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# The Importance of Raising Awareness of Corporate Governance with a special focus on the Women's Workforce

Omar M. H. Aljazy, PhD  
Aljazy & Co. Advocates and  
Legal Consultants  
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Directorship, Development & Diversity: Challenges  
for Women in Governance

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## **The Importance of Corporate Governance**

- Failure to exercise control over the corporation by the shareholders poses a challenge to the interests of shareholders.
- Managers possess more information about the company than the shareholders and the board, which is asymmetry of information.
- Good corporate governance induces corporate managers, as agents of shareholders, to manage assets in the best interests of their owners.



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## **OECD Principles on Corporate Governance**

- I. **Ensuring the Basis for an Effective Corporate Governance Framework:** The Corporate Governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.



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- II. **The Rights of Shareholders and Key Ownership Functions:** The Corporate Governance framework should protect and facilitate the exercise of shareholders' rights.
  
- III. **The Equitable Treatment of Shareholders:** The Corporate Governance framework should ensure the equitable treatment of all shareholders, including women, minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.



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- iv. **The Role of Stakeholders in Corporate Governance:** The Corporate Governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.
  
- v. **Disclosure and Transparency:** The Corporate Governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.



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- VI. The Responsibilities of the Board:** The Corporate Governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.



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## **Promoting and Raising Awareness of Corporate Governance in Jordan**

- Due to major companies bankruptcies such as WorldCom and Enron in the US the public has lost confidence in major corporations worldwide.
- The first step to restore such trust is through adequate and ethical Corporate Governance among effective board structures, well-functioning internal and external audit controls and transparent accounting.
- Although an adequate regulatory cooperation between governments and corporations is vital to restore public trust, the public's involvement in the process is essential.



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- Such involvement can only occur through raising awareness of the importance of Corporate Governance on the country's economy and market.
- It is vital to encourage the application of Corporate Governance by government institutions, in addition to providing literature about Corporate Governance to assist those who manage public or private institutions in the process of raising awareness about Corporate Governance, its principles, and its effective implementation.



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- Calling for Raising Awareness of Companies' Managers and Directors on the Issues of corporate governance due to its vital role in the decision-making process, financial stability, economic growth, and attracting investments.
- Educational campaigns targeting the minors as well as the seniors among other techniques can contribute to the public awareness.
- Raising Awareness strengthens civil society and enables ordinary people to become participants in Corporate Governance rather than mere spectators or even victims.
- In 2004 a corporate governance assessment was completed as part of the joint World Bank- IMF program of Reports on the Observance of Standards and Codes (ROSC) which benchmarked Jordan's observance of corporate governance against the OECD Principles of corporate governance.
- One of the results of the ROSC Report was the formation of the Jordanian Corporate Governance Association (JCGA) that was established in order to contribute in raising awareness of corporate governance in Jordan, JCGA's website may be visited at: [cga-jordan.org](http://cga-jordan.org)



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- Awareness-raising campaigns could produce results and improve the image and the general knowledge about Corporate Governance among the public. This, in turn, could attract more women to participate in Corporate Governance reform.
- The need for training of board of director members, senior executives, and leaders in public and private institutions in how to effectively apply the principles of corporate governance.



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## **The Importance of Women in relation to well adapted Corporate Governance scheme**

- Corporate governance reform has been a controversial topic for a number of years. Governments, the Securities and Exchange Commission, the media, and large shareholders have been pressuring corporations to improve their governance.
- In the face of the public failure of companies such as Enron and WorldCom, some boards have been accused of focusing on short-term earnings and permitting runaway CEO compensation.



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- While many companies are demanding more competent directors, the traditional pool of directors is no longer adequate to meet the need for independent and competent boards, outside board members are required.
- Competent directors can only be found by exploiting new pools of candidates; **women**. Yet some of the largest companies still have no women directors.
- Women make a major difference in the boardroom by bringing a collaborative leadership style that benefits boardroom dynamics, thus broadening the content of boardroom discussions to include the perspectives of multiple stakeholders.



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- The number of women on a board of directors makes a difference, increasing the number of women enhances the likelihood that women's voices and ideas are heard and that boardroom dynamics change substantially.
- Since corporations need to change their way of thinking, they need to recruit women, who bring a new perspective and style that enhances the quality of discussions in the boardroom.
- The overall impact of women owned enterprises is significant. Their businesses stimulate economic growth, provide services and, more importantly, generate income for a population increasingly affected by unemployment and poverty.



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## **Women's Impact on Corporate Governance**

Having women involved as directors is beneficial for Corporate Governance in at least three ways:

1. The content of boardroom discussion is more likely to include the perspectives of the multiple stakeholders who affect and are affected by company performance, not only shareholders but also employees, customers, suppliers, and the community at large.
2. Difficult issues and problems are considerably less likely to be ignored or brushed aside, which results in better decision-making.



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3. The boardroom dynamic is more open and collaborative, which helps management hear the board's concerns and take them to heart without defensiveness.



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## **The implications of women being excluded from decision-making are serious:**

- It means if women do not have a voice where key decisions which affect their lives are made, then their capacity for full development and equality is severely limited.
- Women's involvement in decision-making contributes to redefining priorities, placing new issues on the agenda which reflect and address women's gender-specific concerns, values and experiences, and provides new perspectives on mainstream issues. This is lost when women are excluded.
- Without the active participation of women and the inclusion of their perspectives at all levels of decision-making, the goals of good governance and inclusive, transparent democratic processes cannot be achieved.



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## **Developing and sustaining women's leadership**

- Civil society organizations can serve as a strong recruitment ground for future leaders. With the strategies being devised to get more women into decision-making positions in the governmental, corporate and social sectors, it is important that attention be paid to the quality of leadership, which is needed.
- Non-governmental organizations, with the appropriate capacity, have the ability to provide the necessary conceptual, analytical and practical tools for emerging leaders.
- Women's organizations in particular have the potential to produce well-grounded leaders, through their many awareness raising, empowerment, inter-generational and capacity building programs.



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“I think women have additional qualities—creativity and perseverance—which help them in starting small businesses and then successfully developing them. On the other hand, they still need encouragement, support and even more, traditional training programs. I do believe that women are a huge potential resource for economic growth, but I also think that in order to mobilize this resource, we should first of all provide information and educational programs for the entrepreneurial development of women.”

*Petre Roman* - Former Prime Minister of Romania

‘Women Entrepreneurship in Central and Eastern Europe’ by Maria Sandor  
accessed on <[http://www.cipe.org/publications/ert/e24/E24\\_05.pdf](http://www.cipe.org/publications/ert/e24/E24_05.pdf)>



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**Thank You for Your  
Kind Attention**

E-mail: [oaljazy@aljazyllaw.com](mailto:oaljazy@aljazyllaw.com)

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