Volume 16 Number 1 2015/p. 39-59 www.usask.ca/esteyjournal

The Estey

Journal of International Law and Trade Policy

Corporate Governance in Jamaica, with a Focus on GraceKennedy Limited

Monifa Crawford
JD, LL.M

The problems of corruption, fraud, and greed amongst corporate entities and persons with fiduciary responsibilities have intensified the expectation of the general public for corporations to demonstrate greater levels of accountability, transparency, and integrity in the way they do business. The speedy pace of globalization makes it essential to reform corporate governance in the Caribbean. In Jamaica, businesses must persuade investors and creditors that they can confidently invest in the island. This means displaying clearer relationships between participation and control, transparency, consistent and detailed financial statements, as well as maintaining good relations with financial markets. Although Jamaica has not always been a leader in transparency and corporate governance, GraceKennedy Limited has managed to be a leader in corporate governance and has gained public confidence over the years. GraceKennedy Limited is a Jamaica-based group that provides a large array of services, ranging from food manufacturing and distribution to financial and cambio (foreign exchange/currency) services. The first part of this article explores the current environment of corporate governance in Jamaica, while the second half examines the corporate governance of GraceKennedy Limited and how the company has implemented its corporate governance framework in Jamaica.

Keywords: board members, corporate governance, GraceKennedy, Jamaica, transparency

Introduction

In any country, the critical role of accurate information and disclosure means that thorough, reliable, and prudent business and financial reporting are essential to encourage good corporate governance.[1] The failure of many Jamaican companies to disclose accurate information on credit lines, business risks, and highly leveraged investments, was partially responsible for the financial meltdown of the 1990s.[2] The crisis demonstrated to the Caribbean, and indeed the world, that investors and governments have to take corporate governance more seriously.

Corporate governance is the ability of the board of directors to combine leadership with control, effectiveness, and accountability that will primarily determine how well companies meet society's expectations of them.[3] Corporate governance ensures that the proper management structure and personnel are put in place to carry out the long-term strategic objectives of the company, while maintaining corporate integrity, reputation, and social responsibility to those in the surrounding community.

However, developing countries, like Jamaica, must also be very focused on strengthening and improving judicial, legal, and regulatory systems at the national level in order to better enforce laws and rights. This role of corporate governance extends further to ensure a process of recourse for stakeholders in circumstances where corporate directors are involved in unethical and self-interested behavior.[4] Corporate governance in all types of economies and companies should focus on ensuring disclosures through periodic reporting (monthly, quarterly, or annual reports) of relevant information to shareholders and creditors, including business risk analyses, building a system of rules and voluntary practices to govern a company's board of directors, establishing independent audit committees made up of outside board members, and monitoring and controlling management.[5] More simply put, corporate governance enlists the rules and regulations which govern the relationships between the board of directors, shareholders, and outside affiliates. Sound corporate governance provides a system of checks and balances, while ensuring that the company fulfills its primary goals of existence and honours corporate obligations, while continually renewing itself.[6]

In the last 13 years, Jamaica has implemented a swath of regulations, mainly in response to failures in the financial system, which were caused by breaches in public procurement and the use of public funds for private gain by employees.[7] There has been widespread reporting of fat pay packets and large disparities in public sector salaries.[8] This exposure brought to public attention the fact that many public sector[9] bosses were in breach of established pay guidelines and were paying themselves excessive salaries of millions of dollars at tax-payers' expense.[10] After a full-scale investigation requested by the public, the government admitted that it had lost control of salaries in some of the state-owned companies.[11]

During the 1990s while prominent world financial markets like Russia and Argentina collapsed, Jamaica also experienced significant financial instability. Between 1993 and 1999 in Jamaica, several leading banks and other financial institutions collapsed or were bailed out.[12] Four of the country's largest and oldest insurance companies and at least fifteen merchant and investment banks and other financial institutions, which accounted for approximately 30 percent of depositors' value in all financial institutions, experienced closures.[13] The Jamaican public received no explanation from the government or the private sector as to why this happened. However, it is evident that the failures were due to a breach of corporate responsibilities on the part of board chairmen, directors, CEOs, and management.[14] Generally, one may not be able to point a finger at one specific issue that has caused a failure of corporate governance in Jamaica. Below are several factors that prevent the rise of a transparent corporate world in Jamaica.

Factors that Led to the Failure of Corporate Governance in Jamaica

Lack of Empirical Literature and Inadequate Structures and Practices

There is a dearth of empirical data on corporate governance, and there has never been a study on any aspects of corporate governance in Jamaica.[15] This has led to a general lack of understanding of corporate board practices such as board composition, the nature and role of corporate disclosure, and the role of the board in strategic decision-making. This is a serious problem for Jamaica and puts the country at a big disadvantage, because lack of understanding of board practices and structures will limit efforts towards the development of national and regional corporate governance codes.[16]

Corporate governance in Jamaica has also failed because of inadequacies in laws, no enforcement of standard business practices, and failure to adopt policies that enforce accountability. For example, public boards are not as meticulously selected as private boards.[17] While most private boards in Jamaica follow the Private Sector Organization of Jamaica Code of Corporate Governance (PSOJ), which is a strict set of regulations (which will be discussed later on), the statutes governing public companies are more relaxed. There are no written guidelines that set out the qualifications of a director for a state-owned enterprise, and a government official normally chooses a director from among a specified few or the person or persons submitted to him from each stakeholder group.[18] This problem is further aggravated by the non-existence of a formal orientation program for new directors. Prior to 2002, there was no program for director orientation in Jamaica.[19] However, in recent years, some companies have been offering such a program, which often involves providing directors with the company's operational manual and director's guide book, which familiarizes the director with the management and business of the organization. The mere fact that the director of an organization only has to *familiarize* himself with the business of the organization is a significant problem. Sadly, the practice of properly orienting new board members is far from being a common practice in the public sector of Jamaica.[20]

Given that directors barely receive a proper orientation to the company, it should be no surprise that there is hardly a fully established system of evaluating and rewarding performance at the level of corporate boards in the Jamaican public sector. It has been reported that only one publicly traded company is known to have experimented with the practice of evaluating its board of directors through peer review.[21] In other words, performance evaluation of corporate boards is not a common practice in Jamaica, in either the public or private sector. However, there are exceptions, such as GraceKennedy Limited, which will be evaluated in the second half of this article.

Frail Financial Sector

Jamaica's need for stronger financial regulations gave way to a financial sector meltdown in the mid and late 90s that led to the demise of more than 150 companies, including 15 banks (which held 60 percent of deposits), 21 insurance companies, and 34 securities firms.[22] Jamaica's external vulnerability resulted from its relatively small size, high degree of openness,[23] and non-diversified economy.[24] As a small economy, Jamaica is a price taker and is vulnerable to external shocks. The strength of Jamaica's economy is closely tied to its exports, which also added to the financial meltdown, because the gap widened as import levels rose and exports fluctuated.[25]

The meltdown of the financial sector presents both a corporate governance and a public policy problem. It presents a public policy problem in that the failure of a significant number of businesses triggered a "ripple effect," resulting in the loss of thousands of jobs, loss of national ownership, and a general erosion of business confidence throughout the entire Jamaican economy.[26]

Corruption and Lack of Democracy

Based on my research, I believe that corruption and lack of democracy are the biggest reasons identified that inhibit corporate governance in Jamaica. A weak democracy lends itself to corruption, and both work hand in hand to promote the vicious cycle of inadequate corporate governance. Corruption has been identified as a serious problem by the Jamaican government. After the exposure of hefty salaries and generous allowances to heads of public corporations, the government unwillingly issued an apology.[27] This exposure of public sector excess came in the aftermath of gas riots, and further meltdown of the financial sector.[28] There is a huge disparity of salaries among public sector bosses and their subordinates. Unlike the United States, where the salaries and perks of corporate executives are required to be disclosed by the Securities and Exchange Commission, Jamaica has no such law.[29] The practice in both the public and private sectors is for the disclosure of just basic salaries, which may or may not include traveling and sometimes contractual gratuities as a substitute for pension.[30] The issue of salary disparity is treated as partial support to the existence and/or perception of corruption, especially in the public sector in Jamaica.

The awarding of public contracts, the disposal of public assets, overcompensation, and the allocation of scarce benefits are all arenas in which corruption thrives in Jamaica. Allegations have been made against party and government officials, officers in the police and security forces, and both public and private sector entities.[31] Rarely has there been a prosecution, much less conviction and punishment of any significant person for corruption. Understandably, the Jamaican public regards corruption as a key problem facing Jamaican democracy and governance.[32]

As mentioned earlier, the lack of corporate governance is also due to the vicious cycle of weak democratic/political governance. In a vicious cycle, weak governance leads to inequality and a poor environment for investment.[33] In vicious cycles, low levels of rule of law and democracy dampen economic activity and growth. For example, high crime and insufficient protection of (intellectual) property rights discourage investment.[34] Low levels of economic activity and growth together with weak rule of law undermine democracy and decrease participation and faith in the democratic process.[35] A weak democratic process leads to less/no corporate governance.[36]

In a virtuous cycle, good democratic governance facilitates positive socio-economic outcomes such as increased income and decreased poverty.[37] Socio-economic progress contributes to improved governance and increased investment.[38] In virtuous cycles, high levels of rule of law and democracy facilitate increased economic growth.[39] Strong democracy and economic growth foster respect for rule of law and provide support for legal and judicial systems.[40] Economic growth and respect for the rule of law provide access to public goods and increase individual participation in the economy. Encouraging a virtuous cycle will help Jamaica achieve successful and sustainable corporate governance in both the public and private sectors.

As someone who was born and raised in Jamaica, I would also like to mention the argument that the lack of judicial enforcement and high income disparity lead corporate heads to believe that they are not accountable to shareholders and the general community around them. Many locals are also of the belief that political parties work alongside corporations to ensure that "friends and allies" are appointed to top positions. A lack of corporate governance in both the public and private sectors leads to a large disparity in wealth. This then leads to a large separation between the upper and lower classes. Jamaica faces many challenges related to a high murder rate and criminal gangs, which may be viewed as desperate attempts of the lower class to achieve a better life. A stronger judicial system would promote the enforcement of accountability and foster respect for the law, which in turn would promote a fairer environment within the corporate structure. Once members of boards realize their accountability to both shareholders and surrounding communities, the socio-economic challenges will also be eliminated.

Ownership and Control: All in the Family

Another factor working against the structure of corporate governance in Jamaica is the issue of ownership and control. Predominantly family-owned businesses are a major factor inhibiting the successful implementation of corporate governance principles in Jamaica.[41] A small minority class, which is also connected by marriages between families, control almost all listed companies by being the largest shareholders and also involved in the day-to-day management of these companies.[42] These immigrant minorities include Portuguese, Jews, Syrians, Lebanese, and Chinese, but also include the mixed offspring of white plantation owners and black Jamaicans who are referred to in Jamaican terminology as "brown" or "Jamaica White."[43] There are approximately 21 of these economically powerful minority families in Jamaica. Except for three families, the others are predominantly white, Chinese, and mid-eastern by ethnic origin.[44]

This ownership arrangement poses several challenges to corporate governance development. First, the shareholder environment is concentrated with a reliance on family, and specific banks for public finance. This leads to an underdeveloped market for new investments and limited initial public offering opportunities. For example, only four new companies have been listed on the Jamaican Stock Exchange (JSE), in the last twelve years, having gone through a ten-year "drought," without the listing of a single stock between 1992 and 2002.[45] During this period, many companies could no longer receive private loans from banks and financial institutions, which left many companies with no other option but to close their doors. In the corporate context, transparency and accountability are limited and there is inadequate protection for minority holders in the companies. Furthermore, the boards are largely non-independent,[46] with a majority of insiders and incentives formally aligned with core shareholders.[47] There is also minimal disclosure, if any at all. Only approximately 25 percent of assets are listed for each major company on the Jamaican Stock Market.[48]

The Private Sector Organization of Jamaica (PSOJ) Code

In spite of the fact that there has been no formal national corporate governance framework in Jamaica, there are many existing structures, and companies have been made sensitive to the renewed attention being given to this subject. Since the meltdown of the Jamaican financial sector, the government has taken the lead, in many regards, to ensure a healthier financial sector and corporate governance environment. The Private Sector Organization of Jamaica (PSOJ) Code was written with the "Jamaican business climate" in mind, and the government has promoted and encouraged its use. However, many critics say that the code is not helpful.

The PSOJ Code is based on The Combined Code on Corporate Governance issued by the Financial Reporting Council of the United Kingdom on July 23, 2003.[49] It was compiled by the Corporate Governance Committee of the Private Sector Organization of Jamaica.[50] The Corporate Governance Committee's mission is to ensure that the PSOJ becomes the key influencer in the delivery and adoption of corporate governance. The committee does this by providing access to knowledge and learning resources for members and leaders of business enterprises, so they can effectively compete in the global market.[51] The committee comprises corporate leaders, personnel from financial regulatory bodies, accounting professionals, and members of the legal fraternity and academia, a structure which affords the committee the expertise to address all aspects of corporate governance with confidence and efficiency.[52]

The preamble of the code states:

> The Code sets out the core Principles and Best Practices that the Committee proposes for adoption by all publicly listed companies in Jamaica and non-listed companies engaged in the provision of financial services. … The intention is that companies should have a free hand to act in the spirit of good corporate governance and to explain their governance policies in the light of the Principles, including any special circumstances

> applying to them which have led to a particular approach. [This essentially means] the company has either to confirm that it complies with the Code's Principles or – where it does not – to provide a reasoned explanation. This comply or explain approach has been in operation for over ten years in the UK and the flexibility it offers has been widely welcomed both by company Boards and by investors.[53]

However, it is important to note that the PSOJ committee does not evaluate a company's financial statements, and leaves this up to individual shareholders. The PSOJ also has no power to enforce or bring sanctions against companies that are not in compliance. The PSOJ Code is viewed more or less as a guideline, although the committee hopes that both listed and non-listed companies that provide financial services will comply with the provisions.

In spite of the good intentions and significant efforts that have gone into developing the code, it has been met with lukewarm responses from intended users.[54] One of the reasons given is that the PSOJ did no empirical assessment of the corporate governance landscape and current practices in order to see what areas needed reform. Secondly, critics have said that a code of such importance should never have been designed and positioned to suit only listed companies, mainly the financial sector – a minority group in terms of numbers (only 44 companies trade, at best, on any trading day).[55] Thirdly, critics of the PSOJ have said that almost any circumstance of non-compliance may be "justified" under the "comply or explain" clause, which might have relevance and workability in the UK but would not work in Jamaica, where 75 percent of the companies are owned by a few connected persons.[56] With this level of ownership concentration, it is difficult to persuade boards when these owners see corporate governance regulations as being expensive and unnecessary.[57] Finally, the code lacks presentation or explanation of the methodology used to develop it.[58] The only explanation given is that it was created with the "Jamaican business climate in mind."[59] The application of the code is left to individual boards within companies who are also free either to "comply" or to "explain" any provisions not followed.[60]

I must offer my personal criticism of the PSOJ Code, which is the fact that it is not a mandatory body of regulations, and so there are still no sanctions for a lack of corporate governance in Jamaica. As a whole, the code almost seems circular in that is sets out principles and guidelines, but in the end it provides a loophole for non-compliance with the "comply or explain" provision. Problems with the Jamaican business climate are also exacerbated by the fact that other laws – such as the Jamaican Constitution,[61] The Representative of the People's Act of 1944,[62] and The Corruption Prevention Act (CPA) of 2003[63] – are either weak in various aspects or not enforced in others. However, one company has managed to implement the code and rise above expectations.

GraceKennedy & Company Limited

> *We are grateful for 90 years and expect an even better future guided by the values of HONESTY, INTEGRITY, AND TRUST.*
>
> Joint statement by Douglas Orane (former chairman and most recent CEO) & Don Wehby, CEO

Company Overview

GraceKennedy & Company Limited (GK) is a leading Caribbean conglomerate which is headquartered in Kingston, Jamaica.[64] GK is engaged in food processing and distribution, banking and finance, insurance and remittance services, and investment in building materials retailing.[65] The group operates in the Caribbean and in North and Central America and the United Kingdom. It employs around 1,850 people.[66] The company recorded revenues of J$61,340.3 million (approximately US$705.4 million) in the fiscal year ended December 2012, an increase of 5.4 percent over 2011.[67] The company's operating profit was J$4,170.2 million (approximately US$40.4 million) in fiscal 2012, an increase of 27.8 percent over 2011.[68]

Business Description

GK is engaged in providing bill payment services, cambio services, home and gardening supplies, insurance, and remittance services. It is also involved in distribution, financial services, food manufacturing, and food retailing activities.[69] The group operates through five business segments: 1) food trading, 2) retail and trading, 3) banking and investments, 4) insurance, and 5) money services.[70]

History

Regarded as Jamaica's national, iconic company, the 90-year-old GK in fact traces its history to the 19th century New York trading firm W.R. Grace.[71] A severe 1921 economic recession in the United States forced W.R. Grace to divest its profitable Jamaican trading subsidiary.[72] The new owners, John Grace (a member of the New Zealand branch) and his Jamaican partner Fred Kennedy renamed the company GraceKennedy when they started it in 1922. The company made it through the Depression and the upheaval of World War II. It came of age under Carlton Alexander, who joined GK when he was 16, worked his way to the top, and remained its chairman until his death in 1989. Mr. Alexander, who was known as "Mr. Jamaica," professed his corporate motto as "Whatever is good for Jamaica, we need to find a way to make it good for GraceKennedy."[73] From a very early stage, the leadership of GK has always been centred around the needs of the Jamaican people and its consumers. Mr. Alexander played a key role in business life on the island; in 1976, he helped create the PSOJ, still the leading voice of private enterprise in Jamaica.[74] Since 1989, GK has had three CEOs, respectively: Mr. Rafael Diaz, Mr. Douglas Orane (former chairman), and Don Wehby (current CEO).

The company survived the country's turbulent 1970s, although exchange controls forced it to spend its cash on acquiring unrelated companies that were closing down in Jamaica,[75] which is one possible explanation for why GK's business lines are so diverse (see GK Acquisition Timeline in the Appendix). Then, in 1991 GK started its international expansion, beginning with the food division, now known as GK Foods.[76] The company acquired WT Foods, valued at nearly $50 million, in order to diversify its customer base. The purchase added Indian, Asian, American, Cajun, and Mexican food to GK's mix as well as increased the company's revenue by 20 percent.[77]

The group's favourable foreign exchange position from remittances,[78] food export business, and commercial bank operations make it Jamaica's largest foreign currency trader and helped it withstand the 30 percent devaluation of the Jamaican dollar between the end of 2008 and the first quarter of 2009.[79]

GK'S Board and Corporate Governance

The Board

GK's Corporate Governance Code was compiled based on references to several documents that include The United Kingdom Combined Code on Corporate Governance issued in 2010, the PSOJ, and the Corporate Governance Guidelines set out in the Jamaica Stock Exchange Rules and adopted by the board of directors of GK.[80] The main principle of the role of GK's board is that "the company shall be led by an effective Board, which is collectively responsible for promoting the long term success of the company."[81]

GK slashed its board size from a massive 22 to 12, a change that took effect January 1, 2002.[82] This reduction in board size has been the most radical move by any Caribbean company to implement corporate governance self-regulating practices.[83] Former CEO Douglas Orane implemented this strategy in 2002 and stated, "a smaller board will cause us to be more nimble in the ability to make decisions."[84] Section

4.2.1 of GK's Corporate Governance Code states that "The Board should be of sufficient size that the balance of skills and experience is appropriate for the requirements of the business."[85] Whilst GK's intention was to improve the ratio of non-executive versus executive directors, smaller boards made it possible for each director to become more intimately involved in board committee matters, thus adding greater value to the organization.[86]

Table 1 shows, amongst other things, the current trend of board sizes around the world.[87] While the practical consideration of board size is very important, the theoretical implication deserves closer analysis. Large boards are "weak" boards since these boards make in-depth discussion unlikely and increase the prospects for diversity and fragmentation.[88] When asked why the company decided to reduce board size from 22 to 12 members, Mr. Orane stated:

> This is a move to get more in line with global corporate governance trends … we are improving by using world best practices. A smaller board will cause us … to balance the ratio of outside directors for checks and balances.[89]

Mr. Orane made a good call. Statistics show that based on the 42 listed Jamaican companies on the Jamaica Stock Exchange in 2002, the confirmed average board size was 8, with a range from 4 to 22.[90] GK was the outlier, with a board size of 22, and the next largest had 16 members (Bank of Nova Scotia). Given the fact that average board size of Jamaican companies in year 2000 was 8, GK's move was empirically justified.

Table 1 Board Sizes Around the World, and Separation of Roles

Country	Board Size (1997-2002)	Separation of Chairman/CEO
Australia	8	High
Canada	13	66%
Germany	15	100%
South Africa	13	50%
UK	12	90%
USA	13	15%
Jamaica	8	90%

Source: Spence Stuart Board Index

As mentioned earlier, in part one of this article, many corporations in Jamaica are family owned,[91] and the majority shareholders are related to each other. GK has attempted to remedy this problem by allowing board members to determine whether the directors of the company are independent. Section 4.2.5 of GK's Corporate Governance Code states:[92]

> The Board should identify in the annual report each non-executive director it considers to be independent. The Board should determine whether the director is independent and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment. The Board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:
>
> • or the director's spouse, child or dependent is one of the company's advisers, directors or senior employees;
>
> • holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
>
> • represents a significant shareholder.

The text of the above provision is one of the reasons why GK is a known leader for corporate governance in Jamaica. Forcing directors to disclose whether they have close and/or family relationships with major shareholders decreases the appointment of individuals who may not be impartial.

The Separate Roles of Chairman and CEO

The most recent GK CEO, Mr. Douglas Orane, was appointed chairman of the board of directors and held the position of chairman & CEO of the company until his retirement as CEO in 2011, when he assumed the transitional position of executive chairman until June 30, 2012. He served as non-executive chairman of the board of the company from July 1, 2012 to December 31, 2013, when he stepped down from that position. To overcome the influence and power of chief executive officers over outside directors, and to ensure that corporate boards act as effective monitors, it has been proposed that corporations split the positions of chairman and CEO (as recommended by the PSOJ). GK has always maintained separate responsibilities of the roles of the CEO versus the chairman – even if they are the same person. In the company's history, there has always been a separation of the roles, but both roles had been vested in the same person. However, that changed in 2011 when the new CEO Don Wehby was appointed. Mr. Wehby did not assume the roles of both CEO and chairman. Instead, Mr. Orane transitioned into the role of chairman, while Mr. Wehby was appointed CEO. It is also important to note that the chairman is a non-executive board member at GK. A non-executive director is one who is independent and free from any business or other relationship that could materially interfere with the exercise of independent judgment.[93] This means that during his time as chairman, Mr. Orane was not allowed to take part in the day-to-day management of the business and could not exert any influence or power over executive board members. This is a very important distinction that GK has made in its code. Many younger directors such as Mr. Wehby, who admire Mr. Orane as a “visionary and a great strategic thinker,”[94] will not have to think twice about the chairman trying to exert any influence over a new CEO, because it is clearly outlined in the code that this is forbidden. There is a question as to how effective this section of the code will be, now that GK has given the roles of chairman and CEO to two different people for the first time. However, no negative implications have yet been reported.

In the United States, the norm is to vest the two roles in one person. According to table 1, Jamaican boards have typically vested the roles in two different individuals. However, GK had traditionally vested both roles in one person (similar to companies in the United States), but as of 2011 the roles have been designated to two individuals. American investors have mixed feelings on the subject: many of them are more in favour of splitting the two roles. However, they do not consider it a serious issue and rely for objectivity and independence on boards that are largely dominated by outside directors.[95] Furthermore, there has been no strong empirical support for separation of roles versus vesting both in one individual.[96]

Young Managers

Finally, the most interesting and potentially beneficial element of GK’s corporate governance is its recent initiative in its new policy of having young mangers make presentations at board meetings.[97] This move will now present the long awaited opportunity for many young, bright, innovative managers to prove their worth and to become more visible in the eyes of directors. Although this new policy is not written in GK’s Corporate Governance Code, it has been implemented and has produced GK’s youngest CFO. Mr. Wehby points out that after working with Mr. Orane and proving himself, Orane appointed him as the CFO fifteen years ago, which was something that was unheard of, given Wehby’s young age at the time.[98] This strategy of an occasional presence at the boardroom podium should help the members of the succession planning committee to spot talents and to encourage challenges. During an interview, Mr. Wehby stated that:

> [Mr. Orane] is always willing to coach the younger generation and I benefited enormously from his coaching. We spent much time discussing the future of GraceKennedy and very few people get the opportunity to spend time with such a giant. I hope to build a young executive team to take the Group forward. Douglas carefully managed succession planning and I would like to do the same some day.[99]

Conclusion

Today, GK is a publicly traded company in Jamaica and Trinidad & Tobago. The company is no longer family owned as of 1941, due to the retirement of John Grace in 1940, when he sold 90 percent of his shares. The board of directors at GK has not succumbed to the pressures faced by other companies in Jamaica, because their mission is to uphold the values of honesty, integrity, and trust. Unlike the larger environment in Jamaica, which is that of lax laws and policies, GK has implemented very strict guidelines which it encourages its board members to follow, and enforces its policies according to PSOJ guidelines. Certainly it is not safe to say that GK is immune to the Jamaican environment, but the company has set a pretty high standard, as it has not had many public disclosures of bad behavior. However, in 2009, GK disclosed that a financial manager within First Global (GK's financial services division) had carried out unauthorized and undisclosed trading activities in U.S. Treasuries, generating $19 million in losses.[100] As a result, GK restated its 2008 earnings, and booked the losses in 2008 and 2009. Douglas Orane, then CEO, said the company "learned a lesson in managing global risks, and was (personally) humbled by the experience."[101] Orane further went on to state that even though GK had a control mechanism in place, there were weaknesses in the application.[102] As a result of what Orane termed as an "isolated" incident, the senior management of the bank has been replaced and there has been a complete re-examination of controls, risk management, and governance, not only in the bank, but across the GK group.[103] After the incident, GK also hired the international risk management consultancy Protiviti Inc. to review policies and procedures not only at the bank, but at the other major subsidiaries as well.[104]

A reliable framework of corporate governance must include and ensure the full, timely, and detailed disclosure of information on all materials issued. The first step to implementing such a framework is to establish a sound code. GK's Corporate Governance Code is one that requires formal, rigorous, and transparent procedures when it comes to the board. GK has managed to combat many of the missing pieces to corporate governance in Jamaica. For example, as mentioned earlier, there is a lack of training for directors, no mandatory financial reporting or meetings, and overcompensation. GK has taken care and diligence to ensure that all directors receive quality and appropriate training.[105] GK's code also requires the board to "ensure that shareholders are provided with sufficient information to make well-informed decisions on issues put for voting at the Annual General Meeting."[106] The board must also "ensure that the company provides its shareholders and investors with information that presents a balanced and understandable assessment of the company's financial and business position and prospects."[107] Finally, there is no room for overcompensation, because rewards are linked to an individual's performance.[108]

There is no "one size" corporate governance model that fits all. What is important at the end of the day is that corporate leaders should practise what they preach. The affairs of the corporation should be conducted and communicated, where necessary, to shareholders and the public in a manner rendering absolutely no doubt about integrity and capabilities of its directors and managers. Frequent and transparent financial information should be available and accessible to all stakeholders – shareholders, employees, investors, the press, community, suppliers, creditors, and others. All regulatory requirements and information specific to shareholders should be generated and disseminated in a timely manner and in a way that can be understood by all. One lesson learned from the Jamaican financial crisis is that poor corporate governance can create huge liabilities for both individual companies and society, but if corporate governance is properly enforced, a corporation may become a respectable leader like GK.

Appendix

Table A1 GK Acquisition Timeline

Year	Acquisition
1922	GK was founded by John Grace and Fred Kennedy.
1923	GK entered into a joint venture with Jamaica Fruit and Shipping Company.
1928	GK expanded its premises by purchasing property belonging to the Lindo Brothers.
1935	GK acquired Standard Soaps, a small manufacturing business.
1945	Luis Kennedy led the formation of Kingston Wharfs Ltd.
1951	GK became the first company to offer free health and life insurance for staff.
1952	GK established an office in Montreal (Canada).
1959	GK produced its products from the first GK-owned factory. Such items included Grace Vienna sausage and GK ketchup.
1960s	- GK acquired Cecil de Cordova & Co. - GK also established National Processors, a subsidiary, in the mid 1960s, engaged in nonfood items, mostly cosmetic, prepared and packaged under licences for major foreign firms. - GK established its London offices. - GK Shipping Ltd., Port Services Ltd., and GK Travel were established. - GK Trinidad was established. - GK formed Allied Insurance Brokers. - GK registered its trademark for food products in the US.
1970s	GK started the importation of new brands to Jamaica such as Anchor Butter and Gold Medal Flour.
1972	GK acquired Western Meat Packers.
1974	GK acquired the business of Rapid Vulcanizing Company Ltd., and merged with its subsidiary, Sheffield Ltd., engaged in the hardware trade business.
1975	GK acquired Caribbean Greeting Corporation and became the island's leading supplier of greeting cards for all occasions.
1982	GK Belize was established.
1984	GK purchased HI-LO chain of supermarkets.
1985	GK entered into the spice business through the acquisition of 51% of the shareholding of Schwartz (Jamaica) Ltd.
1989	GK acquired 50% of the shareholding of Ernest Viera & Company, Ltd. (a financial services firm).
1990	GK Remittances Services Ltd. was established in partnership with Western Union.

1993	GK Guyana was established.
2003	- GK exited the maritime and shipping related business and sold its shares in Kingston Wharfs Ltd. - GK acquired hardware retail giant Hardware & Lumber (H&L). - GK formed First Global Financial Services Ltd.
2005	GK launched the FX Trader Cash card, a prepaid Visa Travel Card. GK was also listed on the Eastern Caribbean Securities Exchange.
2007	GK acquired WT Holdings Limited Group, an ethnic and specialty food supplier.
2009	GK Belize entered into a partnership with Karen Rosito and Robert Mariano, the owners of Health Maxx Fitness and Wellness Center, to develop nutritional and healthy recipes featuring Grace products.
2011	GK launched its Grace Fresh n' Ready brand of processed vegetables.
2012	GK became the official nutrition sponsor of the Jamaica Athletics Administrative Association.
Present	- GK is the largest food distributor in Jamaica. The company is a publicly owned enterprise that is listed on the exchanges of Jamaica, and Trinidad & Tobago. - GK has about 60 subsidiaries across the Caribbean, North & Central America, and the United Kingdom. - GK exports to over 67 countries worldwide.

Activities: merchandising of general goods and food products; processing and distribution of food products; operation of a chain of supermarkets; merchandising of agricultural supplies, and hardware and lumber.	**Services:** commercial banking; investment banking; lease and trade financing; stock brokerage; pension management; property rental; mutual fund management; general insurance; money transfer; bill payment services; cambio services.

Sources: MarketLine: GraceKennedy Limited Company Profile, and http://www.grace90thanniversary.com/.

Endnotes

[1] Kerr, Vindel L. *Towards a Caribbean-wide Corporate Governance Framework*. Prepared for the Inaugural Conference on Business, Banking and Finance, held in Trinidad & Tobago, April 27-29, 2004.
[2] Hilton, P. *An Examination of the Performance of Company Directors in the Development of the Financial Sector*. Address to the British-Jamaica Association, June 5, 1998.
[3] Cadbury, A. Thoughts on Corporate Governance. *Corporate Governance: An International Review* 1(1): 5-10, 1993.
[4] Kerr, *supra* note 1, at 2.
[5] *Id.* at 3.
[6] *Id.*
[7] Kerr, Vindel. *Exploring Corporate Governance Structures and Practices in Jamaica: Towards Policy Reform.* University of Manchester: 2010.
[8] *Id.* at 23.
[9] "Public sector" refers to organizations/corporations that are owned and run by the government. "Private sector" refers to those run by private individuals.
[10] Kerr, *supra* note 7, at 23.
[11] Kerr, *supra* note 7, at 23.
[12] Kerr, *supra* note 7, at 25.
[13] Bonnick, G., and Hilton, P. *1998 Budget Presentation.* Ministry Finance and Planning. Ministry Paper #13.
[14] Hilton, P. *Address to the Jamaica British Businessmen Association*, Le Median Jamaica Pegasus Hotel. (July 31, 1999)
[15] Kerr, *supra* note 1, at 11.
[16] Kerr, *supra* note 1, at 11.
[17] Kerr, *supra* note 7, at 31.
[18] *Id.*
[19] *Id.*
[20] Kerr, *supra* note 7, at 24.
[21] *Id.*
[22] Bonnick, *supra* note 12.
[23] "Openness implies that economic performance is closely tied to export performance." *Association of Caribbean States, Export Promotion Policies in CARICOM Caribbean Economies* 4 (Report No. LC/CAR/G.757, 2003), available at www.acs-aec.org/Trade/ftaa/lcarg757.doc
[24] Export revenues are dominated by tourism and Jamaica's four principal export commodities: bauxite, clothing, sugar, and bananas.
[25] Anderson, Rachel J. Linking Rule of Law and Trade Liberalization in Jamaica. *Berkeley Journal of African-American Law & Policy* 7(1): article 4.
[26] Kerr, *supra* note 7, at 34.
[27] In an augural speech, The Most Honorable Portia Simpson-Miller (Prime Minister of Jamaica) declared, "I want to pledge to the Jamaican People to work tirelessly to eradicate corruption … and facilitate change in Jamaica." Jamaica Information Service, 2003.
[28] Kerr, *supra* note 7, at 34.
[29] Kerr, *supra* note 7, at 35.
[30] Kerr, *supra* note 7, at 36, extrapolated from information of the *Sunday Observer,* October 17, 1999.
[31] Munroe, Trevor, Dr. Transforming Jamaican Democracy through Transparency: A Framework for Action. This article was reported in the Carter Center's 2002 report, *Fostering Transparency and Preventing Corruption in Jamaica*, edited by Laura Neuman.
[32] *Id.*
[33]Dollar, David. Governance and Social Justice in Caribbean States. World Bank Development Research Group, Report No. 20449, 2000, pages 1-2, 15,19, available at

http://lnwebl8.worldbank.org/External/lac/lac.nsf/0/el3721b3914a6bl2852568ef0506a48/$FILE/_08tnncpbidpgmsor540j20krfcdkm2rl099qn6t39cdig.pdf
[34] Robert J. Barro. Rule of Law, Democracy, and Economic Performance. Chapter 2 in *2000 Index of Economic Freedom,* 31-32, 34-35 (Gerald P. O'Driscoll, Jr. et al. eds., 2000), available at http://www.heritage.org/research/features/index/ChapterPDFs/2000 Chapter -2.pdf.
[35] Anderson, *supra* note 24, at 19.
[36] As is also the case in several African countries, where corruption and lack of faith in the democratic process is present, such as Nigeria and Sierra Leone.
[37] Dollar, *supra* note 32.
[38] *Id.*
[39] Anderson, *supra* note 24, at 19.
[40] *Id.*
[41] Kerr, *supra* note 1, at 11.
[42] Kerr, *supra* note 7, at 48.
[43] *Id.*
[44] *Id.*
[45] Kerr, *supra* note 7, at 48.
[46] "Non-independent" means that most directors on these boards have vested material interest in the particular organization(s).
[47] Kerr, *supra* note 7, at 49.
[48] *Id.*
[49] See the preamble of *The Private Sector Organization of Jamaica Code on Corporate Governance,* available at http://www.psoj.org/files/FINAL_CODE_for_LAUNCH%20_October_25%20_2006.pdf.
[50] *Id.*
[51] *Id.*
[52] *Id.*
[53] *Id.*
[54] Kerr, *supra* note 7, at 52.
[55] *Id.*
[56] *Id.*
[57] *Id.*
[58] *Id.*
[59] See the preamble of the code, *supra* note 48.
[60] An example of one company in Jamaica that has adopted the PSOJ but has explained deviations from the code is Kingston Properties. Their corporate governance code and explanations are available at http://kpreit.com/docs/KPREIT%20-%20Compliance%20Status%20-%20PSOJ%20Code%20of%20Corporate%20Governance.pdf .
[61] The Constitution of Jamaica, 1962 was drafted by a joint committee of the Jamaican legislature in 1961-62, approved in the United Kingdom, and included as the Second Schedule of the Jamaica (Constitution) Order in Council, 1962 under the West Indies Act, 1962. It came into force on 25 July 1962 with the Jamaica Independence Act, 1962 of the United Kingdom Parliament, which gave Jamaica political independence. Jamaica was under Spanish colonial rule from 1506-1670 and British colonial rule from 1670 – 1962. Although Jamaica received its independence in 1962, the country is still heavily influenced by the United Kingdom.
[62] An act to make provision for the election of members of the House of Representatives, and for the franchise for such elections, and for the registration of electors for the House of Representatives and the conduct of elections, and for other matters incidental thereto or connected therewith.
[63] Jamaica has a Corruption Prevention Act (CPA), which established a Commission for Prevention of Corruption (CPC) in 2003 to, among other things (1) receive, examine, and document the statutory declarations of public sector workers; (2) receive and investigate any complaint regarding an act of corruption; and (3) conduct investigation into acts of corruption, if

satisfied there are reasonable grounds to do so. To date there has been no enforcement, as the commission lacks the capacity to enforce the filing of declarations. Summary of the CPA found at: http://www.knowyourcountry.com/jamaica5.html.
[64] Market Line: GraceKennedy Limited, Company Profile. November 12, 2013.
[65] *Id.*
[66] *Id.*
[67] *Id.*
[68] *Id.*
[69] See *supra* note 64, at 4.
[70] See *supra* note 64, at 4.
[71] The company started as a trading and wharf operation and in the 1950s expanded into hardware and manufacturing. Its two most difficult periods were at the heights of World War II and the economic upheaval of the 1970s, but during both periods it continued to expand by seizing opportunities where others wilted.
[72] Collister, Keith. Grace under pressure. *Latin Trade* March 2010: 55-58.
[73] *Id* at 55.
[74] See *supra* note 72, at 56.
[75] See *supra* note 72, at 57.
[76] *Id.*
[77] *Id.*
[78] Remittances are funds sent back to Jamaica by expatriates abroad, who are located mostly in the United States, the UK, and Canada. GK provides this service through its subsidiary Western Union, and makes a profit by charging expatriates a fee to send the money to Jamaica.
[79] See *supra* note 72, at 58.
[80] GraceKennedy Corporate Governance Code, available at http://gracekennedy.com/files/doc/CorporateGovernanceCode.pdf.
[81] *Id.*
[82] Kerr, *supra* note 1, at 6.
[83] *Id.*
[84] Kerr, *supra* note 1, at 6.
[85] GK Corporate Governance Code, s*upra* note 80, at 3.
[86] *Id.*
[87] Chart created by Spencer Stuart Board Index.
[88] Herman, E. S. *Corporate Control, Corporate Power.* New York: Cambridge University Press, 1981.
[89] Kerr, *supra* note 1, at 6.
[90] Kerr, *supra* note 1, at 6.
[91] GK started out initially as a family-owned business in 1922, but has since shifted ownership, as John Grace sold 90 percent of his shares upon his retirement in 1940.
[92] GK Corporate Governance Code. http://gracekennedy.com/files/doc/CorporateGovernanceCode.pdf.
[93] Section 4.2.4 of GK Corporate Governance Code.
[94] Edwards, Al. Don Wehby: GraceKennedy's new CEO points the way ahead – Part II. *Jamaica Observer* Oct. 21, 2011. http://www.jamaicaobserver.com/business/Don-Wehby--GraceKennedy-s-new-CEO-points-the-way-ahead---Part-II_9968685
[95] Kerr, *supra* note 1, at 10.
[96] *Id.*
[97] Kerr, *supra* note 1, at 7.
[98] Edwards, *supra* note 94.
[99] *Id.*
[100] See *supra* note 72, at 57.
[101] *Id.*

[102] *Id.*
[103] *Id.*
[104] *Id.*
[105] Section 6.1 of GK Corporate Governance Code.
[106] Section 13.1 of GK Corporate Governance Code.
[107] Section 10.1 of GK Corporate Governance Code.
[108] Section 11.1: "Levels of remuneration of a company's executives and board members should be sufficient to attract and retain and motivate persons of the quality required to run the company successfully. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance."