

Few takers for PSOJ's Code on Corporate Governance

Yvonne Grinam-Nicholson
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I last wrote about tried and proven international best practices standards of corporate governance, choosing to look only briefly in my own backyard at the work of the Private Sector Organisation of Jamaica (PSOJ).

The PSOJ now has my full and critical attention as they have invited me to look at our 'yard' creation. Their Code on Corporate Governance (go look it up at www.psoj.org and click on the publications link) was launched last November and is based on the Combined Code on Corporate Governance issued by the Financial Reporting Council of the United Kingdom (2003).

Gurus hem and haw

Like most policy documents which will affect us, it has had a long gestation period as the gurus hem and haw over the placement of sections and what not. Naturally, the length of the developmental period is no guarantee of success. For the uninitiated, the PSOJ is "a voluntary national organisation of some 330 private sector associations, companies and individuals working together to promote a healthy and productive private sector".

It says that it seeks to "include everybody in a democratic, dynamic organisation that is responsive to the needs and issues of the day. One of the current needs is promoting best business practices among the private sector".

Firstly, the PSOJ and the acting chairman of its Corporate Governance Committee, attorney-at-law Christopher Bovell, should be commended for the work they have done in Corporate Governance - no mean feat in a country like Jamaica - because this is the way the world is going.

Large, legitimate institutional and other investors are not putting their money down any murky hole where there is minimal transparency and where corporate governance practices are non-existent. So, kudos to the PSOJ for taking us a step in the right direction. Unfortunately, only a few companies are takers of the Code, and in fact the PSOJ has had a poor response from its invitation to meet with Jamaican company boards. Are there ANY surprises here?

Lip service

Maybe some other time we can talk about the Code and you and I can see why it is being paid a lot of lip service - perhaps one of the only kinds of service you get freely (and most times unasked for) in Jamaica.

Let's look at some of the findings of a PSOJ-commissioned survey which was done by CNT Global to provide information on the state of corporate governance in Jamaica, "both in terms of awareness as well as its adoption by Jamaican companies and subsidiaries of foreign companies operating in Jamaica", says the executive summary.

It is entitled, "An examination of the awareness, understanding and commitment among Jamaican firms and minority shareholders to the principles of good corporate governance." Of the 40 companies that responded to the survey, approximately 20 or 50 per cent are members of the local stock exchange. Only four of 31 companies indicated that they are members of a regional stock exchange. I will just give you the 'full hundred' and leave you to draw your own conclusions about the state of transparency in corporate Jamaica as reflected in these findings:

The survey found that in terms of directors' remuneration, a little over half indicated that such information was made available to shareholders. (Did you know that?) And, "to put the matter in perspective, approximately 47 per cent of the companies responding to this question indicated that the owners of the businesses were not provided information on the remuneration paid to board members. In terms of transparency, this is an area that requires some attention by firms to ensure that shareholders are aware of all costs associated with the management of the company.

"As a follow-up to the remuneration question, 33 companies responded to the question on directors' performance. Thirteen indicated some form of evaluation of the performance of the board chairman. Eleven indicated that yearly evaluations were done." But get this, "sixty-one per cent of the companies responding to the survey say that no evaluations are carried out for either executive directors or non-executive directors. That's my dream job! Imagine doing anything I near please, being handsomely paid and not being called to book - talk about your Corporate Nirvana!"

The survey indicated that a majority of directors and senior managers had attended corporate governance seminars, even though only a few of them received certification. More interestingly, however, "It appears that neither junior managers nor non-managerial employees have so far benefited from training in corporate governance". What's up with that? Are they too far down the ladder?

On a positive note, say the findings, "All companies in the survey supported the statement that good corporate governance can foster development and that good corporate governance is not external to firms. In addition, almost all companies indicated a willingness to commit themselves to the implementation of a code of corporate governance within their organisation".

So why aren't there more companies adopting the Code?

Yvonne Grinam-Nicholson, (ABC) is a Business Communications Consultant with ROCommunications Jamaica, a full service marketing communications firm. A former journalist, she has spent the last 14 years working in the financial services sector in the areas of marketing, public relations and communication. She has a BA and MA from the UWI and is currently completing an MBA from the University of New Orleans. She can be contacted at: (876) 941-1210 and yvonne@rocommunications.com. Visit her website, www.rocommunications.com, and post your comments. Keep them clean!