

# **Are stakeholders decisions affected by company's corporate governance? Empirical study on Egypt**

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## **Abstract**

*In October 2011, the Egyptian Center for Companies Responsibilities had a conference to promote corporate governance best practices in the country. The chairman of the Egyptian Securities exchange announced in that conference that a company's corporate governance practices and reports affect the investments potential in that company. This statement raised the author's concern and motivated her to investigate to what extent this argument is true in practice. It also widened it to cover main stakeholders such as creditors and consumer in addition to investors. I further want to discuss who of those groups would be capable and in fact can practice an influence on companies based on their corporate governance. I explored the literature and while I am aware of the stakeholders' approach of corporate governance, it is not the intention of this study to examine that framework. Instead, I am interested to find an empirical evidence on whether and to what degree investors, lenders and consumers do take actions towards companies which have a good or poor corporate governance. I depended on a questionnaire and interviews with bankers, securities brokers and investors and some public customers. Primary results show a limited effect of evaluating company's corporate governance when taking investment or credit decisions. Participants –although emphasis the importance of it- still base their assessment on financial factors almost purely. The reasons given are 'It is the practice in the market, in addition to difficulty of including qualitative and fairly new variables in their analyses'. They mentioned they would take it seriously if there is a legal case or huge legal trouble the company encounters due to violation of governance. The study shows that, consumers are the strongest in taking actions in favor or against the company if good vs. bad practices are known (a major example is what consumers of Mobinil the famous telecom company encounters from consumers when some unacceptable comments from the chairperson spread and the company immediately suffered losses).*

*This study –although still on progress, differs from other studies in the area in that, it gets a direct evidence from a sample of stakeholders through a questionnaire or interviews rather than building up a statistical analysis for the existence of corporate governance and share value or credit. Also it raises the debate from the stakeholders side and not the companies' side which is heavily explored in the literature.*

*I excluded employees and government (as regulator) from stakeholders because I thought employees may have a limited choice in reacting to companies and because government may be included if the study is about enforcement of Egypt's corporate governance code or compliance with the code and also to keep study in focus.*

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