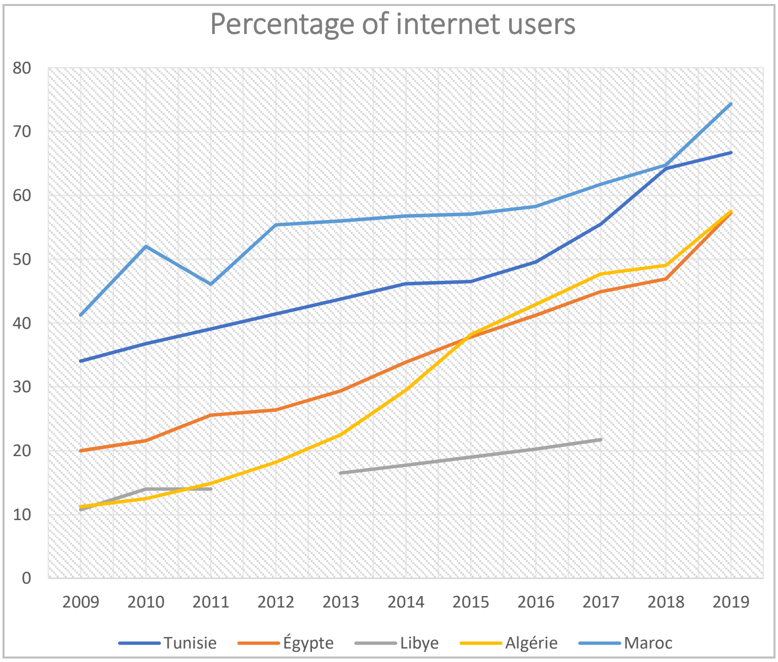
4.3 The Tunisian revolution: the role of the media in changing the political regime

The driving forces behind the Tunisian revolution were political corruption, discrimination exercised by the president, high unemployment and poor living conditions (Pollock et al., 2014). Tunisia also suffered from a lack of political expression; all forms of media were prohibited until a small conservative television station was allowed (Pollock et al., 2014). A street vendor 'Bouazizi' was treated severely by a female police officer who allegedly physically and verbally abused him. In response to humiliation, Bouazizi attempted to file a complaint with the local authorities at the provincial headquarters but denied the opportunity to speak with anyone and set fire to his body (Carty, 2014). Violent protests originating from Sidi Bouzid spread throughout Tunisia to its capital, Tunis, largely due to the participation of labour unions and the social community. Tunisian government-controlled media did not cover this revolution. However, on the Al-Jazeera Television Network, pictures of Bouazizi's self-immolation were rapidly shared in cyberspace. Facebook and Twitter provided a full picture of the Tunisian people. On January 14, 2011, the president resigned and went into exile in Saudi Arabia, ending his 23 years as dictator regime.

Owais (2011) argues that in the period of the revolution, there was a new drive for free media and hunger for freedom. Journalists have become independent and detached from the political oppression of the government and political parties (Kavanaugh et al., 2016).

Figure 5 shows the percentage of internet users in Tunisia and a comparison with other countries in the North African region: Morocco, Egypt, Libya and Algeria. The data were collected from the World Bank between 1990 and 2019. As can be seen in Figure 5, the percentage of internet users has grown since the revolution in 2010–2011. Tunisia has the second place after Morocco. Algeria and Egypt have ascendant graphs but lower rates than Tunisia, which explains why Tunisia was the first country to engage in social networking to rapidly organise protestant actions against the political regime in place. Information was immediately available via social media, and people connected to the Internet could synchronise their movements instantly to remove the political regime.

Figure 5 Percentage of the internet users in the North African countries (see online version for colours)



4.4 The Tunisian post-revolution: the role of free media in the new democracy

After the Tunisian Revolution, different actors wanted to influence collective thinking in the political, cultural, and legal reform processes in the region. The challenge has been to turn the revolution into progress and growth (Carty, 2014). In other words, a series of movements have spread from the MENA region to Egypt, Libya, Bahrain, Yemen and Syria. This global movement is known as the AS.

4.4.1 Emergence of free media

The transformation of the Tunisian media from a controlled tool in the hand of the dictator to the free voice of a democratic society provided a strong belief that the democratic transition process requires not only regime change at the top, but also changes in all ways the media helps build new cultural values (Owais, 2011). These reforms may not receive more attention than other preoccupations at the highest levels of government, but they are just as important as the outcome of the political transition process. We can argue that the most important accomplishment is that the Tunisian people view the new free media as reflecting their lives, state, society, and level of freedom. Thus, it is not surprising that the liberation of the media is frequently cited by Tunisians as the greatest achievement of their revolution (Kavanaugh et al., 2016).

4.4.2 The role of the media in changing cultural values

For people whose individual rights of expression, religious practice, and community debate are repressed, the role of the media has been to break this cultural pattern and establish independent journalism responsible for popular debate and government accountability. The project that goes to the heart of a society in which the media plays an important role is to protect the public sphere and the new democracy. Free media have provided a new culture to protect human rights, liberty of expression, and liberty of religion.

Through social media, the revolution has organised protest activities and created new collective behaviour and social movements relying on self-organising and flexible popular networks demanding radical socio-economic change and a new vision of the future (Carty, 2014). This calls for new values such as freedom, optimism, cooperation, accomplishment and critical thinking.

4.4.3 The role of the media in the political democracy transition

The democratic political process relied on reliable information provided by the media, on which people based their discussions and collective decision-making (Kavanaugh et al., 2016; Jallow, 2015).

The Tunisian experience shows that, on October 23, 2011, Tunisians had the opportunity to vote in the first free and fair election in 24 years. The Islamist party *Ennahdha* was voted into power. Over 100 political parties registered in the second election competed with Ennahdha (Carty, 2014). Changing the political system in 2014 was due to higher media coverage of the political election process.

The media play a significant role in discussing questions regarding the representation of different groups in political life. In 2014, the Tunisian people were divided into two groups: those who attempted to mandate Islam as part of their political life, and those who would exclude any religion from the political workspace. In 2019, the political election landscapes differed. The media greatly affected the election process in 2019 through information diffusion among political parties and competitors in the presidential election. Project, reputation, and suspicious corruption were publicly discussed by the media, which facilitated political discussion and debate and oriented collective political behaviour. Two political camps appear in the scene: social and liberal.

Figure 6 shows the level of freedom of the press published in the reference world database. We collected data for Tunisia during the post-revolution period. The higher the level of this index, the worse is the level of freedom of the press. Figure 6 shows two periods: the first period is 2009–2011, which indicates a high level of the index, which means a low level of press freedom, the status of Tunisia press was ‘not free’. The second period is 2012–2017 and indicates a significant decline in this index. The Tunisian press acquired the status of ‘partially free’.[2]

A comparative analysis with the other North African countries shown in Figure 7 indicates that Tunisia has had the best levels of press freedom since 2012 (low percentage). Egypt and Libya experienced low levels during the 2012 revolution. However, after that, they take high values indicating low freedom.

Figure 6 Percentage of the freedom of the press in Tunisia (see online version for colours)

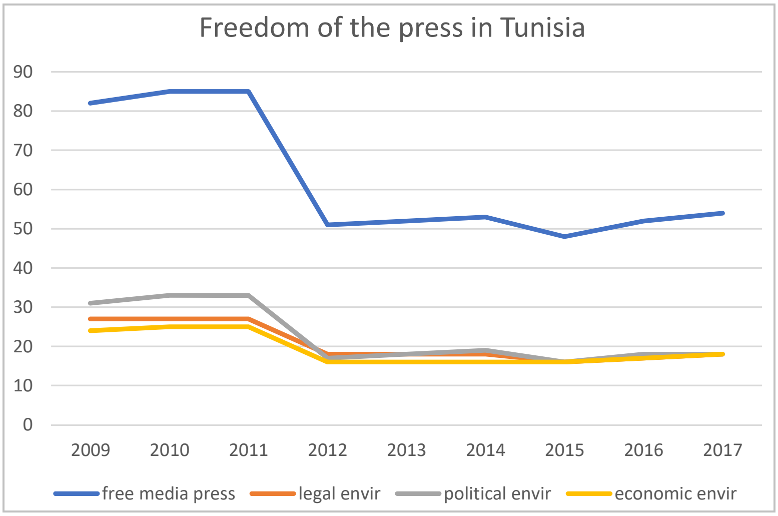
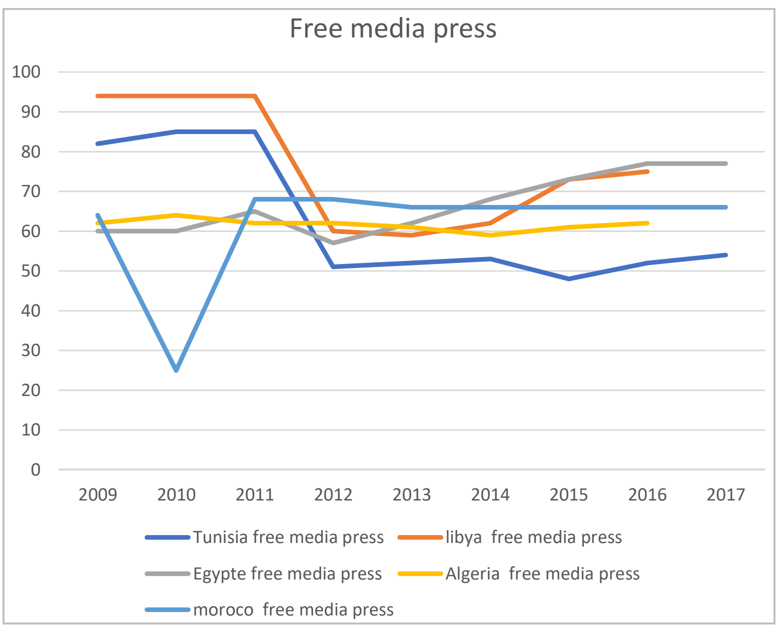
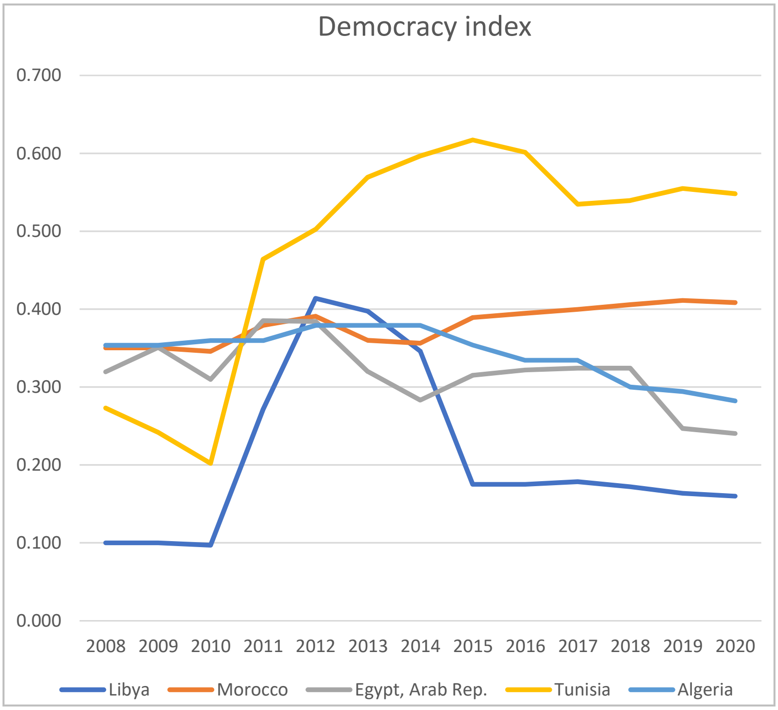


Figure 7 The freedom of the media in the North African countries (see online version for colours)



When we look at the democracy index collected from the World Bank over the period 2008–2020, we find in Figure 8 that Tunisia has a high level of democracy compared with other North African countries. The index has increased for Tunisia, Egypt, and Libya after the revolution, but Tunisia has maintained a good and high level of democracy, which took its highest value in 2015, when Tunisia won the Nobel Peace Prize awarded to the national dialogue quartet for its decisive contribution to the building of a pluralistic democracy. However, Egypt and Libya did not maintain their democracy levels in the post-revolution period. The graph indicates a decline in democracy since 2013 in Egypt and 2014 in Libya.

Figure 8 Democracy index in the North African countries (World Bank) (see online version for colours)



A simple comparison of the two graphs: democracy and free media press shows that the higher the level of media freedom, the higher is the level of democracy in one country, and vice versa. These results confirm our analytical demonstration, as described previously. Free media allow Tunisia to maintain democracy, while in Egypt and Libya, the decline in the level of media freedom has destroyed the level of democracy.

4.4.4 The role of the media in the post-revolution legal reforms

The Tunisian Revolution introduced a radical change in law in many fields. A new constitution was adopted in January 2014. The constitution established the foundation for a democratic regime as demanded by the people during the revolution. This constitution emphasises the separation of power, equality between men and women, equality between religions, and the independence of the judiciary.

Some topics debated by the media include:

- *Religion:* The media played an important role in showing the controversy between *Ennahdha* who attempted to mandate Islam as the official religion of Tunisia in the constitution, and the other secular parties and had oriented the process of lawmaking through television programmes and debates.

- *Women position:* The media has played an important role in giving women a privileged position in the new democratic society, such as women's representation in elected bodies.
- *Civil state:* The media mandated the status of the army; in Article 2 of the constitution, Tunisia is defined as a civil state in opposition to a military state. Unlike Tunisia, Egypt has a long history of military interference. While Morsi was removed by Egyptian armed forces, *Ennahdha* was removed by the democratic process in the 2014 election.

Since then, Tunisia has undertaken large legal reforms, from social and fiscal reforms to deeper corporate governance and institutional reforms. We expected not only to establish a true democracy, but also to initiate a new approach to the management of affairs based on good governance (Tunisian Association of Governance, 2013).

4.4.5 The role of the media in the corporate governance and economic reform

The revolution made it possible to identify a new societal project for Tunisia, which was based on a new system of values: freedom, justice, dignity, and the establishment of good governance to achieve economic development. The economic vision of Tunisia adopted by the government in its strategic orientation was based on five strategic axes:

1 good governance and reforms

2 a dynamic economy creating jobs

3 resource development of human rights and social inclusion

4 regional development

5 the green economy.

The development of these strategic axes aims to promote stronger and more inclusive growth and to generate more jobs. A lawmaking process was implemented to restore investor confidence and attract foreign investors. Many reforms in financial markets, control of corruption, tax avoidance, and investment encouragement came in response.

As defended by LLSV theory, the main idea is that corporate governance needs reform to protect outside investors, expand financial markets, and improve resource allocation efficiency. It is believed that reform can occur through legal convergence rather than functional convergence.[3] Tunisia has undertaken radical changes in rules and enforcement mechanisms toward successful standards.

However, Roe (2003) asserts that the law shapes not only the demand for investor protection, but also market conditions. Owners, managers, employees, and customers compete for rents. The ways in which these players compete for rent are reflected in corporate governance and political organisations. In situations of low competition, players have an incentive to protect themselves. Owners have an incentive to retain direct control to ensure the effective distribution of these rents. In the case of various products and capital markets, there are few opportunities to accrue monopoly rents, and thus, lower agency costs and less value to contest inside the firm for control. Thus, in corporate governance models, concentrated ownership is usually associated with a concentrated product market and diffuse ownership is associated with a competitive product market. However, market competition has been determined politically. Thus, politics, which explains Roe (2003), is the best explanation for ownership and corporate governance patterns. Coalitions, ideologies, and interest groups are the primary determinants of the degree of ownership dispersion and the relationships between different firm actors.

In Tunisia, conflicts of interest between political parties and coalitions have influenced the definition of power in the economic landscape.

The ways in which social peace is maintained vary across countries, which may explain why corporate governance and ownership structures vary worldwide. Political conditions may affect the ownership structure and the survival of corporate governance systems.

In fact, the politics that produce regulations and shape governance originate from coalitions. Roe's (2003) country case studies confirmed the importance of these coalitions. In Sweden, the Agrarian Party was a key player in providing power to Social Democrats in 1933. The Social Democratic Party has dominated the government for the past 70 years. Sweden was a model of strong unions and leftist government. In Germany, Christian Democrats have been key to the government since the Second World War, and the same is true for Italy and other parts of Europe. The Social Christian views strongly supported the state promotion of families, expansion of the welfare state, job security, and other policies that Roe (2003) characterises as socially democratic. Concentrated ownership generally appears in social democracies of Continental Europe. There is great support for employee pressure by the government, unlike in the USA, where employee pressure is weak. Their principal objective is not to maximise shareholder profit. In the USA, populist political movements were the key to producing unions with lower power and in the fragmentation of finance. American populists got little of what they wanted unless they found allies. Farmers, free traders, workers, ethnic groups, and investors have attempted to produce coalitions against the aggregation of economic power.

Thus, the hegemony of the social movement in Tunisia post-revolution has led to the emergence of social democracy. There was great support for employee pressure and strikes by the unions. Their principal objective is to use capital in the best interests of stakeholders, employees' job security, social welfare, and social stability. Thus, maximising shareholder profits is not of great interest as in the liberal economic model.

The media have played an important role in giving the principal worker union 'UGTT' great power to maintain job stability and increase salary remuneration. Pressure on social movements has led to increased public remuneration. Therefore, the media has debated the stability of public finance. Tunisia must pay back its international loans while it does not experience any economic growth. Not only was the quality of the business climate crucial to straightening investment and access to financing but also the regulatory framework, corporate governance and law enforcement. The market was unable to coordinate the agents to achieve optimal economic growth. The market creates uncertainty and property rights must be protected. In this case, state intervention is essential to ensure competition and arbitration among economic agents. The media's focus was a long way from aligning objectives to shareholder value maximisation. Strong labour power inhibits ownership diffusion and does not encourage private investment, which leads to a decline in investment and economic growth (Matta et al., 2016). Large-block shareholdings have persisted as the best way to control firms. This situation shows that the Tunisian social conflict affects how firms are owned and how power in the firm is divided. The extent of the ownership and control index reported by doing business over the period 2014–2020 for Tunisia was over 57%. This index measures the rules governing the structure of and changes in companies' control.

The Tunisian investor protection index has increased since the revolution in 2010, as shown in Figure 9. The increase in this index can be explained by an increase in the disclosure index and director liability index. However, in the post-revolution period, there were no improvements in this index. This result can justify our analytical demonstration of the hegemony of the social movement in the Tunisian marketplace when the priority was not to protect investors but to protect salaries and employee welfare.

Figure 9 Tunisia investor protection index (doing business data) (see online version for colours)

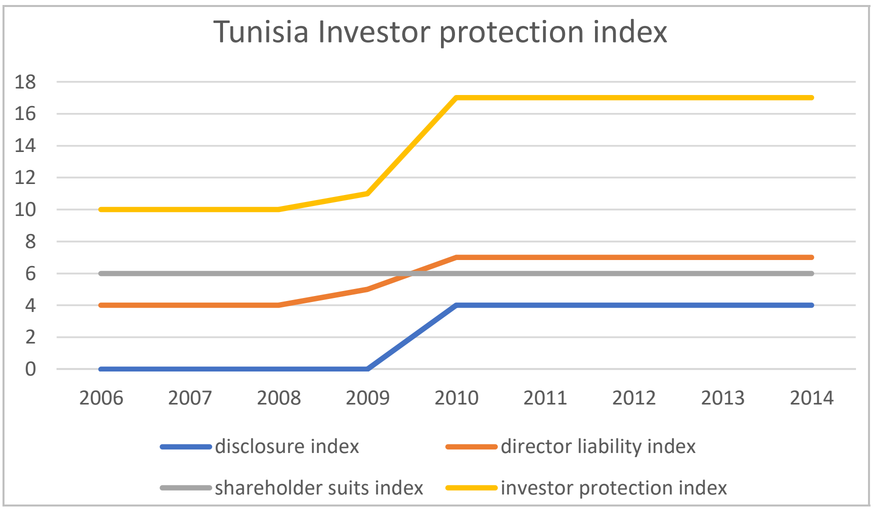
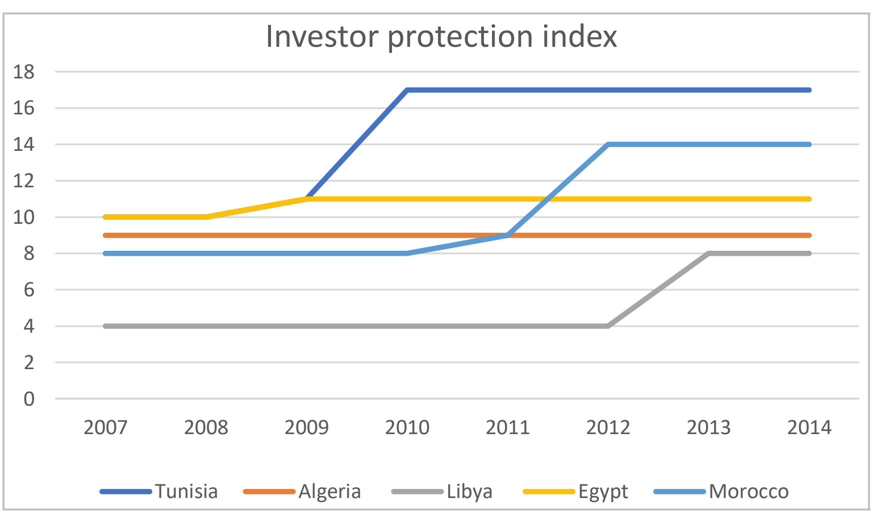


Figure 10 Investor protection index in the North African countries (doing business data) (see online version for colours)



A comparative analysis with the other North African countries in Figure 10 shows that Tunisia has the best investor protection score, followed by Morocco and Egypt.

Democratic transition is certainly beneficial in terms of freedom; however, reaching maturity is expensive for unprepared people. Political solutions are often rich in symbols but poor in terms of achievement. The democratic transition prompted interest groups to take advantage of the democratic political process and an excess of freedoms to subdue consumers and taxpayers in their favour, which had a detrimental effect on economic growth. The socio-economic repercussions were very distressed. Matta et al. (2016) quantified the economic impact of the Tunisian Revolution from 2011 to 2013 and found a negative effect on the aggregate economy of Tunisians. The results suggest a loss of 5.5%, 5.1%, and 6.4% of GDP in 2011, 2012 and 2013, respectively, and that the main channel through which the economy was unfavourably affected by the AS was investment.

Figure 11 The GDP per capita in the North African countries (current US $) (see online version for colours)

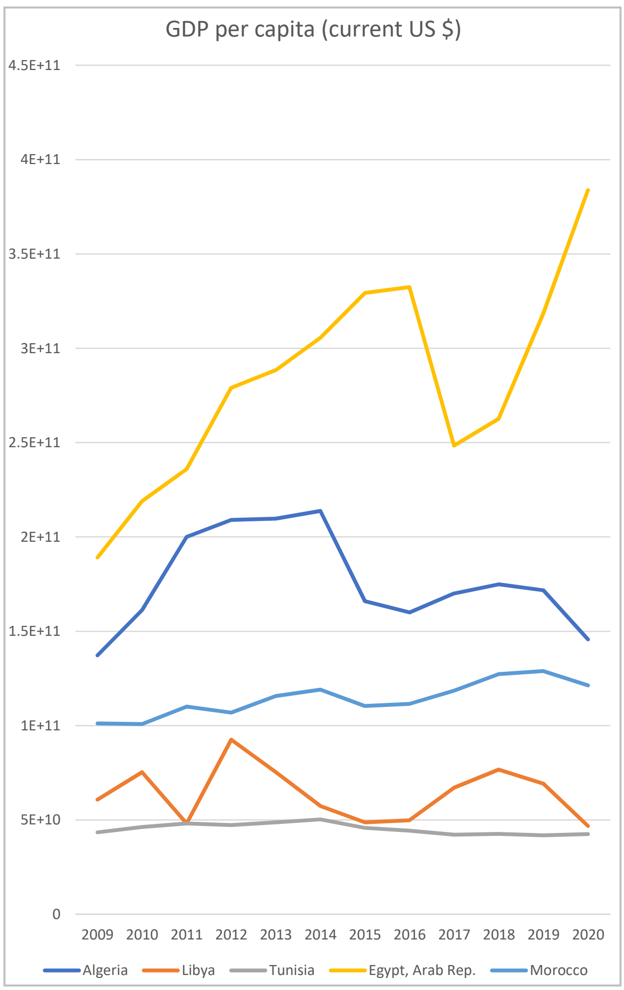


Figure 11 reports the GDP per capita over the period 2009–2020. The Tunisia' GDP per capita has decreased after 2014 to attend lower values than 2009 and 2010. Tunisia lost its richness because the abuse of power and corruption are affecting different sectors of activities of the national economy. As we can see in Figure 11, despite the fact that Tunisia has the best scores in terms of democracy, free media, and investor protection, it has bad scores in growth because the interest groups have consumed the benefits and advantages of the revolution.

Despite establishing an anti-corruption commission in the new constitution, corruption seems to have escalated following the uprisings (Matta et al., 2016). International Transparency (2016) (https://www.transparency.org/) revealed that 64% of Tunisians saw an increase in corruption levels. Corporate governance is broken down into a lack of reliable reporting systems, dysfunctional audit committees, poor distribution of tasks, centralisation of power, and unreliable and irrelevant financial and accounting communication. All of these elements ensure that Tunisian companies are beginning to lose the confidence of their customers, employees and stakeholders. Thus, many governance and anticorruption institutions have emerged.

Media plays an important role in the detection of corruption. They have contributed to revealing the financial resources of political parties and the fortunes of businesspeople. In some cases, the media evaluates firms and managers, publishes news about some political and famous personalities' actions in the managerial labour market, and can broadcast information to a wide public (Bednar, 2017). When the media widely and negatively covers financial corruption, tax avoidance, or money laundering actions, the politician, who is also the manager of a big firm, incurs a loss in reputation and political function.

5 Conclusions

Law, politics, judges, norms, culture, private mechanisms, and path dependence have been debated by researchers, and appear in all theories of corporate governance. However, the main difference between them is the causal sequence of these variables in their models and the importance assigned to each variable. All of these theories contribute to the understanding of corporate governance patterns and economic development around the world. In this study, we demonstrate that the media can play an important role in shaping corporate governance and the process of firm value maximisation and resource allocation. Tunisia's post-revolution shows that democratic transition is preserved thanks to free media, but the process has failed to achieve economic growth and build good corporate governance. The graphs of democracy and the free media press index over the period 2009–2017 show that the higher the level of media freedom, the higher the level of democracy in one country, and vice versa. These results confirm our analytical demonstration, as described previously. Free media allow Tunisia to maintain democracy, while in Egypt and Libya, the decline in the level of media freedom has broken the level of democracy.

The hegemony of the social movement following the Tunisian revolution led to the emergence of social democracy. There was great support for employee pressure and strikes by the workers' unions. Their principal objective is to use capital in the best interests of stakeholders and employees' job security. Strong labour power inhibits ownership diffusion and does not encourage private investment, which leads to a decline in private investment and economic growth. As reported in this study, the GDP per capita index decreased after 2014 to lower values in 2019 than in 2009 and 2010.

The study's implications for the corporate governance literature seem important by adding the role of media in the institutional economic model. This can provide a conceptual and theoretical framework for future research investigating media as a determinant factor in corporate governance and economic development models.

This research can help policymakers understand the principal determinants of corporate governance in one country, namely, the effect of the media in changing public consensus and diffusing information to create new values, change the political regime, promote regulation, instate good governance, and create an economic model. Policymakers should pay considerable attention to the media because they can play an intermediary role in creating growth.

We cannot provide scientific generalisation using only a desk study. Therefore, to remedy this limitation, we suggest that the study can be corroborated by an empirical investigation, across emerging and developed countries, of the mediating role of the media in the relationship between legal systems, corporate governance and economic growth.

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Notes

1 The legal theory was adopted by many researchers investigating the impact of investor protection on liquidity (Brockman and Chung, 2003), agency cost of controlling shareholders (Reese and Weisbach, 2002), on capital structure (Cheng and Shiu, 2007); or on asset pricing (Albuquerque and Wang 2004), etc. However, other scholars challenged the view of La Porta et al. (1997) and argued that differences in culture (Stulz and Williamson, 2003), or politics (Roe, 2003; Gourevitch, 2003) are the primary determinant of the effectiveness of financial systems.

2 This index is the result of three measures: the legal environment, which specifies the laws and regulations shaping the media, the political environment, which takes into account the editorial pressures by the government and the political censure of journalists for their critical idea to the political regime and finally the economic environment that assesses the concentration of media ownership and the impact of advertising, subsidies, and bribery on their content.

3 Functional convergence refers to market-based changes which do not require legal reform.