

Chapter 7

The Impact of Board Composition on Corporate Strategy in the Arab Region Context: A Case Study From Jordan

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ABSTRACT

The board of directors plays an essential role in ensuring good corporate governance in any companies or institutes regardless of the size or nature of work. The purpose of this chapter is to examine the impact of board composition on corporate strategy and its contribution to strategic decisions and management monitoring and control of the corporate strategy in Arab organization by examining a case from Jordan. The study adopted analytical descriptive (quantitative) approach; a questionnaire was used for data gathering, and SPSS software was used for data analysis. The questionnaires were distributed randomly to workers in selected companies and banks that are registered in Amman Stock Market, and around 100 responses of members of board of directors (BOD) and other workers were collected and analyzed. The results confirmed the impact of the board on its contribution to the decision process, on the monitoring and controlling strategy, and on its contribution to advising management in Amman Stock Market. The study revealed that the board is primarily responsible for overseeing board performance and achieving a proper return for shareholders, while preventing conflicts of interest and balancing competing demands on the company. The study recommended the need for implementation plans and instructions in order to identify deviations.

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INTRODUCTION

Board of Directors plays an essential role in having a good corporate governance in any companies or institutes regardless to the size or nature of work. All government take the responsibility to develop a soled legislation to govern the companies' way of running their business to ensure the companies are balancing all stakeholders interest and make shareholders trust the board and be confident that they are working on behalf of them and their benefit.

One of the main mandate of board of directors to make sure that the companies having the right vision, mission and strategy that meet the shareholders needs and expectations. Trusting in board of director's capabilities and their transparency is vital factors that make the ownership of each company to continue invest their many and adding more investment. All of this is leading to trust the economy.

Purpose of the Research

The purpose to examine if there is an impact of board composition on corporate strategy on contributing to strategic decisions, advising management and monitoring & controlling the corporate strategy in Arab contest world by having case study from Jordan.

Problem Statement

All the literature in Arab contest is measuring directly the impact of governance or governance body(board of directors) directly on the company's profit or out comes while examining the relation of the composition of the board of directors are limited, even having legislation in all Arab country to govern managing the companies but there is different maturity and relative among board of directors members which make their contribution in advising management and participating in strategic decisions process are limited and the same in monitoring and controlling the corporate strategy. (Carrpenter.M; Westpharl .J,2001;wade,o'reilly,&chandratat,1990)

Research Aims and Hypotheses

The aim of the study is to:

1. Understand the composition of board of directors in Arab contest
2. Examine the impact of board composition on corporate strategy on contributing to strategic decisions, advising management and monitoring & controlling the corporate strategy.
3. Validate the theoretical model of research that developed by researcher.

The research hypotheses as follows:

The NULL Hypotheses

H01: Board composition has no impact on board contribution to decision process

H02: Board composition has no impact on monitoring and controlling strategy

H02: Board composition has no impact on board contribution to advising management.

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