

Governance in MSMEs

# Student Lecture Report

From the Classroom to the Boardroom

16 October 2019

Sultan Qaboos University, Muscat, Oman





## Pearl Initiative

Student Lecture Report: "From the Classroom to the Boardroom", 16 October 2019

# Summary

Youth entrepreneurship is the future of every economy and has a significant impact on the social, cultural and economic progress of society. Students and youth all over the Gulf have become increasingly more ambitious, exploring new ideas in the hopes of starting their own businesses. With this exponential rise of entrepreneurs regionally, there also exists a growing need to provide guidance on critical aspects of business development and success.

To this end, the Pearl Initiative has embarked on a series of student lectures with the aim of equipping students and young entrepreneurs with the knowledge and skills on the implementation of good corporate governance practices, while also educating them on the role of corporate governance with respect to contributing to the long-term sustainability and competitiveness of micro, small, and medium-sized enterprises (MSMEs).

As part of this mandate, on Wednesday, 16 October 2019, the Pearl Initiative held a student lecture in collaboration with Sultan Qaboos University. This student lecture – the second of three (3) planned for the Governance in MSMEs programme – was designed to teach students about the concepts and utility of corporate governance in entrepreneurial ventures.

## Key Speaker



### **Jawaher Al Balushi**

*Lecturer Assistant, Rustam College*

Jawaher Al Balushi holds an MSc in International Business from Coventry University, UK. The subject of her dissertation was on the impact of social and psychological factors on the entrepreneurial intention among Omani women. Her research interests are in the areas of entrepreneurship, SMEs, and innovation. She has specialised in teaching entrepreneurship courses and supervising students' business plans to help them start up their companies. She also supervises undergraduate dissertations and arranges workshops on research structure and methodology.



## Key Takeaways

Ms. Jawaher Al Balushi began the session by introducing herself, and spoke about how she learned about corporate governance as a student. Noting that she had many questions when she first encountered governance as a topic, she began by introducing what corporate governance is and what its definition is.

Ms. Al Balushi asked students about the difference between corporate governance and management. She noted that management involves coordinating the activities of an organisation and / or business. On the other hand, governance is the circle within which management is facilitated – thus, management refers to activities within corporate governance, and this is what facilitates the smooth running of a business.

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“(Being) the owner...doesn’t mean that (they) have the management skills...to lead the organisation...that’s why corporate governance asks for (responsibility) distinctions between levels in an organisation.”

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Ms. Al Balushi noted that the 1997 Asian financial collapse was linked to a lack of implementation of corporate governance within the “Asian giants”, where owners were often also on the Board of their company and thus had a conflict of interest in business outcomes. Governance has become part of corporate law everywhere, including in Oman in 2002. However, this code was not published comprehensively to begin with, and the code was expanded in 2005.

Having distinctions between positions in a company is a critical segment of corporate governance. Currently, shareholders (the ones with investments / shares in the organisation) are the first level; the Board of Directors, are the second; and the third, is the management of the organisation. It is the owners of an organisation who hire the Board of Directors and auditors to lead the governance of their business.

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“Governance is about hiring the right people in the right positions.”

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Ms. Al Balushi went on to explain the responsibility of the three levels of governance in an organisation and their respective tasks. Transparency, disclosure, and ethics are the foundation of both good governance and management because it creates a culture of trust and equitable treatment, which facilitate business success.

She used the example of contemporary business giants – Alibaba, Amazon, Apple, DHL, and more – who began as small companies but grew exponentially and achieved success through the strategic and timely application of corporate governance. Companies should not limit their governance implementation and should begin implementing the basics to begin with. As the business grows, so can the range of governance policy implementation and actions.

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“Don’t think of corporate governance as a challenge...it will protect you and save you in the long run. Apply it in your small enterprises and you will be fine, believe me!”

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She acknowledged the fact that MSMEs need to improve their corporate governance application, but that different businesses need different levels of implementation. She asked students how they viewed the value of corporate governance for MSMEs, and students offered their thoughts in an interactive manner. Students listed:

- better management,
- better funding,
- managing risks,
- stronger foundations, and
- improved business branding

as the various benefits of corporate governance for MSMEs. Ms. Al Balushi also used case studies and hypothetical scenarios to get students to think critically about the application of corporate governance to avoid conflicts of interest, and to enhance management policies.

At the end of the session, Ms. Al Balushi asked the students what they felt about corporate governance now that they were equipped with the information on its policies and its utility for MSMEs. Students echoed the sentiment that governance was extremely positive for MSMEs and small business owners to manage their competing interests and ensure sustained business success.



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