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Issue 08, 2011



Dr. Abdullah
Al AbdulGader

Founding
Executive Director

Dear Member,

If I would point to a single factor that sets the stage for a company success, this would be without much hesitation the ability of shareholders to form 'The right board'. This has been a long standing belief I hold. A company's greatest asset is its human resources and the board directors stand as the primary constituents of this asset.

As close observers of management literature, we have witnessed supporting evidence for this fact from both academic and professional circles. Academics and consultants have reemphasized the importance of board composition in a board's journey towards effectiveness in different regions and contexts in the world. Here in the Gulf, our first report on board effectiveness, 'Building Better Boards 2009' had shown that GCC directors view board composition and directors' capabilities as the main barrier to board effectiveness. The BDI 2011 survey¹ reiterates the same findings. Interestingly enough, GCC directors have put even more weight on the need for improved board composition in 2011 than in 2009!

We know how difficult it is to have the ideal board composition anywhere in the world, and more so, here in the Gulf for reasons that are not difficult to guess (such as the lack of training and development opportunities for board directors). For this reason, BDI's contribution to board effectiveness in the Gulf does not stop at validating the significance of board composition. BDI has developed and has successfully implemented the Board Effectiveness Initiative (BEI) in five GCC companies; a tool to further help GCC companies in reaching more effective board composition.

In this year's first issue of Al Majlis, we have focused on the importance of developing more effective boards through enhanced composition; as we highlight in our 2011 report, this issue to board directors in the region has gained importance and recognition. We hope you find the two articles; the first where Robert Pozen, Senior Lecturer at Harvard Business School, proposes a new model of corporate governance that could bring about a new culture of governance, rather than another layer of legal procedures. In the second, David Anderson, President of The Anderson Governance Group, provides boards with a comprehensive, practical guide to developing a better board composition. We are keen on hearing your views on how GCC boards can raise the bar in selecting, evaluating, and developing the right board directors so that companies in the region are run by ideal teams (to share your comments with us please click [here](#)).

¹ The BDI 2011 survey will be published in BDI's biennial publication which will be issued at the end of March 2011. BDI members will systematically receive a copy.

In the news!

WELCOME TO OUR NEW MEMBERS

H.E. Mr. Salah Al Awaji, Chairman and Deputy Minister for Electricity, Ministry of Electricity and Water – KSA

Mr. Hussein Al Awami, Vice President, NCB

Dr. Badr Al Badr, Managing Director, Smart and Connected Communities, Cisco

Mr. Abdulaziz Al Harbi, President, Ma'aden Phosphate Company

Mr. Abdulaziz Al Khamis, General Manager, Financial Investments and Pension Funds, Saudi Arabian Investment Bank (SAIB)

Mr. Mishari Ibrahim Al Mishari,

Board Member, Saudi Arabian Investment Bank (SAIB)

Mr. Nasser Al Qawas, Vice President and General Secretary, NCB

Mr. Ahmed Al Shaikh, President, Jubail United Petrochemical Co.

Mr. Gasem Al Shaikh, CEO, Petroleum, Chemicals and Mining Company Ltd (PCMC)

Mr. Robert C. Bush, Founder and CEO, Majlis Partners

Mr. Badr Fayez, Director, Zuhair Fayez Partnership

Mr. Mohammed Fayez, Director,

Zuhair Fayez Partnership

Mr. Salah Galadari, Director, Group Business Planning and Performance Management, Emirates National Oil Company (ENOC)

Mr. James Gunderson, Chairman, National Association of Corporate Directors – NY Chapter

Dr. Adel Hashim, Director, Ma'aden Gold Company and Director, Projects Planning and Control Department, Ma'aden Phosphate Company

Dr. Mohamed Mahmoud, Senior Vice President, Organisational Development, Savola Group

GCC BOARDS IN ACTION

Engr. Khalid Al Mudaifer assumes new role as President and CEO of Ma'aden Riyadh, Saudi Arabia: 1st January 2011

Dr. Abdullah Al Dabbagh, BDI member and board member of Ma'aden, retired as the President and CEO of Ma'aden, a post he served for thirteen years. Engr. Khalid Al Mudaifer, another BDI member, has been appointed by Engr. Abdallah Said Al Saif, Chairman of Ma'aden, as the President and CEO, following his position as Vice President for Phosphate and New Business Development. In his thirteen years as President and CEO, Dr. Al Dabbagh led a professional executive team in developing Ma'aden in its expansion and transformation. As a member of Ma'aden board of directors, Dr. Dabbagh will continue to participate in Ma'aden's growth and prosperity.

With his expertise and knowledge, Engr. Al Saif is certain that Engr. Al Mudaifer will build on the foundations Dr. Al Dabbagh has laid to continue Ma'aden's accelerating growth and development. In addition to his role at Ma'aden, Engr. Al Mudaifer holds a position on the boards of Saudi Railway Company, Qassim Cement Company, Ma'aden Phosphate Company, Ma'aden Infrastructure Company and Gulf International Bank.





Recent BDI events



Workshop session.

Building Better Boards: A Workshop for Institutional Investors

22-23 March 2011

Riyadh, Saudi Arabia

Together with the Capital Market Authority (CMA) of Saudi Arabia and the Organisation for Economic Co-operation and Development (OECD), BDI conducted its first workshop for institutional investors. The workshop focused on effective directorship for institutional investors. This came in time with GCC economies coping with the aftermath of the financial crisis and institutional investors having a great responsibility in ensuring the companies they invest in are operating by the highest standards of governance. The workshop took place in CMA's premises in Riyadh and was delivered by faculty

from Heidrick and Struggles, the CMA, OECD, BDI and the UK Financial Reporting Council. Mr. Abdulrahman Al Rashid, Vice Chairman of CMA, addressed the participants in the opening ceremony of the workshop.

Group picture of organisers and faculty from BDI, CMA and OECD.



Group picture of faculty, participants and BDI team at Senior Director I Workshop in Jeddah, KSA



Senior Director Workshop
21-23 February 2011

Jeddah, Saudi Arabia

BDI's first workshop this year took place at The Park Hyatt in Jeddah, Saudi Arabia. The workshop was attended by 15 senior directors who sit on boards representing a wide range of industries across the region, leading to a total of 160 GCC-based directors having graduated the BDI Senior Director Workshop. Besides the board-focused professional sessions, participants joined in a number of networking events, including a networking dinner sponsored by Ma'aden, Saudi Arabia's mining company.

One of the highlights of the workshop was the keynote speech given by Dr. Abdullah Dabbagh, Chairman of Ma'aden, on the opening night. In

his speech, Dr. Dabbagh shared his knowledge and experiences at Ma'aden through his presentation on corporate governance to subsidiary governance where he examined the evolution of governance at Ma'aden over the past decade.

The second night of the workshop saw the 5th BDI alumni dinner that gave BDI alumni, participants, faculty and key business leaders to share experiences, share solutions and pragmatic knowledge.

This was the ninth in a series of workshops conducted by the BDI and the first held in Jeddah. On sponsoring the workshop's networking dinner, Dr. Abdullah Dabbagh said: "The GCC Board Directors Institute and leading companies of the region have taken the initiative to promote board effectiveness through workshops and other programs. Ma'aden is pleased to support increased awareness of effective governance in the regio



1. During BDI lunch on the workshop's first day.
2. Workshop in session.

The First Saudi Finance Professionals Forum, 2 March 2011

Dammam, Saudi Arabia

The First Saudi Finance Professionals Forum, sponsored by Saudi Aramco and held at Saudi Aramco's building in Dammam, Saudi Arabia, had Dr. Abdullah AlAbdulGader, BDI's Founding Executive Director, speak at the session on 'Finance Skills for the New Decade'. With the increasing importance of financial professionalism in corporate governance being emphasised after the crisis, Dr. Abdullah discussed the unique opportunity finance professionals today have in contributing to board effectiveness. He elaborated on this by talking about the value finance professionals add to a board's effectiveness. He also went on to discuss how finance professionals can be built to ensure that their board responsibilities are fulfilled.



5th GCC Regulators Summit, 16 February 2011

Abu Dhabi, UAE

The BDI's Founding Executive Director, Dr. Abdullah Al AbdulGader was one of the keynote speakers at the 5th GCC Regulators Summit in Abu Dhabi, on the 16th of February 2011, hosted by Thomson Reuters. As part of the panel entitled 'Board effectiveness – The need for development', Dr. Abdullah shed light on the improvements made on boards in the GCC in the past two years, as identified in BDI's 2011 survey on board effectiveness in the region. He also covered the main targets for improvement that emerged from the survey and listed his recommendations for moving forward.

“Having seen these barriers that need to be overcome, BDI will be addressing these barriers more specifically in our Senior Director I workshops”, he added. “Moreover, we are currently developing a Senior Director II workshop that will be tailored to cover specific challenges identified more elaborately. We have already started including these challenges, particularly those related to board composition and directors' capabilities in our quarterly thought leadership newsletter.”

2011 Calendar

EVENTS

- ICGN Mid-Year Conference
28 February – 2 March 2011
Kuala Lumpur, Malaysia
- Senior Director Workshop
21 – 23 February 2011
Jeddah, Saudi Arabia
- BDI Alumni Dinner
22 February 2011
Jeddah, Saudi Arabia
Sponsored by Ma'aden
- Middle East Alternative
Investments Summit 2011
22 – 24 March 2011
Dubai, UAE
- Corporate Governance in
Family Owned Businesses
Forum
10 May 2011
Dammam, Saudi Arabia

Corporate Governance in Family-Owned Businesses Forum, 10 May 2011

Dammam, Saudi Arabia

Organised by BDI in partnership with the Eastern Province Chamber of Commerce (EPCC), this forum will highlight the need for stronger corporate governance, board effectiveness and legal practices in family owned companies. Inaugurated by H.E. Dr. Abdulrahman Al Tuwaijri, the event will include the following speakers:

Dr. Zuheir Fayez, Zuheir Fayez Partnership

Kito De Boer, McKinsey & Company Middle East

Mohammed Al Shaya, M.H. Al Shaya Co. W.L.L.

Abdullah Al Majdouie, Al Majdouie Group

Amin Nasser, PricewaterhouseCoopers

Dr. Abdullah Al AbdulGader, GCC Board Directors Institute

Ahmed Al Shaikh, Capital Market Authority, Saudi Arabia

Sheikh Abdulaziz Al Gasim, Allen & Overy

Dr. Johannes Bruski, Allen & Overy

For more information or registration, please contact Alexia Williams by email Alexia.Williams@gccbdi.org or call +971 4 409 6523.

- Senior Director Workshop
6 – 8 June 2011
Riyadh, Saudi Arabia
Hosted by SABIC
- BDI Alumni Dinner
7 June 2011
Riyadh, Saudi Arabia
- Senior Director Workshop
28 – 30 November 2011
Ras Tanura, Saudi Arabia
Hosted by Saudi Aramco
- BDI Alumni Dinner
29 November 2011
Ras Tanura, Saudi Arabia

Senior Director Workshop, 6 – 8 June 2011

Riyadh, Saudi Arabia

The next Senior Director Workshop will be on 6th to the 8th of June, 2011 in Riyadh and will be hosted by SABIC. The second day of the workshop will see the BDI Alumni Dinner where BDI members and alumni are welcome to attend.

To reserve your seat in this workshop, please contact Alexia Williams at Alexia.Williams@gccbdi.org



Robert C. Pozen is Chairman Emeritus of MFS Investment Management and Senior Lecturer at Harvard Business School.

The case for professional boards of public companies

In 2002, Congress passed the Sarbanes Oxley (SOX) to prevent a repetition of the corporate governance debacles at Enron and WorldCom. All boards of public companies as well as their important committees would be comprised mainly of independent directors. A public company's executives would conduct a yearly assessment of internal controls, subject to a special report by its external auditors.

Six years later, many of the largest financial institutions in the U.S. had to be rescued by massive injections of federal assistance. Yet all these institutions were SOX compliant. Most members of their boards as well as all members of their important committees were independent. They all had evaluated their internal controls and the reports of their auditors showed no material weaknesses in 2007.

So why were the SOX reforms so ineffective? This article will identify the main deficiencies of current corporate boards – too many directors and too few experts with too much emphasis on procedures. Then this article will present a new model for boards of complex global companies – a small group of professional directors with enough relevant experience and sufficient time to hold management accountable.

Professional Boards of Directors

Smaller Size

The average board size for companies in the S&P 500 was almost 11 in 2009, typically with over 80 percent independents. In most groups of 10 or more, individual members engage in what psychologists call “social loafing”: instead of taking personal responsibility for the group's actions, they rely on others to take the lead. A large group is particularly dysfunctional in the context of a board of directors since these generally operate by consensus.

Psychology research on group dynamics suggests that groups of six or seven are the most effective at decision-making. Groups of this size are small enough for all members to take personal responsibility for the group's actions; they also usually reach a consensus quickly. Moreover, a group of six outside directors will allow a board to achieve an appropriate composition for the main committees – audit, compensation and nominating. Three directors can be chairs of the committees, and the other three directors can each serve on two committees.

Greater Expertise

The Citigroup board was filled with luminaries from many walks of life. Yet

only one of the independent directors had ever worked for a financial services firm, and that person was concurrently the CEO of a large entertainment firm. Of course, every board needs a generalist to provide a broad perspective on the company's strategy, and also an accounting expert to head the audit committee. The rest, however, should be experts in the company's main line of business.

Most directors of large companies struggle to properly understand the business of their companies. Many of these companies are engaged in complex operations that are difficult to comprehend without considerable expertise in the field – and many do business in multiple countries, each with its unique political and economic environment.

For instance, a long-time director of a technology company was asked to become the temporary CEO. After three months in that role, he told me: "I thought I knew a lot about the company, but boy was I wrong. The knowledge and information gaps are so huge between the outside directors and the senior executives."

Increased Time Commitment

Most boards meet in person every other month for one day, plus conference calls

in between those meetings. But that is not enough time to keep abreast of the global operations of a large company.

An effective outside director should spend at least two days per month on company business in addition to attending six full-day board meetings per year. For example, the outside director heading an audit committee at a large Canadian company started to visit its offices a few days a month. He soon knew a lot about the company's financial issues and made sure they all came before the audit committee.

More time spent on one company will mean less time available to spend on other boards. Specifically, independent directors, who are now allowed to serve on four or five boards, should be restricted to serving on just two boards of public companies. They should not be prevented by this restriction from serving on nonprofit boards.

In all three respects, the proposed model would represent a significant departure from current board practice under SOX, so it is likely to be criticized on several grounds.

Professional directors will clearly be independent of company management. If directors are independent, state courts will defer heavily to their business judgment about what is best for the company.

Objections and Responses

Professional Directors Are Hard to Find

Finding independent directors with relevant professional expertise is not easy since the people most qualified will be working for the company's competitors. They obviously could not serve as professional directors due to conflicts of interest and potential antitrust concerns. Moreover, given a full-time job, they could not commit enough time to being a professional director.

As a result, most independent directors will have to be retired company executives (but not former executives of the company in question). Many executives retire around age 60 in good health and want to continue to work, preferably on a part-time basis. And as people live longer, more will be actively looking for second careers.

Recruiting professional directors from the ranks of retired executives should go along with an end to mandatory retirement at ages 70 or 72. Mandatory retirement is simply a device used by boards to avoid the difficult process of evaluating directors on an individual basis. However, some directors do a great job at 75 and others sleep through meetings at 65.

Professional Directors Will Be Too Expensive

The average compensation of directors in S&P 500 companies is currently \$213,000 per year. But professional directors would be working a lot harder than the average director today – putting in roughly twice the hours. It is reasonable, therefore, to accord professional directors a total compensation of approximately \$400,000 per year. Expensive as it sounds, this increase would not affect the company's total board outlays by much, since there would be six independent directors to pay as opposed to the current average of ten or eleven.

The more challenging question is: what should be the composition of that \$400,000? On average, directors of S&P companies receive 58 percent of their compensation in some form of stock and the remainder in cash or benefits. But I believe that professional directors should be paid more in shares or options, rather than cash, to better align their interests with those of long-term shareholders, and would therefore increase the stock-based proportion to 75 percent.

To reinforce a long-term perspective, I would subject any grants of restricted shares or stock options to two

conditions. First, they would vest in equal parts over four years. Second, at least half of the shares acquired by professional directors through these grants would have to be held until their retirement from the board.

Professional Directors Will Have Greater Legal Exposure

Since professional independent directors will be quite active in supervising the business of the company, will they become subject to increased legal liabilities? For example, if the head of the audit committee becomes very knowledgeable about the company's financial issues, will he or she be personally liable under the federal securities laws if the company's financial statements contain material misrepresentations? The answer is no, unless it can be proved that the audit committee head knew of these misrepresentations or recklessly disregarded them.

Professional directors will clearly be independent of company management. If directors are independent, state courts will defer heavily to their business judgment about what is best for the company.

In general, the courts will override the business judgment of the independent directors only if they did not act "in

good faith." This involves directors carefully considering all the factual and legal issues, obtaining advice from independent experts if needed, and deliberating as a board for sufficient time to make a reasoned decision. Because professional directors will spend more time on due diligence than today's norm, they will be in a particularly strong position to show they acted "in good faith."

The New Board Will Get Too Involved in Operations

Probably the most serious objection to the proposed model is that it might blur the distinction between the roles of the board and management. A board of directors has specific duties such as selecting the CEO. A board also has more general duties in areas like setting strategic goals, but it is not supposed to get involved in the day-to-day management of the company.

Although the new model will entail a reallocation of power and knowledge from senior executives to professional directors, it does not force the latter to cross the line into day-to-day operations. Consider the role of the compensation committee under the new model. At board meetings, the directors would set the CEO's compensation and review the compensation plans applicable to senior

Although some of these procedures may be reasonable, they do not address the key challenges in improving corporate boards – how to recruit very intelligent people with deep industry expertise, who are willing to commit a lot of time to board service.

officers. They would also approve a report explaining the rationale of the company's compensation plans for inclusion in the annual proxy statement.

Between board meetings, professional directors would talk with managers and human resources officers to get a better grasp of employee reactions to the company's compensation policies. In these sessions, however, the professional directors would not get involved in the evaluation of the performance or pay of any individual employee or specific group of employees; these subjects would be strictly out of bounds. Instead, these sessions would be aimed at putting the professional directors in a better position to help design and assess the compensation plans of the company.

Implementation

Even if these concerns are satisfied, it will take extraordinary efforts to persuade a company to adopt the new board model. There are at least three different ways to put the professional board model into practice. First, bank regulators could use their safety and soundness authority to force some banks to elect professional directors. In fact, the regulators have already leaned

on Citigroup and other large banks to replace generalist directors with retired banking executives.

Second, activist shareholders might join together to pressure a poorly performing company into adopting the new model. They could even nominate one or two directors who support this model.

Finally, a few brave and confident CEOs of sound companies might be willing to try out the new model. This has happened previously – for example, on adopting majority voting.

Conclusion

In short, SOX and other corporate governance statutes have been largely drafted by lawyers who tried to solve the perceived problems by creating more detailed procedures for boards to follow. Although some of these procedures may be reasonable, they do not address the key challenges in improving corporate boards – how to recruit very intelligent people with deep industry expertise, who are willing to commit a lot of time to board service. We do not need another layer of legalistic procedures. Instead, we need a different board model where directors view their role as their primary occupation and not a sideshow in their otherwise busy lives.



David Anderson is the President of The Anderson Governance Group (www.taggra.com). He can be reached (416) 815-1212 and david.anderson@taggra.com.

Building a better board: choosing directorship by design

Directors alone are powerless, strictly speaking. It is as a collective – a board of directors – that they make binding decisions, acting as a single entity. How this entity behaves thus determines the quality of governance an organization experiences.

Although directors lack individual authority, individual directors can exert considerable influence on board outcomes. In a small group, each director's vote counts, but more importantly, a single director's influence on the group's dynamic can be profound. Collectively, the example set by the directors through their words, actions and decisions determines the range of possibilities for the organization.

The power of governance to affect organizational performance becomes clearer when one considers the board's role in determining the organization's footing in three key areas of strategy: capital (e.g., setting the risk profile), people (e.g., selecting the CEO) and products (e.g., deciding what business the organization is in).

As boards have grown more powerful and taken on a greater prominence in organizational life, directors, CEOs, investors and other stakeholders are taking note of the implications of board composition. Having focused strongly

on board structure and process (what I refer to as elements of institutional architecture) to improve governance, attention is shifting to the very people who animate the institution of the board – the directors themselves – and the psychological architecture they create.

With so much emphasis these days on regulatory reforms, it is too easy to forget that governance is a human exercise. Certainly, factors such as structure and process have an impact on how a board functions. Because of their nature, structure and process are most easily observed, reported, evaluated and regulated. They are not, perhaps fortunately, the most important determinants of board effectiveness. It is the people who bring life to the institution of the board and who thus have the greatest impact. It is the people around the table who create choices, make decisions and enact their values.

Leadership takes on a very special form in the realm of governance. The effect of poor structure and process can be mitigated by having the right people in place, just as good structure and process means little in the hands of the wrong people. The quality of governance outcomes is very much in the hands of directors. The impact of directors on the psychological architecture of the board and the consequences for

The highest levels of confidence emerge from CEOs of the largest firms (over \$10 billion a year)... these CEOs also acted more dramatically during the crisis and appear to be more actively positioning their portfolios for growth

organizational performance gives pause for thought.

With so much at stake, what can boards do to ensure that directors – individually and collectively – are most able and best prepared to add value to their organizations?

Board Composition Management

Increasingly, boards of directors are making deliberate efforts to shape their board composition to meet the evolving needs of the organization. These efforts are motivated by three things:

1. An appreciation of the power of the board;
2. Directors' desire to transform their boards into strategic assets for their organizations; and
3. A willingness to apply the rigour of human capital management to the board.

Attracting, acquiring, orienting, evaluating, training, developing and retiring directors from a board requires careful attention both to the lifecycle of a director and the board dynamic itself.

Importantly, directors are developing a discipline in these inter-related areas, acknowledging the necessity of boards to be responsive to the dynamics of the

organization's needs. By implication, the composition of the board should become more fluid, being tended with greater care and precision. I call this emerging, holistic discipline "board composition management".

Board composition management is used to greatest effect by boards that are keen to enhance their contribution, that have a tolerance for director turnover or that face stakeholder demands to raise their game. Such boards view themselves as both an opportunity to be realized and a risk to be managed.

The range of questions addressed by board composition management include: What role ought the board to play in providing strategic value vis-à-vis the management team? What aggregate characteristics of the board are required? What individual characteristics are required of directors? Which of these are priorities and what are the trade-offs? How frequently is it necessary to review the parameters of board composition management? How often should fine-tuning occur at the level of individual directors to balance the board's composition?

To make this concept a reality, a board must create a strategy for board composition management, the goal of which is to add unique governance

value to the organization. The criterion against which directors undertake to build a better board is the typically the “strategic asset” board¹ – that board which is best equipped to deliver its governance value potential.

It is helpful to articulate precisely what the board is there to do in the context of the three things that make an organization unique:

1. Its purpose and goals;
2. Its strategies in the face of opportunities and challenges; and
3. Its leadership strength – the competency profile and relevant attributes of the management team.

The discipline of board composition management provides a framework in which the needs of the organization can be translated into board characteristics and further resolved into director attributes. These data – specific to each board – may be used to guide action in four key areas necessary to build a better board:

1. Director recruitment / Selection;
2. Board evaluation / Director feedback;
3. Director education / Development; and

4. Director succession / Retirement.

Many boards have components of a board composition management strategy in place, such as a director nomination process, director orientation and director evaluation. The full power of board composition management comes from integrating organizational context with board dynamics and organizational outcomes (see diagram: Board Composition Management).

Challenges to Board Composition Management

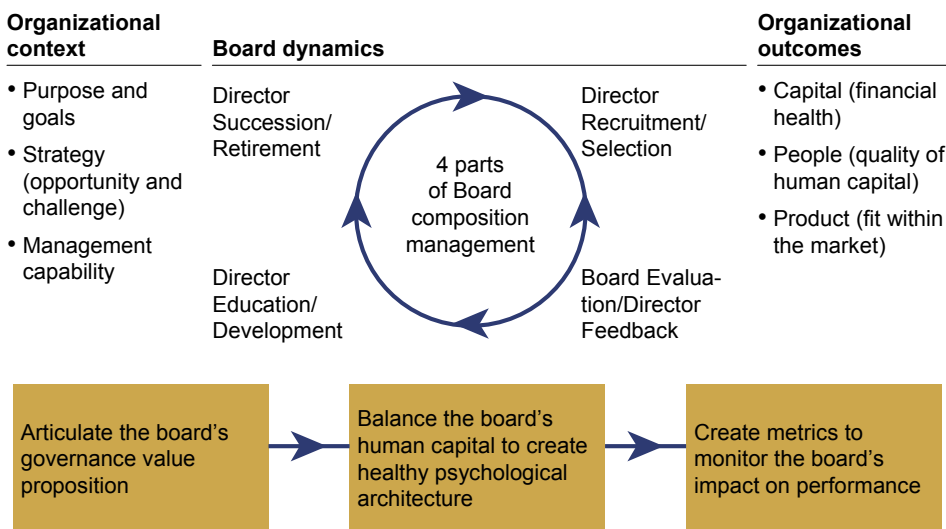
While the rationale and method for sharpening the capability of the board are clear, significant challenges to holistic board composition management remain.

Effective implementation of this approach requires a shift in the mindset of directors – or at least a clarifying of expectations – in which directors see themselves as stewards of the organization, serving only for a time and in accord with the needs of the organization and in complement to the aggregate capabilities and chemistry of the board and management team.

Further, directors are not employees. They are not subject to the same powerful tools available to management in selection (e.g., tailored compensation), development (e.g., performance

Middle East CEOs were less concerned than their global counterparts about over-regulation and were more likely to view government intervention as positive

Board composition management



for in directors, the most important thing is to have a sincere commitment to delivering on the governance imperative – to bring independent perspective and informed insight to bear in anticipating and responding to the highest-order leadership challenges of the organization, exercising duty of care and loyalty in making decisions and acting in the best interest of the organization (not any particular stakeholder or shareholder). While a board ought to take a long-term, holistic view of its composition, anticipating as best it can the challenges and opportunities that lay ahead and translating those into human characteristics and attributes for the purpose of selection, feedback, development and succession, the most important thing a board needs is a set of directors who believe it is their right and their responsibility to govern wisely, exercising individual influence and collective power for a greater good.

management) or career transition (e.g., being terminated). The time horizons are longer and the methods much more subtle.

Making matters more complex, directors are elected to the board by shareholders or members of a corporation. It is not as straightforward as hiring a management team; shareholders have relatively limited knowledge of director candidates and scarce capability to determine how directors actually perform on boards. A disciplined approach to board composition management, well communicated, can make it easier by giving clear assurance to shareholders that the nominees are well considered with the big picture in mind.

While there are many attributes I look

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Mosaed Al Ohali, Chairman, Sadaf, Executive Vice President, Manufacturing, Sabic

The growing importance of corporate governance

Corporate governance is relevant to the Gulf region as one of the critical factors that ensures efficient running of the economies of the GCC countries. It provides for a comprehensive linkage of different areas of the corporate functionalities ranging from human resources and talent management to commercial aspects, to growth and last but not the least, corporate social responsibilities. This linkage is required so the total corporate functions are aligned at all levels tactically and strategically. Efficient corporate governance structure and practices are pre-requisites to achieving the expectations of all relevant stakeholders.

Recent turmoil in the global economies has intensified the realization of the importance of corporate governance to the global and regional economic performance. Globally, we have seen how poor corporate governance in the financial sector resulted in far reaching economic disasters worldwide. The economies of the GCC countries are growing not only in their sizes, but also in their maturity in terms of soft infrastructures consisting of roles and regulations, governances, policies, advocacy trends, etc. As the region grows, corporate boards face crucial challenges to lead the growth in a sustainable manner. Transparent and efficient corporate governance is required to achieve healthy linkage

of the region economies to the rest of the world such that the region's many strengths are harnessed and utilized for the creation of wealth and well being for the regional communities.

Corporate governance is not a concern to corporations only. Corporate governance is a playing field where many players are active, each with specific role and responsibilities. All the team members have to play together to get the ball into the goal. Regulators, public, corporates, policy and decision makers, relevant associations each has its specific role and responsibilities to create successful governance that the GCC region needs. Our GCC region does not have a long history of healthy integration into the world economies. When it comes to corporate governance, we see huge talent but also see the challenging learning curve ahead of the corporate executives in the region. Learning is not only at the individual level whereby executives year after year fine tune the way they govern their corporations, but also at the country and region level where corporate culture and traditions are emerging. We need forums like GCC BDI to help the region make the learning curve steep and that the learnings are healthy and sustainable.



Salah Galadari, Director of Group Business Planning and Performance Management, ENOC

Interviewed by Khamael Al Safi,
GCC Board Directors Institute

Interview with a member

Tell us about yourself.

I was born in Dubai and did my graduate studies in the US where I majored in Finance and General Business. I did an internship at the European & Economic Community (EEC) headquarters in Brussels, Belgium to study the EEC structure and Sessions on the International Business Law in UK.

I am glad that I commenced my career as a Corporate Accounts Manager with ANZ Grindlays Bank. Thereafter, I moved to the oil industry and worked in different capacities in Shell Oil and Enoc in the Middle East. During my career within the oil industry, I have managed key businesses with high turnover. Currently I am working as Director at Enoc, responsible for the Group Business Planning and Performance Management.

With regards to my personal life, I am married and have two kids. My hobbies include reading, golf, tennis, rugby, polo, soccer and spending time with my family.

You are now the Director for the Group's Business Planning and Performance Management. You were at ENOC International Sales and have had a long and successful career at Shell Markets ME and ANZ Grindlays Bank. What have you picked up from each of these places?

Learning is a continuous process, every day is a lesson. I acquired a set of skills. Having started my career in the bank, I had the exposure to analyze business performance, review major companies' annual reports and learn from them. At Shell, it was the dynamic leadership skills, ideal behavior of successful leaders, techniques to lead meetings. The leader had to find the way to provide the frontline people with the resources and support they need and empower them to achieve the goals/challenges. As they struggled with the details of this challenge, the leader becomes their coach, teacher, and facilitator.

I also picked up people management skills, tender negotiation skills, a global team player, Having worked with a very professional team of people around the globe holds me in good stead and provides the experience at that level. I have not only learnt their work process but also their culture. I have been business driven to achieve strategic growth targets generating proceeds, optimizing liquidity to improve the overall company's fiscal position and active performance driven culture.

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 UAE and in the GCC in general?

At ENOC, there is very strong commitment towards CSR. The management robustly encourages CSR culture; it is a part of our vision. We have different programmes catering to society as a whole - programs for physically handicapped, hiring summer trainees from colleges, sponsorships, green products/green gas station etc., observing World Water Day, International Day for the Preservation of the Ozone Layer, International Day for Biological Diversity, World Day to combat Desertification, participating in "Earth Hour" and Regional Environment Day. I believe that if all organizations followed this concept in one form or another in the UAE and the GCC, it would encourage, educate and deliver more benefits to the society at large and the stakeholders. I believe the key drivers for CSR are creating a synergy of ethics, social investment, transparency, trust and environmental initiatives. A good active CSR policy would yield returns for the business.

On Leadership

With exposure to many global experiences and cultures during your career, what has been your hardest challenge in innovating and breaking through in the region?

The Middle East being a very sensitive region in terms of competitiveness, we at ENOC still managed to keep up even through difficult times especially in the global economic crisis. There were severe problems with one of our divisions in terms of blending, and we developed the idea of setting up our own plant, which has since been established and went on stream last year and today its operating in full capacity with adequate staff on board.

No doubt about it, we were not immuned to the global crisis effect in our business, therefore we had to come up with innovative ideas and do things differently. In my experience, working in multinational companies and learning from leaders on how to manage during a crisis in the business, I had to encourage team building and gather the team and share information and get innovative ideas from the team on how to go about the business and do things differently in a different perspective. In doing so, we managed to achieve sustainable growth and in fact doubled our profitability. We managed within our approved budgets and maintained our competitive position in the market.

With ENOC's people being its greatest asset when managing their performance, how do you, as the Group's Business Planning and

Performance Management Director, ensure that they are continuously developing and bringing out the best they have at ENOC?

No doubt, people are the greatest assets in any organization and without them we will not be able to achieve our objectives. It is a very challenging area and in my opinion team work is a must and more important: motivation and direction - key aspects to encourage people and empower them to stretch but at the same time be conscious of management support and clear thinking when opportunities presented themselves. However it is a challenge to establish sustainable development, to come alive in the hearts and minds of those who will deliver the promises and this ofcourse is what I am working on - to make sure that developing the performance and managing to be a tool to help our staff to achieve sustainable development.

On Corporate Governance

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

Regulators play a key role in establishing norms for good corporate governance practice. Organisations'

board members ensure strict compliance to the corporate governance practice. The regulators should have a solid base on which to build a corporate governance framework. The Central Bank consistently creates awareness of corporate responsibility and keeps the issue always at the forefront. In my opinion they should meet with principals to discuss amongst other things, the corporate governance practice and have strict licensing and approval requirements and monitoring programmes.

Markets, regulations and the law play a significant role in corporate governance practice.

I think these last three years were quite an experience and in my personal opinion, I am lucky to witness one depression in the region from which we learnt a lot. At the same time, I presume that the GCC regulators have also witnessed the same and made a note of the crisis and the experience and learning from it which has helped them to establish a solid frame work for good corporate governance practice thereby assisting organisations to carry on the company's activities more seriously. But we also believe that there is still a lot of work to be done, but the good thing is that we are on the right course.

On General Economy

The question on everyone's mind is: where does the GCC economy go after the crisis?

I think we are a bit lucky in the GCC region considering that we hold oil reserves, a strong advantage probably over other countries. Also, we have a strong leadership, unique by itself with a vision and that is a driving force for our economy, with the resources at hand. We are confident that the economy will definitely be encouraging and we keep ourselves on the right course and invest more in people in terms of educating them to bring them to the highest level, we will definitely remain or be better in the post crisis.

In my opinion I strongly believe that we will need to invest more in our people. As we know that people are the major assets and a drive to a strong and successful business.

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