



Al Majlis

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Issue 09, 2011



Dr. Abdullah
Al AbdulGader

Founding
Executive Director

Dear Member,

With the recent publication of our second BDI report on board effectiveness, “Embarking on a journey”, there has never been a more opportune time to discuss the progress of boards in our region over the last two years. Where in our previous Al-Majlis issue we looked at possible solutions and recommendations to address the most significant barrier to board effectiveness - board composition - it seems naturally relevant to now explore potential suggestions for overcoming the second most significant barrier identified by board directors in the GCC – director roles and responsibilities. I am neither trying to cast doubts on the importance of these barriers nor argue for different, more pressing topics. In my opinion, the views, experiences and challenges faced by board directors in the GCC are worthy in taking a central position in our thought-leadership newsletter. However, we at BDI are also keen on adopting a true ‘GCC majlis’ theme in our ‘Al Majlis’ issues, giving room to spontaneous discussions of varying topics and not being particularly held back by any specific agenda. Therefore, despite the theme chosen for this issue, I invite your suggestions, thoughts and sharing of experiences, challenges and solutions regardless of the topic or the theme of this issue. Without your active contribution unlimited by boundaries or agendas, Al Majlis can only discuss so many topics. I am confident that the collective views of GCC directors of what hinders board effectiveness is worthy of taking a central position in our discussion. On the other hand, we want Al Majlis to be - in a way - like any typical “GCC majlis”, which is usually less organized and has live and diversified discussions. Please interrupt the on-going discussion in Al Majlis and tell us your views on board effectiveness, your board experience, and other issues. We do appreciate and treasure your feedback to the recent issue of our publication and look forward to more. It is not customary to begin an editorial the way I just did. But isn’t this what we want in order to have lively majlis?

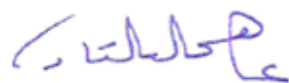
With regards to this issue’s theme, director roles and responsibilities can be viewed as having two aspects, as we have found in the results of our biennial study: one being GCC directors facing increasing ambiguity on what their roles and deliverables are (especially vs. management) and the second is with chairmen playing a more ‘day-to-day’ role on their boards – also indicating a confusion on what chairmen should be specifically doing. To address these two issues, two world-class experts and frequent contributors and collaborators to BDI offer us their pragmatic suggestions and recommendations. In “Making Boards Work: Tips from the Field”, David Beatty

For more tools and resources on defining director roles, [log on](#) to the BDI [tools library](#)

explores how director roles have evolved over time, looks at new challenges that have been imposed by the crisis and how board directors could effectively deliver on their roles through managing their time more efficiently (an aspect that we have also found directors in the GCC to be facing when working to deliver on their board roles).

In the second article, Simon Wong illustrates how determining “Who’s really in charge?” is not an easy task. This article fits in well with the situation faced by chairmen and boards in the GCC: they too often are trying to understand what the chairman needs to be doing and how his/her role is different to that of the CEO. Citing the events at GM and AIG, Professor Wong gives us in-depth insight on the difference in roles between chairmen and CEOs.

For clearer roles and responsibilities, for enhanced board composition, and for more effective boards, BDI remains committed to facilitating the access to relevant knowledge, resources and tools. Let us know your feedback on how you relate to the suggestions enclosed in this issue and help us support you in your journey towards board effectiveness by sending us your comments and suggestions.



Dr. Abdullah AlAbdulGader

In the News!

Welcome to our new members!

- Mr. Abdullah Abdulkarim, Managing Director, Alessa Industrial Co.
- Mr. Musaed Al Abdulkarim, Board member, Al Abdulkarim Holding Co.
- Mr. Abdullah Al Abdulgader, VP, Corporate Support, Ma'aden
- Mr. Imad Al Abdulqader, VP, Business Development, Atheeb Holding Co.
- Mr. Yazeed Al Angari, Business Manager, SABIC
- Mr. Saad Al Baiz, Board member, GO Atheeb Telecom Company
- Mr. Dahi Al-Fadhli, CEO, Sama Educational Co.
- Mr. Najeeb Alissa, Chairman, Abdullatif Alissa Group Holding
- Mr. Fawwaz Al Khodari, CEO, Abdullah M. Al Khodari Sons and Co
- Mr. Homoud Al Kussayer, VP, Head of Regulatory Affairs, Saudi Telecom Company
- Mr. Faisal Al Nassar, Executive Manager, Corporate Affairs, National Industries Group
- Mr. Waleed Al Shalfan, General Manager, Technology Centre, SABIC
- Mr. Yahia Al Shangiti, President, Ma'aden Gold and Base Company
- Dr. Ghassan Al Sulaiman, President, Ghassan Al Sulaiman Development Co.
- Mr. Saud Al Sulaiman, Board member, Ghassan Al Sulaiman Development Co.
- Mr. Waleed Al Sulaiman, Board member, Ghassan Al Sulaiman Development Co.
- Mr. Khalil Al Watban, President, Ma'aden Phosphate Company
- Mr. Mazen Batarjee, Vice President, Jeddah Chamber of Commerce
- Mr. Deon Hubner, Advisor, Saudi Telecom Company
- Dr. Fahad Mushayt, Head of Strategic and ICT Investments, Saudi Telecom Company
- Mr. Naji Skaf, COO, Gulf Cryo
- Mr. James Tanner, Head, Gulf Growth Capital, Investcorp
- Dr. Abdulrahman Yamani, Vice President, Corporate Control

Winner of Oman's Corporate Governance Award appoints new Chairman

Ahli Bank, one of Oman's leading banks and the winner of the Capital Market Authority (Oman)'s Corporate Governance Award for 2010, has elected Mr. Hamdan Ali Al Hinai as its new Chairman.

Mr. Al Hinai is the Director of Contracts and Legal Affairs in the Ministry of Defence and has previously held several board member positions.



Ahli Bank is one of the top 200 publicly-listed companies in the GCC that was included in BDI's recent biennial study on board effectiveness in the Gulf. The bank is a strong advocate in promoting greater transparency and better accountability and recently sponsored a Corporate Governance Conference organised by the Central Bank of Oman which targeted banks and financial leasing companies in Oman.



Mutlaq Al Morished at the opening dinner

Senior Director I Workshop

6th-8th June 2011, Riyadh, Saudi Arabia

BDI's second Senior Director I workshop this year was hosted by SABIC at Al Faisaliah Hotel in Riyadh. The workshop was attended by 25 senior directors who sit on boards representing a wide range of industries across the region. To date, a total of 185 GCC-based directors have graduated the BDI Senior Director I Workshop. Besides the board-focused professional sessions, participants joined in a number of networking events and opportunities.

One of the highlights of the workshop was the keynote speeches given by two distinguished speakers. On the opening night, participants heard from Mr. Mutlaq Al Morished, Executive Vice President, Corporate Finance of SABIC who discussed and examined the progress of board performance in the GCC in the recent years, as well as the issues requiring particular attention for board directors in the region in their way forward towards higher board effectiveness.



Dr. Henry Azzam during the Alumni Dinner

During the 6th BDI Alumni Dinner that was held on the second night of the workshop, Dr. Henry Azzam, Chairman of Deutsche Bank – MENA on the impact of the current regional events on the economies and various organizations of the region. He also shed light upon what this would mean for board directors in the GCC and what duties they hold in terms of ensuring there is a strong corporate governance system. Dr. Azzam was introduced by Mr. Jamal Al Kishi, CEO, Deutsche Bank, Saudi Arabia and a BDI member who emphasised the importance of this event as an opportunity for continuous experience and solution-sharing between BDI members, alumni, faculty and key businessmen.

This was the tenth in a series of workshops conducted by BDI and the second hosted by SABIC. On hosting this workshop, Mr. Al-Morished said: "We at SABIC believe that we have a leadership role to play in implementing best corporate governance practices and promoting them. BDI and the Senior Director I Workshop it conducts, helps raise awareness of the need and benefits of improving board effectiveness in the region. In challenging financial times, the importance of strengthening our corporate governance infrastructure is reinforced and we proud to host this program that would help us in building better boards on both a corporate and country level."

Workshop in session



Group picture of participants and faculty



H.E. Dr. Abdulrahman Al Tuwajiri giving the keynote address

Corporate Governance in Family-Owned Businesses Forum

10th May 2011, Dammam, Saudi Arabia

Under the patronage of H.E. Dr. Abdulrahman Al Tuwajiri, Head of the Capital Market Authority, KSA, the Eastern Province Chamber of Commerce (AlSharqia Chamber) and BDI hosted the Corporate Governance in Family-Owned Businesses Forum where participants heard from panelists including Dr. Johannes Bruski and Sheikh Abdulaziz Al Gasim, Allen & Overy, Kito De Boer, McKinsey & Company and Amin Nasser, PriceWaterhouseCoopers on contemporary issues and solutions relating to corporate governance and board effectiveness in family-owned businesses.

The event also gave attendees the opportunity to hear the views and perspectives of key businessmen and experts in the region, including Dr. Adnan Soufi, SEDCO, Ahmed Al Shaikh, Capital Market Authority (CMA), Dr. Abdullah Al-AbdulGader, BDI and Abdulrahman Al Rashed, Al Sharqia Chamber on building board members' capabilities within family-owned businesses.

In his keynote speech, H.E. Dr. Abdulrahman Al Tuwajiri emphasised the importance of high standards in corporate governance to the region's economy, public and private companies alike and the need for adopting effective governance practices, should the region want to ensure sustainable economic growth.

Kito De Boer, Director, McKinsey & Company and a speaker at the forum stressed on the need for family-owned businesses to strengthen their governance practices to ensure survival: "From our experience, there are two types of family businesses. One being business-driven family businesses and the other being family-driven businesses. The second type, although successful, often find it challenging to survive after the second generation. It is therefore important to have the right balance between 'the family' and 'the business' and ensure that one does not come at the expense of the other."

Sponsored by Saudi Aramco, bmk, Ghassan Holding Group, Al Khodari, Bank Bilad and Electrical Industries, the forum was attended by over 170 Saudi-based businessmen and women from family-owned businesses and was showcased in several media channels including Al Arabiya, Al Sharq Al Awsat and Al Hayat.



During the session on corporate governance legal requirements with Ahmed Al Shaikh, Dr. Johannes Bruski, Dr. Abdullah Al-AbdulGader and Sheikh Abdulaziz AlGasim



Amin Nasser during the session on challenges faced by family-owned businesses



During the session on institutionalizing family-owned businesses with Abdulla Al Zamil, Dr. Adnan Soufi, Kito De Boer and Hussein Fayeze on the panel

Upcoming events

- Corporate Governance in Family Owned Businesses Forum
10th May 2011
Dammam, Saudi Arabia
- Senior Director Workshop
6th – 8th June 2011
Riyadh, Saudi Arabia
Hosted by SABIC
- BDI Alumni Dinner
7th June 2011
Riyadh, Saudi Arabia
- ICGN 2011 Annual Conference
12th – 14th September 2011
Paris, France
- Corporate Governance Breakfast Forum
November 2011
Dubai, UAE
- Senior Director Workshop
28th – 30th November 2011
Ras Tanura, Saudi Arabia
Hosted by Saudi Aramco
- BDI Alumni Dinner
29th November 2011
Ras Tanura, Saudi Arabia

ICGN 2011 Annual Conference

Partnered with BDI, the International Corporate Governance Network (ICGN) Annual Conference will be held at the Pullman Hotel Montparnasse, Paris, France on the 12th to the 14th of September 2011. The conference will bring together leading speakers and delegates from all sides of the corporate governance community including investment, business, the professions and policy-making.

Keynote speakers include:

- HRH The Prince of Wales
- Rt Hon Vince Cable MP, Secretary of State for Business Innovation and Skills
- Olivier Guersent, Head of Cabinet of Michael Barnier, Commissioner Internal Market and Services, European Commission
- Jean-Pierre Jouyet, Chairman, French Financial Markets Authority
- Jeffrey Kindler, former CEO Pfizer
- Robert A.G. Monks, Principal, LENS Governance Advisors, Chairman (retired) G4O, Founder ISS, Lens, The Corporate Library

Speakers include:

- Chris Ailman, Chief Investment Officer, CalSTRS, USA
- Antoine Gosset-Grainville, Deputy CEO, Caisse des Depots
- Professor Mervyn King, Chairman GRI Board of Directors, Senior Counsel and former Judge of the Supreme Court of South Africa
- Roderick Munsters, CEO, Robeco
- Eddy Wymeersch, Designate Chairman of the European Corporate Governance Institute

BDI members benefit from a discounted rate of £900 (£300 discount).

For more information or to register, please contact Tina Chande, ICGN Head of Events, by email tina.chande@icgn.org or call +44 (0) 207 612 7093.



David Beatty, O.B.E., is Conway Director of the Clarkson Centre for Business Ethics & Board Effectiveness and Professor of Strategic Management at the Rotman School.

He is also director of the Institute of Corporate Directors, which in partnership with the Rotman School educates Canadian board members via its Directors Education Program.

He is currently Chair of Inmet Mining and a board member of the Bank of Montreal, FirstService, Walter Energy and The Canada Steamship Line Group. Over his career he has chaired seven publicly traded companies and served on over thirty boards in Canada, the United States and Australia.

Making boards work: tips from the field

Following the great financial crisis that shook the economies of the world, regulators in many nations are now crafting new regulations to try and prevent a second even more devastating catastrophe by improving risk management in the boards of financial institutions. In the United States these reforms are all part of the Dodd-Frank Act. In the United Kingdom, the report of Sir David Walker into the causes of the meltdown has led to an urgent call for boardroom reform.

No such study exists in the Gulf region but the conclusions from the rest of the world do provide some challenging questions about board effectiveness in the region.

The purpose of this article is not to review the causes or longevity of the current situation, nor to put forward policy suggestions but to provide some practical suggestions to help board chairs, directors and senior executives perform more effectively both in terms of managing opportunity (adding value) and in terms of risk management (protecting value).

The article has three sections:

1. The core board tasks: there are three time dimensions to describe the duties of a director

2. The impact of the financial crisis will be on the Board's risk management responsibilities
3. Lessons learned in managing the Board's time.

The editors would welcome comments on member's thoughts and suggestions arising from this article.

[1. The Core Board Tasks: There are Three Time Dimensions to a Directors' Duties](#)

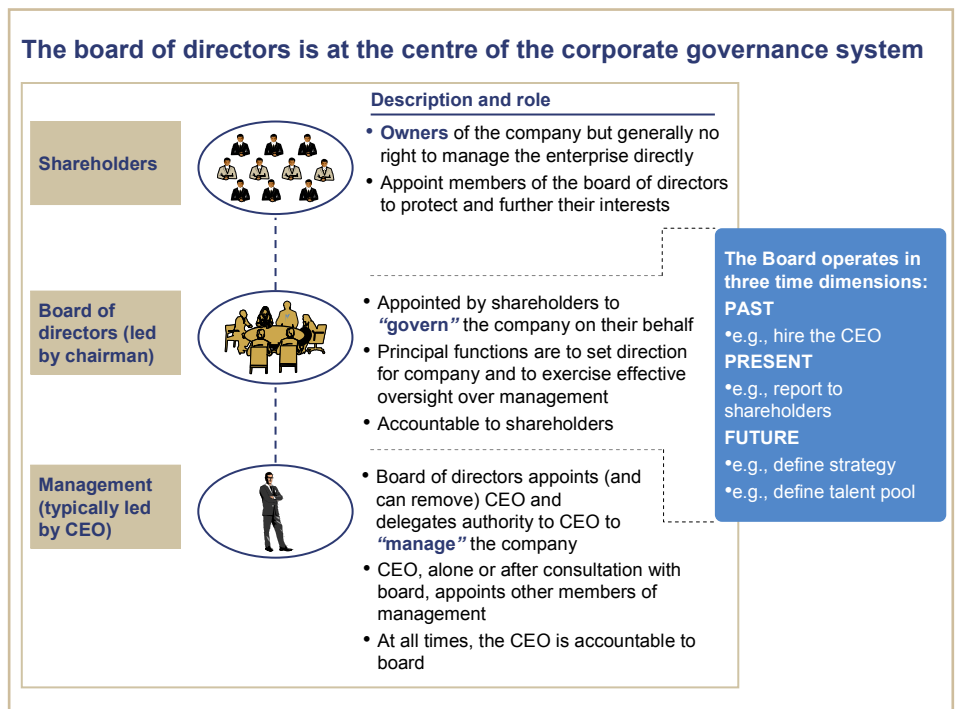
Directors carry out their duties in three distinct time horizons: past; present; and future – also described as their roles in hindsight, oversight and foresight.

The past (hindsight): directors look into the rear view mirror and examine the accounts with the shareholders' auditors and, if all is well, ultimately declare these accounts to be a fair, true and accurate representation of the company's financial position. The accounts are then sent to the shareholders and posted on the Internet for all to see.

Following the American reforms known as Sarbanes-Oxley, Audit Committees in many jurisdictions are now populated by directors experienced in financial matters and chaired by certified financial expert.

By insisting that specific expertise be a requirement for membership on

Now, many boards are also more formally addressing the risks surrounding the business plans and asking management to review with them the appropriate risk mitigation strategies.



the Audit Committee the reformers wished to increase the likelihood that shareholders received statements that did actually reflect the corporate reality.

The present (oversight): directors maintain an oversight of the company by determining whether or not it is meeting targets and milestones as time progresses. As a result, boards typically spend a lot of time reviewing operations with management and discussing issues related to profitability, competition and competencies.

Annually the compensation packages of the senior executive team, and the compensation and training approaches

for the entire company are reviewed and approved.

The future (foresight): directors participate in the evaluation of the strategic direction of their company’s core businesses and possible extensions beyond the core. They not only help determine the answer to the question, “Where are we going?” but, “Who is going to get us there?” -- the talent management agenda.

Now, many boards are also more formally addressing the risks surrounding the business plans and asking management to review with them the appropriate risk mitigation strategies.

2. The Impact of the Financial Crisis will be on the Board's Risk Management Responsibilities

The reforms that relate to the Audit functions of a board introduced after the Enron, Parmalat and HIH scandals of 2002, are generally very sensible. They sought to re-establish an independent linkage between the Auditors and the shareholders and to ensure a higher level of financial literacy in the Audit Committee. However, there were some serious and un-intended side effects that have affected the ability of a board to carry out its tasks related to the present and the future.

The Audit reforms dramatically changed the balance of time directors spent on the past, at the cost of the time they could invest in the present and future.

The current set of reforms relates more to the risk management functions of a board. This will be especially true in the financial services sector, whose boards were not very helpful in most global jurisdictions, from the US to Switzerland – everywhere from Wachovia Bank to Royal Bank of Scotland to UBS.

Just as SOX imposed skill requirements upon directors serving on Audit Committees, a call will be raised for at least one director -- especially in financially-regulated institutions -- to

have had direct line experience with risk management. There may also be a responsibility for the Risk Management Committee to be 'audited' and to report out to shareholders separately from the auditor's report.

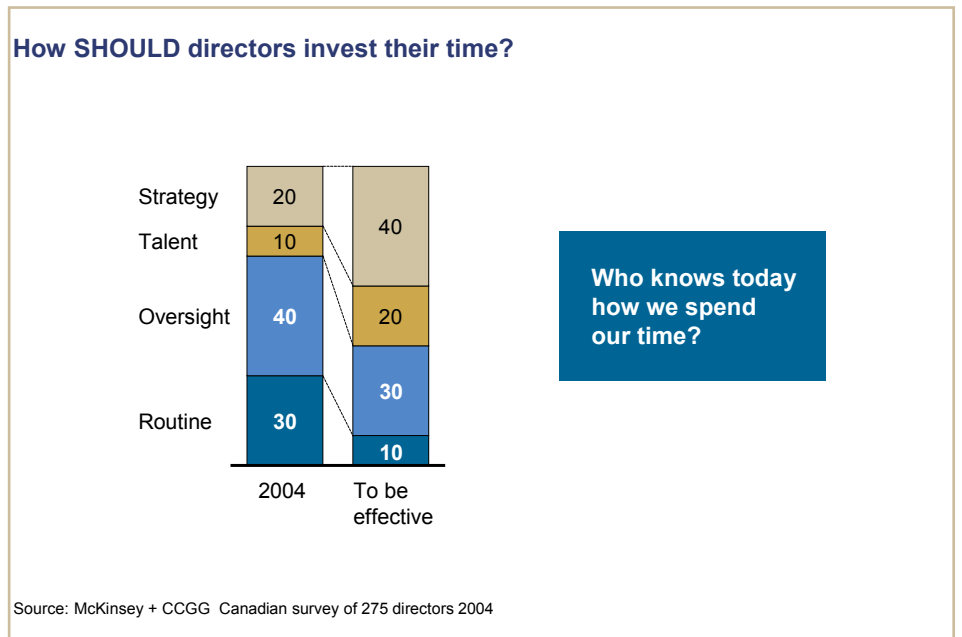
These expected reforms will result in boards spending much more time in the present on their risk oversight roles, and will tend to focus them much more heavily on what is known as Enterprise Risk Management. It will be interesting to see if this renewed focus on risk mitigation will make boards more risk averse and less able to attend to the future-related aspects of their task.

3. Lessons Learned in Managing the Board's Time

Boards have an extremely limited time to carry out their three roles. In most large companies a director might spend 250 hours a year on board work for one company. That would include preparation time: committee time and full board meeting time.

We have seen how SOX distorted the balance towards the past; and now the regulatory requirements arising from the great financial crisis are likely to distort the balance to the present in the enhancement of the risk management function. Will this mean less time on the two vital future tasks: strategy and

Making the most effective use of the directors' invested time is the Board's most fundamental job.



talent?

Boards and chairs must adopt some simple tools to manage this investment to maximize their effectiveness across all three time dimensions of their job.

The first, simplest and most obvious tool is to measure where you now spend your time as a board. Measure your current allocation so you can re-address any imbalances. In a survey done in Canada following the SOX reforms the Canadian Coalition for Good Governance discovered that they were spending twice as much time on the past than they thought they should.

Many boards have instituted reforms in the way they manage their agendas in

order to ensure they achieve a balance between the past, the present and the future that they deem appropriate to their circumstances.

- Creating a “consent” agenda to push routine matters into one agenda item: things like minutes of the board and committees are approved “in bulk”.
- Putting strategy at the top of every agenda: the CEO starts each meeting by bringing the outside directors “back into the company world” by summarizing the changes in the operating; competitive; and/or regulatory environment since the last meeting AND drawing conclusions from that review

- Ensuring board papers are logically structured, easy to assimilate and clearly state the outcome desired: advice/discussion or decision
- Abandoning PowerPoint shows during the board. Assume the directors have read their PowerPoint decks or briefing papers and give managers only 3-5 minutes to introduce their topics and get right into the discussions with directors.

continually assess their performance against best practices.

The truth is, boards cannot prevent catastrophes such as the current finance crisis. Life in the 21st century is far too uncertain for that, and nasty 'black swans' will always be lurking around the corner. As a result, I predict that we'll be back in about five years trying to cope with the next wave of reforms.

Making the most effective use of the directors' invested time is the Board's most fundamental job.

In closing

Just as a re-balancing of directors' role was beginning to take effect after SOX, expected reforms in the areas of risk and compensation will once again challenge director effectiveness by taking time and attention away from focusing on the company's future. Unfortunately, this could prove catastrophic; because the future that is in front of us is nothing like the era we have just departed.

While boards will never be able to predict the future, they can become ever-more effective instruments for helping management devise plausible and actionable strategies if they do three simple things: take charge of their own agendas, manage their time against the three time horizons effectively, and



Simon C.Y. Wong is a partner at London-based investment firm Governance for Owners, adjunct professor of law at Northwestern University School of Law, and an independent adviser.

Who's really in charge? Why non-executive chairmen keep running into trouble

When CEO-chairmen mess up, governance experts sagely note that the problems were both inevitable and foreseeable, grounded in concentration of power and lack of oversight.

But the issue is about more than independence and accountability, and what seems to make sense on paper. It's about people. In most corporate settings, the chairman and CEO roles may require different temperaments and skill sets, and you're dealing with Type A high achievers accustomed to setting direction and getting their way. Just as retaining a combined-leadership model can lead to problems, dividing leadership can tear a company apart—unless it's handled well.

The dramatic boardroom shakeups at American International Group and General Motors highlight the centrality of the human dimension in making the split-leadership model work.

Board-watchers nodded approvingly when AIG and GM, which historically had combined the chairman and CEO positions, adopted split-leadership models in summer 2009. But the new leadership arrangements unraveled within a year. Last July, AIG chairman Harvey Golub resigned after CEO Robert Benmosche—citing an “ineffectual and unsustainable” working

relationship—issued an ultimatum that either he or the chairman must go. Earlier this year, GM chairman Edward Whitacre claimed the CEO title as well, two months after the company ousted CEO Frederick Henderson.

What went wrong? After all, AIG and GM started off promisingly by appointing new individuals to fill the chairman and CEO posts. Experience shows that when the incumbent chairman-CEO continues to occupy a leadership position—whether as the chairman or the CEO—after the roles have been separated, board turmoil usually follows. The former chairman-CEO's continuing presence often creates confusion as to who is truly responsible for managing the company or running the board.

There are several potential explanations why the separation of chairman and CEO roles ran into difficulties at these two firms—and elsewhere.

First, the CEO—at least in AIG's case—may not have known how to work effectively with a non-executive chairman or, due to ambivalence about the split-leadership model, may not have cooperated fully. Although a growing proportion of American companies—including 37 percent of the S&P 500—have divided the two positions, few CEOs possess extensive experience

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reporting to a non-executive chairman. This is because many American firms split the two roles only temporarily to ease a new CEO's transition before awarding the chairman's title a year or two later. Xerox, for instance, promoted Ursula Burns to the CEO role in July 2009 and, ten months later, granted her the chairmanship as well.

There were indications that Benmosche, who was previously chairman and CEO at MetLife, had reservations about the need for a separate chairman. When accepting the CEO post at AIG, he reportedly expressed that "he wanted to be able to run the company his way without much interference." Perhaps emblematic of this attitude, Benmosche waited several weeks before informing chairman Golub of his discussions to sell the company's crown jewel, Asian insurance subsidiary AIA Group, to Prudential.

Second, the wrong individuals—in terms of management styles and personality traits—may have been appointed to the chairman position. To be effective, a chairman must certainly possess intelligence, integrity, and leadership ability. Equally important, though, he or she must not have—and not be perceived to have—ambitions to be CEO. An apparent lack of rivalry helps to foster cooperation, ease the sharing of

information, and allow the chairman to serve as an effective mentor to the CEO.

A willingness to step back and play a behind-the-scenes role, however, does not usually come easily to the high-achieving individuals deemed most suitable to be chairmen. Former Intel chairman Andy Grove, who had previously served as the company's CEO, attested that becoming chairman was one of the most difficult transitions of his life, forcing him to restrain a tendency to "dig into details and dominate decision-making."

GM chairman Whitacre, known for a hard-charging, hands-on approach in his previous role as AT&T chairman and CEO, clashed publicly with Henderson on such matters as the timing of GM's initial public offering and speed of restructuring. With Whitacre's interventionist style on full display, it is perhaps unsurprising that few people with industrial backgrounds expressed interest in succeeding Henderson as CEO, leading the GM board to appoint Whitacre to serve as chief executive as well.

Although Golub had previously served as a non-executive chairman at several companies, he, too, was accused of venturing beyond the bounds of his role, prompting Benmosche to complain that

"there is a leadership confusion at AIG."

Third, the chairman-CEO relationships at both firms were plagued by poor personal chemistry. A former U.K. chairman once observed that "if the chemistry between the chairman and chief executive isn't good, the relationship isn't going to work. And if the relationship does not work, the board and the company are in serious trouble."

At AIG, Benmosche told Golub candidly that "we have a difference in style. I need a partner who I can bounce ideas off and give me advice, and I don't have that kind of relationship with you where we can be casual with our thinking." At GM, Henderson did not appear to share Whitacre's sense of urgency and appetite for radical change to turn around the carmaker.

The difficulties suffered by some American companies stand in contrast to the experience in the United Kingdom, where the split-leadership model is working much more smoothly. In part, this has to do with expectations: Separation of the chairman and CEO roles is the norm in the United Kingdom, and as a result, British CEOs are accustomed to having a non-executive chairman as the boss. Most maintain a healthy respect for the authority of the

chairman and the full board—and try hard to work effectively with them.

Furthermore, experimentation over the past two decades has helped to define the boundaries of the chairman and CEO roles, including areas of overlapping responsibility, overall and at individual firms. While most companies adhere to the principle that the chairman runs the board while the CEO manages the company, variations are observed and accommodated. At a large U.K. business-services provider, for instance, the non-executive chairman spends a considerable amount of time evaluating top executives, although the CEO makes actual personnel decisions. Meanwhile, the chairmen of U.K. financial institutions usually play a significant role in managing relationships with regulators.

As American executives better understand the proper role of a non-executive chairman, frictions between chairmen and their CEOs should subside. Let's hope that companies continue to experiment with the split-leadership model and improve its functioning—in particular, by paying close attention to individual mindset, management style, and human-dynamics issues — rather than conclude it is unworkable.



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

Changing perspectives towards corporate governance

If the current global recession has brought with itself financial pain to many corporations around the world, then it has equally highlighted the need to focus on key managerial aspects which were previously ignored by a lot of leaders around the world. We are well past the era when business decisions were taken impulsively and set policies and procedures were ignored easily without anyone being held accountable. The need to focus on corporate governance has gained tremendous importance in the region after a slew of fraudulent events. This has made investors cautious as availing funds without proper disclosures have become a difficult task now - compared to the pre-recession era. In response to the criticism that the region has gained for ignoring corporate governance, a lot of leaders have now started taking a proactive approach in improving governance standards.

Although, the practice of corporate governance is yet to mature in this part of the world, we are at least moving in the right direction. Recent developments suggest that governments in the GCC are beginning to take corporate governance seriously:

1. In September last year, the UN lent its support to the Pearl Initiative, a private sector led program that aims to improve corporate governance

and accountability across the region.

2. Now listed companies in the United Arab Emirates have been subject to Ministerial Resolution 518, which sets out a number of key governance requirements.
3. Regional Stock Exchanges have also now become more proactive in punishing fraudulent activity and defend rights of investors
4. In January this year, Bahrain's corporate governance code of conduct came into effect, covering public companies with plans to extend the code to cover companies licensed by the Central Bank of Bahrain.

To a great extent, recovery in the Gulf will depend on how each of the country progresses in terms of corporate governance practices. Down the line we might even see the introduction of accounting standards which will promote transparency in the region. However, improved transparency should not be limited to the corporate world but should also highlight the steps that each government in the region needs to take to promote the same.



H.E. Dr. Saleh Al Awaji, Deputy Minister of Electricity and Water, Saudi Arabia

BDI member since February 2011

Interviewed by Khamael Al Safi, GCC Board Directors Institute

Interview with a member

How do you see your beginnings influencing who you are today?

During my childhood, I lived in a rural area where up to high school I was involved in my family's farming business. Today I realize that my work at the farm was a great opportunity where I learnt some of life's most important lessons in terms of real life difficulties and hands-on work: I learnt physical and practical skills from discipline and hard work to time and project management.

I also learnt some of my most valuable lessons when studying for my Masters degree in Electrical Engineering at the National Taiwan University – I learnt about foreign culture and traditions and a lot about cross-cultural communication. These experiences taught me to see how all events and happenings, however simple or complex they may be, enclosing a skill or a lesson to learn and adopt for the future.

From working at the Saudi Standard Organisation to going up the ranks of the Energy Institute in King Abdulaziz City and today being the Deputy Minister of Electricity in Saudi Arabia, what are the key lessons learnt that you would isolate from these experiences during your career path?

From my work in standardization, as a first station in my career, I learnt more about standards, measurements and

calibration, and the importance of that in all aspects of life. I learnt that people and products need to meet a certain minimum level of quality; however, there should be no maximum limit for the better of quality.

We need to continue improving the quality at all level, in our self, in our work, and in our products and services. At that stage I realized how important is the teamwork, and how being part of a team brings about greater productivity. I also identified my weaknesses and began focusing on enhancing my capabilities by further education and practice. When I moved to the power sector, I learnt more how to serve the society. Through my career path, I am coming to a conclusion that taking the right step at the right time is the ideal practice.

On Leadership

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 culture within corporations in the GCC to look beyond their company level and to work towards building a stable economy and society?

Despite the fact that making profit is the major drive for any business, Corporate Social Responsibility (CSR) should be one of the priorities of the

Despite the fact that making profit is the major drive for any business, Corporate Social Responsibility (CSR) should be one of the priorities of the corporation's mission in the region

corporation's mission in the region as this is the practice we see prevalent in most developed countries. This can be achieved in a way benefiting both the corporation and the society, such as creating jobs, providing quality services at affordable prices, offering education and training opportunities for the young generation, participating in the awareness of public about the rational use of resources, to name a few. On the other hand, contributions made by corporations in serving society should be appreciated by governments.

In addition to being the key strategy implementer at Saudi Arabia's electricity sector, the regulation of service sectors remains a strong interest to you. How has this interest affected your leadership and contribution to growth of the energy industry in Saudi Arabia?

Having been a member of the team which worked on reviewing and evaluating the power sector of Saudi Arabia in the mid-nineties, and then coming up with recommendations for restructuring the power industry, I had the chance to learn more about the regulations of the services. After moving to the Ministry of Industry and Electricity I was also involved with the World Bank team, to formulate the mandate of the power regulator in Saudi Arabia, and I also took an intensive program about

regulating utilities for two weeks – all renewing my interest in regulating the service sector. This has made me well aware and more familiar with regulations of the power sector. As regulating practice is relatively new to our services, it is therefore necessary to keep an eye on it so as to reduce the reluctance of the power company to regulations, and at the same time to make sure that the regulator would not move further than what is required to maintain the acceptable level.

With the impact of energy production and consumption being one of your main concerns, what has been your hardest challenge in innovating and breaking through in this regard?

It is really very interesting to be in this position, which is exactly my case. I, in fact find it not easy to keep one eye on the need for energy conservation at the demand side, and the other eye on how to maximize the sales of electrical energy from the supply side so as to make more profit for the power company. However, if this issue will be looked at from the global benefits to the nation, it will be easy to realize the need to maintain the best efficiency at both sides. The challenge is in how one can achieve that without affecting the customer and the company. By putting the power company responsible for the energy efficiency on the supply side,

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and the ministry responsible for the national energy conservation plan and strategy on the demand side, things are smoothly moving in the right direction.

What has been the hardest decision you have had to make for the good of your organization?

Working in the power sector is full of challenges. To be in this position as the deputy minister for electricity, and the chairman of the power company, makes it common to face hard decisions, that one has no choice but to make. One of the hardest decisions I have made was supporting recommendations for resolving the Ministry of Industry and Electricity, where, I was working, and moving the electricity department to the Ministry of Water, to become the Ministry of Water and Electricity, however, I still believe that this decision was to the benefit of the power sector as well as the benefit of the nation.

On Corporate Governance

The GCC Board Directors Institute (BDI)'s 2011 study on the state of board effectiveness in the region has found board composition still to be the most significant barrier to reaching board effectiveness, what are your main recommendations to regional boards in overcoming this barrier?

I believe that a board's composition has a very strong impact to its performance. My recommendation is that, the right people must be nominated as members of the board, and they have to be carefully selected based on their experience, background, qualifications, and personal skills, which are necessary for board duties. With the right composition of the board, it will most likely to an effective one.

On the 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 was developing quite well during the last decade, and is still experiencing a high rate of growth in most GCC countries despite the financial crisis, and will, in my opinion, be the same, if not moving at a higher rate of growth for the next few years. That will add more pressure to the power sector, in particular to the Saudi Electricity Company, for providing electricity services at the quality, quantity and the reliability expected with the consequential increasing demand.

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