The Role of Institutional Investors in Corporate Governance (Case study of Syrian Companies)

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□ ABSTRACT □

The study aims to explore the role of institutional investors, who quantitatively control the market and exercise increased control over financial assets, in influencing the agency's relationship between shareholders and managers. The study of such a question highlights two contradictory forms of conduct of these institutions, which are effective on the one hand and negative on the other (voice or exit). Applying this influence on disclosure policies is a critical issue for corporate governance. The research focuses on analyzing complex ownership structures that feature at least two major shareholders. To achieve the study's objective, the researcher used the hypothetical-deductive approach to formulate hypotheses. The validity of these hypotheses was tested using the case study methodology on companies listed on the Damascus Securities Exchange. The results of the research confirmed the validity of these hypotheses. First, the managers of the investment institutions exert strong influence in order to effectively control the managers of the Syrian companies in question, reflected in one key point: transparency. The principle of transparency imposes on listed companies the need for a clear commitment to communicate with investors in order to provide them with the necessary elements for making factual investment decisions. Second, institutional investors' activity increases the frequency of individual meetings. In other words, this encourages the director to change his communication strategy from one-way to interactive.

Keywords: Institutional investors, Corporate governance, Complex ownership structures, Disclosure policy, Syria.

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دور المؤسسات الاستثمارية في حوكمة الشركات
(دراسة حالة من الشركات السورية)

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☐ ملخّص ☐

تهدف الدراسة إلى استكشاف دور المؤسسات الاستثمارية، الذين يسيطرون كمياً على السوق ويمارسون سيطرة متزايدة على الأصول المالية، في التأثير في علاقة الوكالة بين المساهمين والمديرين. إن دراسة مثل هذا السؤال تلقي الضوء على شكلين متناقضين من أشكال السلوك لهذه المؤسسات، وهما سلبي من جهة وفعال من جهة أخرى. إن تطبيق هذا التأثير على سياسات الإفصاح يشكل قضية في غاية الأهمية بالنسبة لحوكمة الشركات. يركز البحث على تحليل هياكل الملكية المعقدة التي تتميز بوجود اثنين من المساهمين الرئيسيين على الأقل. ولتحقيق هدف الدراسة استخدم الباحث المنهج الفرضي–الاستنباطي لصياغة الفرضيات. وتم اختبار صحة هذه الفرضيات باستخدام منهجية دراسة الحالة على الشركات المُدرجة في سوق دمشق للأوراق المالية. وأكدت نتائج البحث صحة هذه الفرضيات. أولاً، يمارس مديرو المؤسسات الاستثمارية نفوذاً قوياً من أجل فرض رقابة فعّالة على مديري الشركات السورية محل الدراسة، ويتجسد ذلك في نقطة أساسية واحدة: الشفافية. يفرض مبدأ الشفافية على الشركات المُدرجة ضرورة الالتزام الواضح بالتواصل مع المستثمرين من أجل تزويدهم بالعناصر اللازمة لاتخاذ قرارات استثمارية مبنية على حقائق. ثانياً، يؤدي نشاط المستثمرين المؤسسيين إلى زيادة وتيرة الاجتماعات الفردية. وبعبارة أخرى، يشجع ذلك المدير على تغيير استراتيجية الاتصال الخاصة به من منطق أحادي الاتجاه إلى منطق تفاعلي.

الكلمات المفتاحية: المؤسسات الاستثمارية، حوكمة الشركات، هياكل الملكية المعقدة، سياسة الإفصاح، سورية.

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Introduction

Recent news is full of examples of increasingly agitated general meetings during which shareholders have strived to play their role and make it known. Highly symbolic case, on May 4, 2022, the shareholders of the aeronautical firm EADS voted, after a six-hour meeting and under pressure from representatives of mutual funds, in favor of paying a dividend of 12 cents per share. This case shows the central place currently occupied by institutional investors during debates in general meetings of shareholders, and consequently in the corporate governance.

In 2002, the global consulting firm "McKinsey & Company" launched a survey of institutional investors around the world, to determine precisely how important corporate governance is to this key segment of the economy. The results showed that many institutional investors would be willing to pay a premium for a company with good corporate governance practices. In some countries, investors have even indicated that they are willing to pay a premium of up to 40% for a well-managed company.

Furthermore, The importance of corporate governance is due to series of events and financial crises, that occurred during the last four decades in developing countries, emerging markets, and transitional economies. All of these events suggested that the lack of corporate governance leads to enabling those work within the company (managers, board members) to plunder companies at the expense of shareholders, creditors, and other stakeholders.

Indeed, this research finds its origin in the following observation: it is difficult to address the strengthening of external control over management without addressing an issue that has profoundly changed the strategic landscape of many companies in recent years: the rise in power of institutional investors in their capital (Davis and Thompson,1994). Specifically, the research will study the role played by institutional investors in corporate governance, focusing in particular on the analysis of complex ownership structures and disclosure strategy.

Complex ownership structures

According to Shleifer and Vishny (1997), corporate governance is defined as the means by which the company's capital suppliers can ensure the profitability of their investments. In this regard, the ownership structure appears to be an effective means of controlling the management. Most studies have considered three types of structures: the Dispersed Ownership Structure, the Concentrated Ownership Structure, and the Controlling-Minority Structure. In the dispersed structure, the manager, freed from the control of shareholders due to a free riding problem and high organizational costs, is encouraged to pursue his interests at the expense of shareholders. In the concentrated ownership structure, the dominant shareholder (controlling shareholder) easily and directly control the manager. This structure can reduce the agency problem caused by the opportunism of managers and improve the performance, but the dominant shareholders may represent a threat of expropriation to minority shareholders and are therefore reluctant to publish financial or non-financial information (Shleifer and Vishny, 1997). In the controlling-minority structure, minority shareholders control their company with a small share of ownership through cross-shareholdings, pyramid structure, and shares with differentiated voting rights. In this case, the control rights of shareholders do not correspond to their rights to cash flows (Bebchuk *et al.*, 2000).

In reality, there is a fourth type of ownership structure: Complex Ownership Structure. Recent empirical studies (La Porta *et al.*, 1999) have demonstrated that, frequently, the

major shareholder is not surrounded by an ocean of small shareholders, but other large shareholders can be existed alongside him. Complex ownership structure can be define as a structure in which at least two large shareholders (*Blockholders*) coexist, each possessing at least 5% of the voting rights (Bebchuk *et al.*, 2000).
The agency theory (Jensen and Meckling, 1976) provides a framework linking the disclosure decision to corporate governance. The communication of information constitutes a tool to reduce the agency costs resulting from the divergence of the interests between managers and shareholders in the one hand, or that between of the majority and minority shareholders in the other. This work will highlight the interrelationships which result in cooperative or competitive logics between blockholders in a complex ownership structure, and the influence of these interactions on the quality and extent of the information published. It provides one of the first studies addressing the role of institutional investors in corporate governance in the context of developing countries, such as Syria.

Literature review

1. The corporate governance theory regarding complex ownership structure:

The topic of shared control and interaction among multiple large shareholders has recently begun to receive attention from corporate governance researchers. Two categories of work can be distinguished. The first concerns theoretical models dealing with cooperation between controlling shareholders (Zwiebel, 1995; Burkart *et al.*, 1997; Maury and Pajuste, 2005), and the second concerns models discussing non-cooperative interactions between these shareholders by introducing the concept of contestability of control (Pagano and Röell, 1998; Bloch and Hege, 2003; and Radaev and Stepanov, 2007).
Gutiérrez and Tribo (2004) formed potential coalitions of shareholders within Spanish firms and showed that these firms have better performance when the controlling coalition includes at least two shareholders and that the second shareholder have similar power (i.e. when the contestability of control is important). At the same time, other major shareholders can effectively alleviate the controlling shareholders' behavior of seizing private benefits of control through Related party transaction, capital occupation, excess dividends and other ways (Deren *et al.*, 2016), improve corporate performance and corporate governance effect, and also reduce the company's financing costs and reduce corporate financing constraints (Fuxiu *et al.*, 2018).
On the other hand ,Maury and Pajuste (2005), using different measures of concentration (Herfindahl index, Shapley value, differences in voting rights between the two main shareholders), validated the following hypothesis: "when the voting rights of the second shareholder are very far from those of the first, the value and performance of the firm are lower". Multiple major shareholders may also have a negative impact on the company: controlling shareholders may share the private interests of control with other major shareholders, infringe the interests of minority shareholders, and worsen the Principal–agent problem (Pagano and Röell, 1998). Information manipulation may cause companies to face litigation risks and high litigation and penalty costs. When major shareholders conspire with each other and jointly infringe on the interests of small and medium-sized shareholders, other major shareholders of the company not only share control and private benefits with the controlling shareholders, but also share the cost of hiding bad news with the controlling shareholders, and even face potential litigation risks in the future together (Zeng., 2023).

2. Institutional investors and communication policy:

An emerging stream of literature shows that the threat of activism may cause managers to change the firm disclosure behavior. Shareholder activism arises when shareholders believe that the boards have failed to perform their duties, leading to shareholder dissatisfaction with board performance and shareholder value maximization. The mid-1980s saw a rise of shareholder activism when institutional investors became activist investors. Ariffin *et al.*, (2023), by examining a sample of 261 firms in Malaysia, show that institutional investors, through their professional experience as well as their power over managers, have the means to enforce and apply the principles of corporate governance in order to protect the rights and wealth of shareholders. They are calling for more transparent communication revealing the risks incurred by the firm and its key success factors. Flammer *et al.*, (2021) show that shareholder activism can elicit greater disclosure of information. Gao *et al.*, (2020) show that when Annual General Meeting is conducted online in China, the percentage of ownership voted at the Annual General Meeting significantly increases, especially among minority shareholders. Baloria *et al.*, (2019) show that shareholder activism via shareholder proposals requesting firms to provide information on corporate political spending, due to concerns that political spending is symptomatic of agency problems within firms, leads to increased transparency over political contributions. Bourveau and Schoenfeld (2017) argue and that managers under threat from activist institutional investors can avoid shareholder activism by increasing voluntary disclosure of earnings forecasts.

On the other hand, Li (2011) made a distinction between two categories of investors. The first brings together investors who buy short-term securities. They are not interested in the quality of financial communication because of their investment horizon. As a result, the impact on disclosure policy is relatively limited. The second category includes investors who buy long-term securities, this category is characterized by privileged access to company information. Therefore, they do not exert any pressure on the company, and their ownership influences negatively transparency. Bushee and Noe (2000) found that there is a positive and significant correlation between the quality of financial communication and the percentage of capital held by institutional investors. Healy *et al.*, (1999), on a sample of 97 firms from 1978-1991, showed a positive relationship between the ownership of institutional investors and the quality of voluntary publication. According to Healy *et al.*, (1999), institutional investors are considered the most demanding agents in terms of regular and timely financial information. These researchers also confirmed that institutional investors are attracted to firms that publish more information. In other words, these investors seek to invest in companies with a good communication policy. Elgazzar (1998) confirmed that the presence of this category of investor is an explanatory factor in the quality of financial communication. This thesis is confirmed after a study on a sample of 1262 companies.

Therefore, based on the predictions of agency theory, the presence of institutional investors in the capital of companies is a sign of the good quality of financial communication.

3. Corporate governance in Syria:

The study of (Al-Qadi and Al-Bahlol, 2010) has investigated the Syrian corporate governance bases, and its development barriers. It has developed eleven questions dealing with different legislative and organizational aspects that might encourage the Syrian corporate governance. These aspects were derived from the bases developed by the Syrian Commission of Financial Markets and Securities. These bases were then tested using a twelve enquiries-based questionnaire which was distributed to a samples of certified accountants excluding the big four accounting of importance to them. The answers ranged between agreement and strong agreement regarding most of the corporate governance bases, with the exception of the component related to the independence of the auditor, where the answers ranged between neutral and opposition. Al-Adi and Abdullah (2012) investigates the role of corporate governance structure in constraining earnings management, such as: board of directors, audit committee. The study examines a sample of 20 Syrian companies. The results show that these companies applying internal and external governance structures have less earning management. The study of (Ammar and Wakkaf, 2023) deals with the role of corporate governance in alleviating of agency problem in the companies that subject to the supervision of Syrian Commission on Financial Markets and Securities, during (2012-2021). The main objective is to study the relationship between the mechanisms of corporate governance (managerial ownership, ownership of major shareholders, board size, board independency, CEO duality and debt financing), and the assets turnover as an inverse measure for the agency cost. The Results indicate that managerial ownership, separation between the board chairman and the executive director and debt financing play an important role in alleviating agency costs in the Syrian business environment. While the role of the board of directors depends on the direct relationship between its size and company's size.

The importance of the research and its objectives:

The interest of studying the relationship between the role of institutional investors, complex ownership structures and disclosure is threefold. Firstly, this theme allows to enrich the analysis of the question of sharing control and interactions between large shareholders. Secondly, it is a part of previous research on the role of institutional investors in the corporate governance. Finally, it will enrich studies on the influence of institutional investors on disclosure policies.

The objectives of the research are:

1. Propose a model to diagnose the interaction between three control mechanisms: complex ownership structures, effectiveness of institutional investors (activism), and disclosure policies.

2. Propose an analytical model for complex ownership structures that include two large shareholders (the second shareholder is an institutional investor). This model is useful for showing how this shareholder can reduce the problem of private benefits.

3. This research aims to test the hypotheses extracted from the model that was developed in the context of a developing country: Syria[3].

[3] In fact, in any discussion of corporate governance, the main difference between developing markets and developed markets is that in a developed market the questions that arise are about the necessity of protecting the rights of the largest number of shareholders who have small shares, from attempts to seize and exploit these shares by large shareholders. (controllers). But in an emerging market, the main bets are on the existence of an effective institutional framework for corporate governance. For example, most developing markets suffer from a poor legal environment and weak implementation of laws and regulations (La Porta *et al.*, 1998). On the other hand, financial markets (takeover markets) are not well developed in these countries (Shleifer et Vishny, 1997). These gaps lead us to question the extent to which the internal control mechanisms of corporate governance (such as the ownership structure and the control exercised by shareholders, especially institutional shareholders) can compensate for the imbalance caused by the external mechanisms (the institutional framework of corporate governance).

Research Problem

As La Porta *et al.* (1999) and Bloch and Hege (2003) point out that, in order to understand corporate governance outside the United States, academic research must focus on modeling a true measure of the concentration of ownership. A relevant measure requires a theoretical model of interactions between large shareholders. This work tries to face this challenge. Thus, the preceding developments make it possible to state the research's problem as follow:

In firms with complex ownership structures, the presence of institutional investors (as an anther largest shareholder) can be used as a control mechanism to limit the extraction of private profits by the major shareholder (ultimate controller), by rendering in the interest of the latter to improve the quality of disclosure decision in order to don't lose its appeal as a creator of wealth.

The following sub-questions branch out from the main question:

- Can the presence of institutional ownership prevent insiders from attracting private profits? what methods are pursued by institutional investors in order to achieve this objective?
- How and why will the control power of the ultimate controller, in a complex ownership structure, be more contestable with the presence of another large institutional shareholder?
- How does institutional investor activism lead to improving the quality and extent of published information?

Research Hypotheses

1. Disclosure and activism of institutional investors (direct intervention):

According to Williamson (1981), transaction cost analysis provides an interesting framework linking the quality of financial reporting and corporate governance mechanisms. These results added to the work of the positive agency theory of Jensen and Meckling (1976) provide a model of the disclosure decision of managers. Managers are supposed to “make” a trade-off between the potential benefits of withholding information and the associated costs. These costs can result in a reduction in the share price and increased takeover risk. The choice of disclosure quality is the consequence of this arbitration which allows them to reduce the costs incurred**.**

Institutional investors, through their professional experience as well as their power over managers, have the means to enforce and apply the principles of corporate governance in order to protect the rights and wealth of shareholders. They demand more transparent communication revealing the risks incurred by the firm and its key success factors in order to better evaluate it. According to (Healy et *al.*, 1999), institutional investors are considered the most demanding agents in terms of regular and timely financial information.

Theoretically, different models assign a role to institutional investors in disclosure policy. For example, Diamond and Verrechia (1991) establish a relationship between the firm's cost of capital, liquidity of its securities and its financial communication strategy. Diamond and Verrechia (1991) show that a firm has an interest in disseminating private information in order to reduce the risk of the holders and thus improve the liquidity of its security. This actually results in an increase in demand for securities from institutional investors, which causes an increase in the price of the issuing firm and therefore a reduction in its cost of capital. This allows to make the following hypothesis:

Hypothesis 1: Communication of information is of good quality in companies where the proportion of capital held by institutional investors is high.

Communication through one-to-one meetings:

In fact, it seems that institutions investors, rather than obtaining information through specialists, wish to establish direct contacts with companies. In other words, to avoid conflicting relations, institutional investors seek to know the managers in advance and to express their grievances to them personally.

Hypothesis 2: The activism of institutional investors leads to an increase in the frequency of one-to-one meetings. In other words, it encourages the manager to change his communication strategy from a unidirectional logic to an interactive logic.

Improvement in the exercise of shareholder voting rights:

A corporate governance regime must protect and facilitate the exercise of shareholders' rights and duties. Indeed, one of the most important rights for investors and more particularly for shareholders is the right to vote. It is one of the most effective instruments for promoting good governance practices (Wirtz, 2005). In principle, to exercise the right to vote, it is necessary to have objective, clear, educational and certified information. In other words, sufficient information must be communicated to enable shareholders to make fully informed decisions. Companies should make every effort to facilitate the effective participation of all shareholders (including foreign shareholders) in general meetings (UNCTAD, 2006). According to the models of Bhattacharya (1997), the “free rider” problem is resolved by the presence of a “pivot” shareholder:

Hypothesis 3: The activism of institutional investors leads to improving the information communicated on the holding of general meetings.

2. Disclosure and indirect engagement of institutional investors:

According to the theory of corporate governance, when capital is concentrated in the hands of a few shareholders, this is the case of Syrian companies, agency costs result from the presence of conflicts of interest between majority and minority shareholders. This leads the managers of companies controlled by a majority shareholder to be less transparent with regard to the performance of their firms and will not be motivated by voluntary communication.

Regarding the risk of expropriation of minority shareholders, (Bloch and Hege, 2003) analyze a theoretical model of allocation of control between several main shareholders in the context of contestable control. They discuss the contestability of the ultimate shareholder's control through non-cooperative interaction between blockholders. Competition for control between major shareholders helps to limit the extraction of rents by the ultimate controller and protects the interests of small security holders. According to (Bloch and Hege, 2003), control is questionable if the ultimate controller cannot increase the extraction of rents without losing control. The maximum rent that an ultimate controller can extract is determined by two factors: control skill and the relative importance of its participation. In other words, private benefits decline when the ultimate controller loses the appeal as a wealth creator or when it experiences a reduction in its block size relative to the competitor. But these two factors are difficult to assess on an empirical level, we can nevertheless assume that the type of shareholders can be a good proxy: an institutional investors or an industrial company will bring control capacities and a strategic vision different from those of a family shareholder. We propose that the contestability of the ultimate controller is important with the existence of high institutional ownership. In other words:

Hypothesis 4: In a complex ownership structure, the control of the ultimate controller is contestable with the presence of an anther large shareholder of the institutional type.

Therefore, it is justified to assume that the presence of a large institutional shareholder may make it in the interest of the largest shareholder to adopt a good communication strategy in order to not lose the appeal as a wealth creator. On the one hand, the development of Investor Relations services can be interpreted as a way of responding efficiently and homogeneously to requests for information expressed by market participants.

Hypothesis 5: In a complex ownership structure, the presence of a large institutional shareholder makes the creation of an Investor Relations Department as the best strategy adapted by the ultimate controller.

Research Methodology

The research focuses on analyzing complex ownership structures characterized by the presence of at least two major shareholders. To achieve this objective, the researcher used a hypothetical-deductive approach to formulate the hypotheses based in particular on the role of institutional investors in corporate governance of companies with complex ownership structures. The validity of these hypotheses was tested by using the case method on two companies listed on the Syrian securities exchange: Al-Ahliah Vegetable Oil Company (AHLIAH), and Agricultural Engineering Company for Investments (NAMA).

Indeed, several reasons militate in favor of the case method. First, Yin (1994) shows that the case method is most suitable for research with qualitative variables which draw from real-life phenomena in its true conditions of actors' interactions. Second, traditional statistical methods assume stability of relationships within the model. Furthermore, they are not capable of evaluating the robustness of complex dynamic models. Governance structures, consubstantial with the notion of conflict, are part of a dynamic framework continually stimulated by the creativity of managers (signaling, information manipulation or creative accounting).

The major criterion of validity of case method concerns the selection of cases. In order to ensure consistency between the theoretical reading grid and the empirical approach, the selection of cases requires particular care. Indeed, the choice of cases depends on the research problem but also on the accessibility of the data and the researcher's objective. The researcher proceeds, to select the cases, by a "theoretical sampling" which differs fundamentally from a statistical sampling used in quantitative studies. In relation to the research problem, which concerns the relationship between the role of institutional investors in complex shareholding structures and the communication policy of the manager, we selected the two companies studied for their theoretical representativeness, among the 27 largest listed Syrian companies in which the institutional investor is present as a major shareholder. Indeed, if the research proposals allow to correctly explain the real processes, the activism of institutional investors can lead to forcing the internal coalition to improve the quality and scope of the information published.

Data analysis

First, all the data collected will be analyzed manually and using a coding technique. The researcher will associate the different information identified in the texts with theoretical categories symbolized by codes **(table 1)**. To this end, the researcher will develop a list of codes relating to concepts from the theoretical research grid. Then, each collected document selected will be read by locating the words, sentences or passages that relate to one of the themes in the list of codes. This constitutes a reduction of the data, insofar as the researcher's interest will focus only on the information relevant to his research problem. Noting the codes in the margins of the documents analyzed allows for rapid identification for the purposes of their subsequent processing. Secondly, the representation of the data constitutes an intermediate work whose objective is to provide assistance in identifying the links between the different categories identified by the codes. Finally, the researcher will, using graphic diagrams, show the links existing between the set of concepts identified by the codes. In other words, graphical representation is a tool to facilitate case writing. As a result, these activities help the researcher to deduce conclusions. The advantage of such an approach lies in its systematic nature, opening the possibility of replication of the results by a third party.

Table (1): List of codes from content analysis

Concept	Code	Attribution principle
Syrian Corporate Governance System	SG	Code assigned to any information concerning the Syrian corporate governance system
Institutional Investors	ACTIVISM	Code assigned to any information concerning the activism of institutional investors
	IISOPH	Code assigned to any information concerning institutional investors of the “sophisticated” type
	IIBLOC	Code assigned to any information concerning institutional investors of the “blockholders” type
Corporate Governance “ complex ownership structures Containing Several Large Shareholders”	CG	Code assigned to any information regarding the corporate governance structure
	COS	Code assigned to any information regarding the complex ownership structure
	SHAR1	Code assigned to any information regarding the first controlling shareholder
	SHAR3	Code assigned to any information regarding the existence of controlling shareholders, other than the first and second (zinzins) large shareholder
Communication policy	COM+	Code assigned to any information concerning the dissemination of information by the internal coalition
	COM-	Code assigned to any information concerning the retention of information by the internal coalition

Data collection

As discussed in the previous section, a major strength of the case study methodology is that multiple sources and techniques are used in the data collection process. Cases were led by mobilizing several methods of accessing data and were guided by the concern for their triangulation. The empirical approach database consists of three main sources: documents (internal and external) concerning the firms studied; interviews with managers of these firms; and academic research and documents in Syrian universities.

Analysis and discussion of results

1. Impact of institutional investors activism:

Indeed, the most frequent activism of institutional investors, in the Syrian context, consists of interviews with senior management, usually the CEO, CFOs and heads of investor relations department. It is only when this "quiet diplomacy" fails, institutional investors take more visible action. Activism seems to be the preferred mode of influence for institutional investors in each of the firms studied. They are generally the supports of several initiatives implemented in recent years in order to improve the quality and scope of the published information.

In the Syrian context, public information through the publication of the company's accounts is, in principle, obligatory. But public information only arrives through the minutes of general meetings published in the newspapers. The information contained in these minutes only partially represents what is happening in reality. This information asymmetry further reinforces the problems between managers and shareholders. Indeed, institutional shareholders have repeatedly demanded more transparency from managers of AHLIAH and NAMA.

First, this shareholders see that AHLIAH and NAMA 's financial information should not be reserved for shareholders but must be served to the general public since its purpose is to allow market operators to make informed purchases and sales decisions.

Second, institutional investors recommended setting up an audit committee. This committee makes it possible in particular to ensure that the auditor does his work in complete independence. They require that the audit committee prepares an annual report prior to the meeting of the board of directors ruling on the consolidated annual accounts.

Third, institutional shareholders make full use of the right to information granted to them by law, and they often request additional information. They also want a explanation of draft resolutions, particularly those relating to appointments, renewals of director mandates and authorizations for financial operations.

Overall, institutional shareholders in AHLIAH and NAMA have the potential to drive transparency initiatives, and this is consistent with the (*Hypothesis 1*), according to which the publication of financial information is of good quality in companies where the proportion of capital held by institutional investors is high. This result is consistent with the predictions of (Healy *et al.*,1999) according to which institutional investors are considered the most demanding agents in terms of regular and timely financial information.

1.1. The shift from one-way to interactive communication:

Regarding the case of AHLIAH, before 2016, its managers adopted a reactive and conservative approach in publishing information. However, from 2017, after the change in the shareholding structure and the entry of Al-Aqeelah Takaful Insurance Co (qn institutional investor) into the capital of AHLIAH, it was obliged to adopt a proactive and interactive approach for its communication.

The managers of NAMA, in order to personalize the relationship with their most important shareholders, it always invites them to the company's headquarters to have discussions with the managerial staff and sometimes with members of the board of directors.

These two findings are consistent with (*Hypothesis 2*), according to which the activism of institutional investors leads to an increase in the frequency of one-to-one meetings. In other words, it encourages the manager to change his communication strategy from a unidirectional logic to an interactive logic.

1.2. The exercise of shareholder voting rights

Institutional investors in AHLIAH, in order to win a costless proxy battle, recommend communicating sufficient information to allow shareholders to make fully informed decisions. Therefore, they request that information regarding the holding of general meetings (annual and extraordinary), voting procedures, and all other necessary information be disseminated, so that shareholders can effectively participate in such meetings.

In accordance with the requirements of institutional investors, NAMA has published since 2018:

- At least 35 days before the date scheduled for the Meeting, prior notice of the meeting. It contains in particular the agenda of the assembly and the text of the resolutions.
- At least 15 days before the meeting, a notice of meeting. This document is automatically sent by mail to all registered shareholders. It specifies the date, time and place, as well as the terms of participation in the assembly and the agenda.
- In the event of the second convocation, NAMA publishes a second convocation notice at least 6 days before the new scheduled date. NAMA also publishes financial notices in the economic and financial press which give in advance the time and day of the meetings as well as all the information needed to obtain your admission file.

These observations of AHLIAH and NAMA are consistent with (*Hypothesis 3*), according to which the activism of institutional investors leads to improving the information communicated on the holding of general meetings, with the aim of promoting the concrete exercise of voting rights at general meetings by shareholders. This results, are consistent with those of (Healy *et al.*, 1999), (El-Gazzar, 1998), and (Bushee and Noe, 2000).

2. Indirect intervention of institutional investors (Investor Relations Services):

From an economic point of view, the recent and very rapid development of Investor Relations services in AHLIAH and NAMA can be interpreted as a response from two companies to the expectations of their institutional shareholders. This observation is consistent with (*Hypothesis 5*), according to which in a complex ownership structure, the presence of a second institutional shareholder makes the creation and development of an Investor Relations department as the best strategy adapted by the first shareholder in order to not to lose the calling as a wealth creator.

In the Syrian context, it is therefore plausible to say that the activism of institutional investors encourages the transition from simple financial advertising (doing the bare minimum in terms of dissemination of financial information) to the communication of information, which translates by a change in the nature of the information disseminated by companies. Furthermore, beyond a simple change in nature an evolution of the role of companies' information policy, in other words the transition from an informational logic to a relational logic. This observation is consistent with *hypothesis (4)*, that indices: "***In a complex ownership structure, the control of the ultimate controller is contestable with the presence of an anther large shareholder of the institutional type***"

Conclusion:

The main objective of this research was to highlight the role of institutional investors in corporate governance in the context of control contestability. Comparing theoretical hypotheses with real facts and data extracted from case studies allowed the verification of the validity of all hypotheses of the research.

In fact, managers of institutional investors exert a strong influence in order to have effective oversight over directors of Syrian companies. This is embodied in one main point: transparency. The principle of transparency imposes on listed companies the need to adhere clearly to communicating with investors in order to provide them with the necessary elements to make investment decisions based on facts, not rumors. Therefore, institutional investors urge listed companies to adopt accurate timely disclosure and interactive communication strategies (meetings one-to-one). As a result, the researcher can say that Arab markets need this type of investors to consolidate and strengthen mechanisms' control of companies. The researcher recommends to decision makers and economic policy makers in Syria the necessity of enacting laws requiring Syrian companies to provide financial and non- financial data (such as corporate governance practices).

Indeed, several limitations of this research can be highlighted. The first limitation concerns the developed theoretical model dealing with the complex ownership structure. In fact, the focus of the study was only on two large shareholders, although in a complex structure, by definition, at least two large shareholders each owning at least 5% coexist. However, the decision-making process, especially strategic, inevitably involves other large shareholders. They probably have an influence on these decisions. The research here neglects this influence even though it may prove important. The second limitation concerns the sample size. The fact that the sample is limited limits the scope of the conclusions, the statistical generalization of which is impossible. We therefore refrain from any claim to generalization of the results. More generally, the test of coherence of a theoretical grid by case studies does not allow statistical generalization.

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