



# Al Majlis

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Issue 07, 2010



Dr. Abdullah  
Al AbdulGader

Founding  
Executive Director

Dear Member,

It is with great honor that I, as the Founding Executive Director of the GCC Board Directors Institute (BDI) and as the Editor of BDI's quarterly newsletter "Al Majlis", welcome you to reading this issue. Having been involved in the BDI since its inception four years ago, I have witnessed - with great pleasure - BDI's success in the building of its highly driven, knowledge seeking, and aspiring membership, as well as its governors, partners, and core team staff. I feel fortunate to join a community of professionals who share my beliefs, affection, and passion for better corporate governance and board practice in GCC corporate boards that would significantly determine the GCC's economic efficiency and safeguarding of invested capital, as well as shareholders and stakeholders' welfare.

Without our valued members' continued support, guidance, and participation, BDI's mission is impracticable. This is why we want to hear from you. Together, let us make our professional community one of the most effective and integrated in the world. Let me share with you two facets of our plan for Al Majlis that mark a new direction for Al Majlis. For the sake of focusing the discussion on topics crucial to the development of corporate and board governance in the region, my colleagues and I have agreed to adopt one theme for each issue. Furthermore, we are also contemplating on making Al-Majlis a bilingual publication at the nearest possible date, where each issue will be carrying Arabic as well as English articles, interviews, and news.

We are witnessing dramatic times. With GCC economies coping with the aftermath of the financial crisis, the interest of GCC corporations and regulators in corporate governance has renewed. This interest comes in time with the pouring in of more foreign investments into the region and an increase in the number of GCC corporations investing in global companies. The BDI remains committed to its mission in supporting the GCC board in becoming more effective - and for that matter, more diverse.

This issue of "Al-Majlis" introduces a fruitful and inspiring discussion on "Women on Boards". The GCC boards are too different from boards in other parts of the world. Yet one major difference stands vivid and apparent. In spite of the recognition of the added value of diversity on the board, GCC boards remain extremely homogenous. Consequently, many GCC



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companies are finding it difficult to satisfy the regulatory independence quota in the board and its committees. It has been established that diversity on the board promotes better corporate governance and is an importance key factor for economic growth and higher company performance.

“Women on boards” is unmistakably a great contributor to diversity and may be more so in GCC countries. Despite this fact, the level of women on boards in the GCC is still far below its potential. One, however, must acknowledge positive development in the GCC in the past few years, with regards to women being active on boards and decision making positions. A number of leading GCC women have presented successful cases of positive contribution on boards and top management, and we remain hopeful for more success cases in the days to come.



Soha Ellaithy



Jennifer May

Last but not least, I would like to thank Soha Ellaithy (Member Services Manager) and Jennifer May (Program Manager), who moved on from the BDI this month. Soha and Jennifer’s hard work and contribution was a significant factor in the founding, growth and development of BDI and I wish them both all the best in their career move and future endeavors.

I would also like to take this opportunity to welcome three people to the BDI core team, who have recently joined us in the last quarter. Alexia Williams, our Program Manager, Khamael Al Safi, our Marketing and Communications Coordinator and Jil Freitag, our Executive Assistant. It is with great honor that I welcome them and I look forward to working with them in the development and growth of the BDI.

I really do not want to hold you any longer from enjoying the thought provoking articles in this issue. We hope you find this issue insightful and we looked forward to hearing from you.

A handwritten signature in blue ink, appearing to read "عبدالله العبدولجادر".

Dr. Abdullah AlAbdulGader

Contribute to  
'In the News!' section

## In the News!

### Welcome new members!

- Ms. Laila Al Jassmi, CEO, Health Policy and Strategy, Dubai Health Authority
- Dr. AbdelGadir Ghalib, Professor of Law, New York Institute of Technology, Bahrain and New York
- Mr. Basil Abu-Hamayel, Assistant Treasurer, Saudi Aramco
- Mr. Omar Al-Amoudi, President, Petrokemya
- Mr. Sami Al-Suwaigh, President, Sadaf
- Mr. Abdulla Bu-Ali, Finance Manager, Sadaf
- Mr. Mohammed Al Muhanna, Executive President Advisor, Saudi Food & Drug Authority
- Mr. Sari Sahyoun, Vice President, Private Equity, Olayan Financing Company
- Mr. Tristan de Boysson, Principal – Gulf Growth Capital, Investcorp Bank
- Mr. Rishi Kapoor, CFO, Investcorp Bank
- Mr. Azmat Taufique, Managing Director – Head of Gulf Growth Capital, Investcorp Bank
- Mr. Walid Majdalani, Principal, Investcorp Bank
- Mr. Selim Chidiac, CEO, L'azurde Company for Jewellery
- Mr. Farid Badri, Deputy General Manager, Enoc Processing Co.
- Dr. Ghazi Al Rawi, Managing Partner, Eastgate Capital Group
- Mr. Imteyaz Ahmed Khan, CFO, L'azurde Company for Jewellery
- Mr. Nasr-Eddine Benaissa, co-Managing Partner, Eastgate Capital Group
- Mr. Khalid Al Suwaidi, Board Member, Al Suwaidi Holding Co.
- Dr. Abdullatif Ghaith, CEO, Tatweer Education Holding Co.
- Mr. Khalid Al Turairi, General Manager – MENA, SABIC
- Mr. Nicholas Abboud, Managing Director – Bahrain, Investcorp Bank
- Mr. Sabah Barakat, Vice President, Olayan Financing Company
- Mr. Christopher Baines, Managing Director – Bahrain, Investcorp Bank



Source: [zawya.com](http://zawya.com)

#### Emirates NBD General Manager Elected Chairman of Bankers' Business Group

**Dubai, UAE: 30th November 2010**

Sulaiman Al Mazroui, General Manager of Group Corporate Communications at Emirates NBD, a Founding Partner of the GCC Board Directors Institute (BDI) was elected the Chairman of the Bankers' Business Group, operating under the Dubai Chamber of Commerce at the Group's first meeting at the Dubai Chamber premises, overseen by the legal committee of the Chamber.

In addition to his executive role, Al Mazroui is the representative of the UAE Banking Sector at the Union of Arab Banks (UAB) and an Executive Member of the Supreme Committee of Al Tomooh Finance Scheme for Small National Businesses. He also sits on the boards of Dubai World, Diners Club (UAE), Network International and Emirates Islamic Bank.

## RECENT BDI EVENTS



Workshop in Session

### Senior Director I Workshop

*1st-3rd November 2010, Manama, Bahrain*

BDI's last workshop this year was hosted by Investcorp at The Ritz-Carlton in Manama. The workshop was attended by 26 senior directors who sit on boards representing a wide range of industries across the region, leading to a total of 146 GCC-based directors having graduated the BDI Senior Director Workshop. Besides the board-focused professional sessions, participants joined in a number of networking events and team-building activities, including a golfing session at the Golf Club in Manama.

One of the highlights of the workshop was the keynote speeches given by two distinguished speakers. On the opening night, participants heard from Mr. Talal Al Zain, CEO of Bahrain Mumtalakat Holding Co. who examined the important issues that must be addressed on corporate governance and the need for a dedicated talent database designed to enhance corporate governance standards across the region.

During the 4th BDI alumni dinner that was held on the second night of the workshop, H.E. Rasheed Mohammad Al Maraj, Governor of the Central Bank of Bahrain, addressed a group of over 100 attendees, on the lessons in corporate governance the financial crisis has for banks and the extent to which these might be applied to firms and businesses in other industries and sectors<sup>1</sup>.

This was the eighth in a series of workshops conducted by the BDI and the second hosted by Investcorp. Mohammed Al-Shroogi, Investcorp's President, Gulf Business, said: "We are proud to host this prestigious event in Bahrain. In challenging economic times good corporate governance practices have never been more important. Investcorp has always believed that transparency and

<sup>1</sup> Click [here](#) to view the full speech delivered by H.E. Rasheed Mohammad Al Maraj, Governor of the Central Bank of Bahrain.



Talal Al Zain's speech on the opening night



H.E. Rasheed Al Maraj speaking at the Alumni Dinner

corporate governance can play a vital role in improving the regional investment climate and in helping develop capital markets.

"The BDI, and the workshops it conducts, helps raise the awareness of the benefits of adopting best corporate governance principles on both a corporate and country level. Implementing corporate governance can increase the corporate value of companies, but more importantly it facilitates the economic and financial integration of the GCC with the rest of the world"





### Corporate Governance Conference

*1st-3rd November 2010, Manama, Bahrain*

BDI was one of the partnering organizations behind the Corporate Governance Conference that took place in the Crowne Plaza Bahrain on the 1st-3rd November 2010, entitled "The Role of Corporate Governance in Enhancing Organisational Growth and Sustainability". The BDI's Founding Executive Director, Dr. Abdullah Al AbdulGader, was one of the speakers at the conference as part of the CEO forum. The conference was hosted by the Bahrain Accountants Association and under the patronage of H.E. Dr. Hassan bin Abdullah Fakhro, the Minister of Industry and Commerce of Bahrain.

As part of the unique and stimulating CEO forum, Dr. Abdullah, along with other top executives, such as Khalid Hamad, the Executive Director of the Central Bank of Bahrain and Hameed Rahma, the Assistant Undersecretary Minister of Industry and Commerce, shared best practices and success stories, with an emphasis on various corporate governance issues including managing business companies. Dr. Abdullah highlighted the importance of having effective boards and the board's role in governing the organisation, as well shareholders' and stakeholders' rights.

### Eastern Province Chamber of Commerce Conference

*5th October 2010, Dammam, Saudi Arabia*

The BDI's Founding Executive Director, Dr. Abdullah Al AbdulGader was one of the keynote speakers at the Eastern Province Chamber of Commerce in Saudi Arabia on the 5th October 2010. In his speech titled "Board Effectiveness in the GCC", Dr. Abdullah shed light on the growing significance of corporate governance and enhancing corporate governance practises in the GCC, considering the recent unrivalled growth in the GCC has seen in the past few years. Additionally, the positive impact adopting such practises effectively would have on attracting investors, competing effectively and globally and driving performance.

Dr. Abdullah provided a deeper insight on improving corporate governance through building board member capabilities and enhancing board effectiveness. Moreover, Dr. Abdullah covered the BDI's dedication to this purpose and how



Nathalie Potvin at the MEI Summit 2010

this would ultimately lead to a positive impact on economies and societies in the GCC, through the in-depth knowledge and research it provides access to’.

### Middle East Investments Summit 2010

*3rd-5th October 2010, Dubai, UAE*

As BDI was one of the partnering organizations behind the Middle East Investments Summit 2010 (MEI Summit) by Marcus Evans events, Nathalie Potvin, Director of Operations, spoke at the event, which was organized to act as a premium forum for the foremost institutional investors in the region. The Summit took place at the Park Hyatt Dubai on the 3rd-5th October 2010.

As part of the Governance Forum, titled “The Practical Case for Governance: Creating Transparent Organisational Structures and Facilitating Regulatory Compliance”, that took place on the second day of the Summit, Nathalie Potvin discussed how the Dubai debt crisis has posed a new challenge of aligning

transparency efforts with international standards for local institutions. The forum primarily shed light on the role of improved disclosure practices and information to investors in attracting capital flows in the Gulf and discussed the need for practicing corporate governance policies, the elimination of conflicts of interests, control of risk-taking activities and board awareness of duties and liabilities.

### The International Governance Research Program: An Initiative by the BDI and the Anderson Governance Group

The Anderson Governance Group, in collaboration with the BDI, has launched the International Governance Research Program in January 2011 and is inviting your contribution!

The Anderson Group of Governance Researchers and Advisors is an established firm specialized in human capital management policies, practices and metrics to support the capability of boards and management teams in the effective exercise of their duties, that initiates and conducts independent research focusing mainly on director perspectives on the evolution of governance systems and practices. The input and thoughts of owners, directors and executives in the GCC will provide an important new dimension to this work and will further integrate the dissemination of corporate governance knowledge for board directors regionally and globally.

The survey will be conducted in January 2011. For more information, please contact Nathalie Potvin (BDI) at [Nathalie.Potvin@gccbdi.org](mailto:Nathalie.Potvin@gccbdi.org) or Dr. David Anderson (The Anderson Governance Group) at [David.Anderson@taggra.com](mailto:David.Anderson@taggra.com).

## Upcoming events

- **ICGN Mid-Year Conference**  
28th February – 2nd March 2011  
Kuala Lumpur, Malaysia

### [International Corporate Governance Network \(ICGN\) 2011 Mid-Year Conference, 28th February – 2nd March, Kuala Lumpur, Malaysia](#)

Partnered with the BDI, the ICGN 2011 Mid-Year Conference, hosted by the Employees Provident Fund at the Shangri-La hotel, will debate the future steps within corporate governance in Asia and will highlight the Asian boom, governance issues and IPOs in the region. Over 200 ICGN members and speakers will bring a global perspective to the debate from some of the largest investment houses and corporations in the world.

- **Senior Director Workshop**  
21st -23rd February 2011  
Jeddah, Saudi Arabia  
Sponsored by Ma'aden  
and Al Jameel Group

BDI members benefit from discounted rate of £500 (£100 discount) and paying before 14th January 2011 would save you an additional £50. ICGN delegates will also benefit from discounted room rates at the Shangri-La.

- **BDI Alumni Dinner**  
22nd February 2011  
Jeddah, Saudi Arabia
- **Middle East Alternative Investments Summit 2011**  
22nd-24th March 2011  
Dubai, UAE

For more information, please contact Cecilia Akerman by email: [events@icgn.org](mailto:events@icgn.org) or call +44 (0) 207 612 7080.

### [Senior Director Workshop, 21st-23rd February 2011, Jeddah, Saudi Arabia](#)

- **Senior Director Workshop**  
31st May – 2nd June 2011  
Riyadh, Saudi Arabia  
Hosted by Sabc

The next Senior Director Workshop will be on 21st-23rd February, 2011 at the Park Hyatt in Jeddah and will be sponsored by Ma'aden and Al Jameel Group. The second day of the workshop will see the BDI Alumni Dinner where BDI members and alumni are welcome to attend.

- **BDI Alumni Dinner**  
1st June 2011  
Riyadh, Saudi Arabia

To reserve your seat in this workshop, please contact Alexia Williams at [Alexia.Williams@gccbdi.org](mailto:Alexia.Williams@gccbdi.org).

- **Middle East Investments Summit 2011**

### [Middle East Alternative Investments Summit, 22nd-24th March 2011, Dubai, UAE](#)

October 2011  
Dubai, UAE

A Summit behind which the BDI is a partner, The Middle East Alternative Investments Summit 2011 (MEAI Summit) gathers the region's prudent investors to explore next generation alternative investment strategies in private equity, hedge funds, real estate, commodity, infrastructure and emerging asset classes. The primary objective of the MEAI Summit is to explore the key aspects and issues imperative to successful alternative investing.

- **Senior Director Workshop**  
28th – 30th November 2011  
Ras Tanura, Saudi Arabia  
Hosted by Saudi Aramco

For more information please contact Daniela Trojakova at [summits@marcusevanscy.com](mailto:summits@marcusevanscy.com) or visit the event website at <http://www.meai-summit.com/>  
**BDI**

- **BDI Alumni Dinner**  
29th November 2011  
Ras Tanura, Saudi Arabia



The Honorable Audun Lysbakken is Norway's Minister of Children, Equality and Social Inclusion. The Ministry is charged with strengthening the rights of consumers, families, children and young people, antidiscrimination practices, and full equality between men and women. He was elected to the Norwegian parliament in 2001 and assumed leadership of the Ministry in October 2009. This article is adapted from his keynote presentation to the Global Roundtable on Board Diversity, organized by the International Finance Corp. and Corporate Women Directors International, held in March 2010.

## Gender balance on boards: The Norway experience

Before I give an overview of what we did with gender quotas on company boards in Norway, let me start by underlining the importance of gender equality as a prerequisite and key factor for economic growth. My main point is this: If we neglect to empower women, we pay for that neglect by weakening our country's economic performance. It is as simple — and yet, as complex — as that.

Earlier this year I participated in the U.N. Commission on the Status of Women meeting held in New York. The U.N. data are clear: Countries that suppress — or do not — include the advancement of girls and women are lagging behind. They are slowing down their development and will continue to do so until they unleash and support the talent and potential of women, and back such policy change with adequate funding.

The cost of gender inequality for national economies is not only indecent and wrongful toward women of the world, it's simply not smart economics. Strong indicators show that gender equality leads to economic growth and prosperity. Women's employment boosts GDP.

Only through improvement of health, access to education, absence of

violence, and changed attitudes among boys and men will girls and women all over the world have the opportunity to gain real economic rights.

### The road to prosperity and equality

Norway became prosperous because we developed a public welfare society. Our public welfare policies were crucial for women's liberation and gender equality, for two reasons: 1) welfare sector jobs provided a lot of opportunities for women, moving women from the informal economy (homemaking, agriculture, etc.) to the formal economy; and 2) in the public sector it was possible for most women to combine labor market participation with family responsibilities.

This can only be achieved if governments, in collaboration with employers and employee organizations, agree upon enabling structures and reforms. Such structures would allow women — and men as well — the choice to combine family and children with professional lives.

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We wanted more equality and we were not afraid of applying profound political will to make it happen.

*By Audun Lysbakken*

women from the informal economy (homemaking, agriculture, etc.) to the formal economy; and 2) in the public sector it was possible for most women to combine labor market participation with family responsibilities.

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Since the 1950s Norwegian politics have paved the way for making women visible in the labor market and eligible for high positions in the economy and decision-making processes.

Our policies provide for greatly extended and improved parental leave rules and benefits; flexibility in work-life when having young children; and a rapid build-up in kindergartens and day-care centers. Look what these strategies have produced: Norway is today one of the frontrunners — No. 3 in the world — in the level of equality between women and men.

Eighty percent of all women aged 25 to 66 are in the labor force. Norway has one of the highest birthrates

(1.98 children per woman) among the industrialized countries. Yet most mothers are in the labor force — approximately 75% with children under 3 years of age and 84% with children 3-6 years of age.

This did not happen naturally. Societal change has to be led by profound political will aimed at empowering women and giving them more equal opportunity. This points to one of the major differences between the U.S. and Norway: the Norwegian government believes that the right to choose should be facilitated by public policies. The key is redistribution of power, care, and work — and about changing attitudes among both men and women.

Our experience is that targeted affirmative action and legislation in the field of gender equality is needed and leads to change. The use of quotas is simply a tool to display women's competencies.

#### **From 7% to 40%**

The use of quotas is not a new measure in Norwegian policymaking. In fact, one important measure in the development of gender equality has been the use of quotas. It started in

the 1970s when some political parties on a voluntary basis adopted quotas on the electoral lists. Today the gender balance among the voting population is complete, with 50–50 representation. In 1981 we adopted the Gender Equality Act that contained a clause requiring at least 40% of each gender to be represented on publicly appointed commissions.

Then came our legal regulation that there be a quota of 40% of the underrepresented gender on the boards of several types of companies, the most consequential being state-owned enterprises and the large Public Limited Companies (PLCs), which often are listed on the stock exchange. (The law does not affect privately owned limited companies, most of which are small and medium-sized family firms.)

We believe that talents are equally distributed between men and women. A majority of university graduates — and increasingly also from business schools — are women. By introducing the quota legislation, Norway was the first country in the world to demand gender balance on company boards. We did this because we wanted a change in the numbers and we took political decisions to make it happen.

The striking reality is that in 2003 the PLCs recruited only 7% of women to their boardrooms. Competent women simply were not seen, nor recruited. Today women have taken 40% of the boardroom positions in the companies affected by the regulation.

These rules do not apply to management operating positions. The rules regulate the appointment and assignment of representatives to company boards, and as such they address the overall strategic decision making of enterprises. We see this as appointments to positions of trust.

#### Businesses slow to respond

We did not shy away from measures interfering in the market. And, mind you, this legislation was proposed by a conservative Cabinet — and endorsed by the opposition (which is now in Cabinet). It was truly bipartisan!

The quota legislation made for controversial political deliberation and was heavily debated by the public. The business community strongly disagreed with it. In fact, enforcement of the law was postponed due to expectation that companies would follow suit voluntarily, with the Parliamentary decision setting a norm but not being legally binding. The private business sector was given a time limit until 2005

to achieve the desired gender balance. However, development went too slow: thus the law came into full force in 2008, after a two-year transition period for the PLCs.

No new laws regarding enforcement have been passed. The rules are enforced through normal control practices and legal channels. We have a National Business Register that investigates all companies as to how their board is set up. A company will not be able to operate if its composition does not meet the requirements. In fact, it may be dissolved by the court. This has not happened — yet.

The legislation is a forceful measure, but it has gone hand in hand with other instruments. Both the main business federation and the financial sector have developed programs and networks to train and recruit talented women. Databases and networking platforms also make accomplished women more visible.

#### The arguments lodged against

Let's recognize some arguments against quotas that have been raised by the business community — in fact, both by women and men:

- Are women actually elected to boards on their professional

## Highly competent women have taken their righteous seats at the boardroom tables.

qualifications or simply just because they are women? The answer, of course, is that they are elected on the basis of competence!

- Further, is it right to put restrictions on company shareholders on whom they should recruit as board members? The system in Norway for PLCs is that the General Assembly (all shareholders) appoints a nomination committee that recruits able candidates to a list that the General Assembly then can elect from. (The CEO of our PLCs is not a member of the board, and our boards include employee representatives.)
- Are qualified women hard to find? Not if one looks further behind the old boy's network. The law has succeeded in forcing the nominating committees to cast their nets wider. Women were an untapped pool of talent.
- Will women take on such responsibilities? Of course, if one gives them the opportunity.

Today, the critics have gone silent. Highly competent women have taken their righteous seats at the boardroom tables.

### Stamp of approval

As mentioned previously, international research shows that women in company boardrooms correlate with company performance. What we also know is that being on a board is a stamp of approval. For women, board positions make them more visible and give them a greater network of contacts. The result is that offers for management positions follow. So one outcome we are seeing is more women in management positions and on boards not covered by the law. Today women are more visible in corporate Norway than ever.

Still, it is important to keep in mind that any affirmative action is likely to fall through without a more or less gender equal society, where women and girls are educated and working on equal footing with men. This is about democracy and equal rights of participation in the society. It is a redistribution of power! But moreover, it is also about using gender equality as a catalyst for rethinking corporate decision making.

Employing all available human capital is simply good for business. We will continue our efforts to increase the level of gender equality. Achieving this will give more freedom to each one of us and improve our economy and our welfare.



## What makes the boardroom so sacred? - A Norwegian director's perspective

Karin S. Thorburn is DnB NOR Professor of Finance at the Norwegian School of Economics and Business Administration. Her research focuses on corporate governance, takeovers, bankruptcy, corporate restructuring, and environmentally responsible investing. She was a faculty member at the Tuck School of Business at Dartmouth College from 1998-2009. She is a director on the boards of Nordea Bank Norge ASA and the Norwegian Financial Markets Fund.

Do board gender quotas constitute an inappropriate interference with shareholders' rights to choose their own representatives to oversee the company? Or, is a better question: Does it matter if a fraction of these representatives must be selected from half of the world's population?

In Norway, some 250 firms are publicly traded. The typical board has six members, two of which are elected by employees (and subject to less strict gender rules). Of the four directors appointed by shareholders, two should be of each gender. If an individual sits on two different boards, we are looking at a total of 250 women. Although Norway has a population of less than 5 million people, female directors are also recruited from neighboring countries like Sweden and Denmark.

Is it possible that, despite the high proportion of Scandinavian women in universities and the work force, it is difficult to find 250 qualified women?

Or do male executives by tradition tend to recruit board members from their personal networks, containing predominantly other men?

The initial process to identify new board members may be cumbersome. Once a pool of female directors has been established, however, is it then a drawback to have a gender quota in place? The Center for Corporate Diversity in Great Britain reports that private limited Norwegian firms — not subject to the quota — experienced the largest increase in female directors between 2004 and 2009. By September 2009, private companies had 27% female board members, compared to 30% for public companies. (Recall that employees elect one-third of the board.) Moreover, women held the position as chairman for the board for 11% and 6% of private and public firms, respectively.

The numbers speak for themselves, suggesting that the forced recognition of female directors for public firms

brought along a substantial increase in women's board participation for private firms as well.

What is so special about female directors? The broader question is probably, what is the role of the board? Many academics argue that the key function of the board is to hire and fire and set the compensation of the CEO. If independence is critical for the efficiency of the board, women outside the traditional networks may provide a superior monitoring function. Indeed, research from the U.S. shows that female directors have a better attendance record and play a more active monitoring role.

Despite a lack of evidence implying any negative effects from adding women to the board, resistance to gender quotas remains high. Society imposes lots of rules on business to protect employees from exploitation and promote diversity. What makes the boardroom so sacred in this respect?

## 2010 Board of Directors Survey: Executive Summary and Key Findings

Conducted by Dr. Boris Groysberg, Thomas S Murphy Associate Professor of Business Administration, Harvard Business School and Deborah Bell, Research Associate, Harvard Business School.

Sponsored by: Heidrick & Struggles and WomenCorporateDirectors (WCD).

The growing number of women taking a seat in the corporate boardroom has prompted an increased interest in how these directors approach board service versus their male peers. In the wake of the financial crisis, with widespread discussion about board accountability, it is especially important to ask how male and female directors diverge in their approach to the boardroom. How do both genders feel trust in boards can be restored? How do men and women differ – and agree – when rating their boards' effectiveness in handling fundamental board responsibilities? Do either men or women directors believe that quotas are necessary for creating a more diverse boardroom?

Heidrick & Struggles and WomenCorporateDirectors (WCD), in conjunction with Dr Boris Groysberg of Harvard Business School, surveyed men and women corporate directors and found striking differences, as well as predictable similarities, in how the 398 respondents think about these and other critical issues facing boards today. In the survey, three primary trends emerged in the areas of:

### Rebuilding trust post-meltdown

As board members across the US and around the world grapple with the issue of rebuilding shareholder, employee, and consumer trust, women

and men directors varied dramatically as to how this should be done. Women demonstrated a greater belief than their male peers that more oversight and increased diversity would help to restore trust in boards. However, both men and women agreed that requiring an independent chairman – a development many see as inevitable – would also be effective.

### Assessment of board performance

Women directors were, generally, more critical of board performance, especially in the areas of setting appropriate executive compensation levels and in their own performance assessment process. But at least half of both men and women directors gave less than stellar marks to their boards with regard to succession planning and advancing diversity on the board and in the company. There is clearly, in their minds, more work that needs to be done in these areas.

### Diversity and quotas

The questions about boardroom diversity elicited strong responses from directors, with women clearly believing that diverse boards are more effective boards. Most directors, however – women and men – do not support the still-controversial concept of quotas. Ninety percent of female directors, and just over half of male directors,

Good corporate governance is about being a well run company. Investors like well run companies as they tend to have a lower risk and fewer surprises.

believe that women bring unique attributes to the boardroom. Likewise, the majority of women (62%), versus only 43% of men, supported the new SEC rule that nominating committees should explain in proxies the role that diversity plays in new board member selection.

The gender divide in the boardroom provides insight into the very different dynamics at work as women increase their presence in corporate leadership ranks. With some of the most widespread regulatory changes in a decade now a reality, companies are gradually awakening to a new set of expectations about the role of boards and the transparency of their policies. Moreover, the financial crisis has shifted new responsibility to boards for greater oversight – creating a need for a more “self aware” board that can take a harder inward look at its own performance.

Overall, the survey reveals that women directors appear to be more assertive on a number of hot-button issues, including evaluating their own board’s performance and supporting more oversight on boards. This changing dynamic will likely usher in a new era of governance and perhaps more significant changes for US companies

and their boards over the next several years.

### Key findings

The men and women survey respondents differed primarily in the areas of:

#### How to rebuild trust in corporate boards after the shock of the financial crisis

Women seem to have much greater faith than men that increased boardroom diversity (65% of women vs. 35% of men), new regulations regarding executive compensation (45% vs. 22%) and proxy access (38% vs. 17%), and, especially, enhanced risk management systems (40% vs. 1%) would help restore trust. “This finding was one of the most revealing of the whole survey,” says Bonnie Gwin, Managing Partner of Heidrick & Struggles’ North American Board of Directors Practice. “Interestingly, a clear majority of women directors expressed their feeling that more diversity in the boardroom would have a positive impact on rebuilding trust in boards. In addition, women directors preferred increased oversight, including a significant number who supported more regulation around executive compensation and enhancing proxy access. The women directors surveyed seem to express

a feeling that the status quo has not worked and that they are open to more aggressive changes to rebuild stakeholder trust in boards.”

#### Boardroom diversity and the impact on board effectiveness

More women directors than men felt that three or more women on a board made it more effective (51% vs. 12%), and that women brought unique attributes to a board (90% vs. 56%).

#### Diversity quotas and regulations

Quotas continue to be a controversial and divisive topic. While many more women than men (25% to 1%) supported them in the survey, the majority of responses from both genders did not favor instituting these requirements. Women also were much more supportive of the new SEC rule requiring nominating committees to explain in proxies the role that diversity plays when selecting new directors (62% vs. 43%). Men generally were more skeptical that new board governance regulations would improve diversity on boards. “It is interesting to see in the survey and in our conversations with women directors around the world how the idea of quotas is gaining traction,” says Alison Winter, co-founder and co-chair of WCD, “especially given what is happening in Europe, where various

countries are moving toward new regulations that require anywhere from a 20% to a 40% female quota in the boardroom. This alone raises the consciousness of nominating committees around the subject of diversity when considering new board candidates.”

#### Opinion of board performance and effectiveness in key areas

A significant number of both men and women directors felt that their boards were not highly effective in either succession planning or advancing diversity. Only 59% of women respondents and 61% of men rated their own board’s succession planning process as “good” or “excellent,” and only 51% and 53%, respectively, cited their board’s advancement of diversity on the board and throughout the company as “good” or “excellent.” However, women directors were somewhat more critical than men of their boards’ performance and effectiveness in ensuring appropriate and competitive compensation practices (only 71% viewed their company as “good/excellent” in this area versus 81% of men) and performance assessment processes (59% of women agree that the process is effective vs. 67% of men).

About equal numbers of women and men respondents reported that they had actively sought their first board seats, but, despite the intense public focus on and support for increased boardroom diversity, it still took women a year longer to achieve their seats – 2.4 years vs. 1.4 years<sup>1</sup>. Women see their positions enhanced more by board service than men do (31% cited that they serve on boards “for the prestige conferred by sitting on this particular board” vs. 18% of men, while 81% say that “serving on this board has enhanced my professional reputation” vs. 68% of men). Also, more women directors than men have advanced degrees (87% vs. 74%).

1 All the male directors surveyed were Heidrick & Struggles board placements over the past five years. This 2.4 years vs. 1.4 years statistic reflects the average of what respondents reported as the amount of time that it took them to achieve their first board service, which may or may not have been affected by the involvement of an executive search firm.

#### Path to board service

## Member's Corner



Walid Shukri, Certified Public Accountant (CPA)

### A Decade of Reform

For the past decade the government of Saudi Arabia is the main driver for economic reform and liberalization and is grasping the chances offered by surplus oil revenues to provide economic opportunities and to direct the country away from the existing oil-based economy. To that end, private sector participation in all sectors is key. Saudi Arabia being a member of the G-20 and the recent economic reforms has helped it weather the global financial crisis.

In recent years, authorities have taken measures to improve the country's financial climate by removing obstacles facing private investors and fast-tracking the process of granting foreign investment licenses. The Saudi Arabian General Investment Authority (SAGIA) has been established to help the Kingdom become more investor-friendly. The list of activities excluding foreign investment continues to shrink. In addition, new tax and labor laws have been introduced. Saudi Arabia is also a signatory to the World Trade Organization (WTO) and has signed a number of bilateral trade agreements. The government is streamlining judicial procedures to resolve trade disputes and to strengthen guarantees for investors. Moreover, foreign companies can now apply for attractive

loan facilities from the Saudi Industrial Development Fund.

The establishment of the Capital Market Authority (CMA) to develop the emerging capital market has encouraged a significant number of companies to list. A strong regulated stock exchange is seen as a stimulus to economic growth. Activity in Initial Public Offerings (IPO) is giving investors a wider range of opportunities.

The CMA continues to address issues inherent in emerging markets such as speculation and insider trading, and to regulate the market in accordance with international best practice, particularly through establishing corporate governance rules.

The financial services sector has been broadened in line with the government's economic reforms, with licenses being issued to foreign-local joint ventures. Additionally, various measures have been taken to regulate the local insurance market and to introduce foreign investment. A total of 31 insurance companies are currently operating in Kingdom.

Regulatory changes have significantly impacted family businesses, which are seeking to develop through acquisitions, partnerships, private placements and IPOs. Improving

performance, corporate governance and organizational realignment are becoming more crucial. The government has stated it will continue to spend significantly on infrastructure development to cope with the growing demand generated by the large projects underway and the growing population in Saudi Arabia. The combination of increased state spending and the ongoing program of economic liberalization and diversification are key.

The Kingdom has established plans for economic cities, designed to create jobs and reduce population density around the major cities. Work began in 2006 on the \$27 billion King Abdullah Economic City, the first the government has launched with a foreign partner, Dubai's Emaar. In addition to these plans the government is contributing large sums for education locally and scholarships overseas which will uplift the quality of the higher education graduates returning that will feed into the universities being built across the Kingdom. Furthermore, railway projects connecting the Kingdom are being constructed for passengers and for the transportation of minerals. This is in addition to the housing projects being constructed throughout the Kingdom.

Looking at the non-oil industry, petrochemicals dominate. By 2020, Saudi Arabia is seeking \$65bn of investment in petrochemical and downstream projects alone. SABIC is ranked among the world's leaders in the sector and has massive expansion plans to increase its global market share. Additionally, the private sector has also been increasing its presence. Saudi and foreign investors are teaming up to take advantage of low feedstock costs and integrated infrastructure facilities, such as the industrial cities of Jubail and Yanbu.

Amidst this, the challenge for the government and the private sector is dealing with the changes in the regulatory environment in the context of the current economic boom in Saudi Arabia. This is where accountants, strategists and consultants can help advise both the government and private sector on how to rise to the challenges ahead.



**Sabah Al Moayyed, Managing Director and Board Member, Eskan Bank**

**Sabah Al Moayyed also sits on the boards of Mumtalakat Holding Co., Naseej, Bahrain Bayan School, Al Ebdaa Bank and Southern Area Development Company**

*Interviewed by Khamael Al Safi, GCC Board Directors Institute*

## Interview with a member

### Tell us about yourself.

I have a Bachelor of Science with specialization in Economics & Business Administration from the American University of Beirut and a Masters Degree in Finance & Management of Change from the University of De Paul, Chicago. I have also done advanced courses in Finance & Change Management from Wharton University of Pennsylvania & Darden Business School, University of Virginia College.

I commenced my career in the banking industry with Citibank, Lebanon & Bahrain. I had extensive training in the United States & continued my banking career with other Bahrain-based banks. My area of expertise and experience is in Investment Banking, Wholesale and Retail Banking, Risk Management, and Mergers and Acquisitions. I shifted my career 5 years ago to join one of the largest Mortgage Providers in Bahrain – Eskan Bank, a public sector bank with a large mortgage loans portfolio and an extensive capital base. With regards to my personal life, I have a family of three children and my hobbies are reading, tennis & traveling.

**As the first woman in the Gulf to hold such a senior banking position, and also having been at the top of Al Ahli United Bank, National Bank of Bahrain and Citibank, what would**

**you isolate as the key lessons that you've learnt and the key skills that you have picked up?**

I have learnt that the clock can never stop. I have also learnt that there is never an end to what can be achieved and that continuously striving to do things better always gets you to the desired results in the end.

From my different careers, I have acquired different sets of skills that have been very valuable and have enabled me to progress in my career. My common goal has always been to manage change and to act as an agent of change with new strategies, new business directions and to formulate novel business models supported by the infrastructure, as well as to be business driven to achieve objectives and thereby generate optimum value to the shareholder.

**A key element of a values-driven corporation is contributing to society and a broad range of stakeholders.**

**What in your opinion would encourage a stronger CSR culture within corporations in Bahrain and the GCC in general?**

CSR should be embedded in every organization. Decision makers should take into account the returns to stakeholders and remember that society is a major stakeholder in any

organization. We, at Eskan Bank, have played an instrumental role in paying back to the society through construction of houses at affordable prices and through the construction of retail houses to support small & medium sized businesses.

### On Leadership

**Lubna Olayan, Raja Al Gurg and yourself are three examples of successful women sitting on boards of major GCC establishments and companies. What do you think is the main determining factor for a woman in the GCC to step into the boardroom?**

In my case, my board memberships does not relate directly to family business or any shareholding interest in any of the companies I sit on as a board member. Therefore, you can call me more of an independent board member, with the exception of Eskan Bank where I also hold an executive role.

For a woman to step in as a board member, you need to have a deep understanding of what contribution you can make for the respective institution and work actively in the committee as well as in board meetings to achieve common success for management and shareholders that are represented by the board.

The greatest challenge for any board member is to fully comprehend & recognize the importance of corporate governance code and to make a positive contribution to the company's strategy and results. Any board member should not assume an executive role for the company he/she oversees as a board member.

**Norway is the first country in the world to demand gender balance on company boards with its legal quota of 40 % of women on boards of several types of companies (consequentially state-owned enterprises and the large Public Limited Companies (PLCs)). Finding the required number of qualified women to sit on these boards has been a particular concern and challenge. How do you anticipate women qualified to sit on boards can be found and recognised in the GCC?**

To basically support the development of qualified women to sit on boards in the GCC, I feel that a forum such as the BDI and maybe other specialized forums or working women's groups can be formed to enhance and share knowledge. Even the establishment of an organization to encourage career women to position themselves to sit on boards in the GCC could play a major role.

## On Corporate Governance

**How do you see the role of regulators in the GCC in helping boards uphold stronger corporate governance practice?**

I see an important role for the regulator to establish a framework for good corporate governance practice. However, it is important that shareholders see the benefits from equipping their organizations to observe and comply with the corporate governance regulations established by the Chamber of Commerce and Central Banks.

The regulators oversee the regional & domestic market and the recent crisis provided shareholders with an important lesson that they need to carry with them as they prepare their companies for the future.

## On the GCC Economy

**How do you see the GCC economy evolving over the next two or three years? And what does it mean for your sector and, more specifically, for your company?**

The GCC economy is mainly driven by its dependence on oil as the major source of revenue. Diversification into productive sectors such as the establishment of light industries, incubating small and medium size business and meeting the local

population's growth requirements in terms of housing, education and healthcare represent challenges within the GCC.

For my company, the challenge is the development of the housing sector for low to middle income group (affordable housing units), and the continuous development of medium term funding programs to meet these needs.

I am optimistic that policy makers are paying attention to enhance the welfare of their citizens and institutions like ourselves, should become creative and innovative in identifying more financing programs to support the policy makers' goals for this sector.

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