



Dear BDI Alumni,

Welcome to your July newsletter. In our excitement, we decided to hold the July issue back a few days so that we could bring you the latest coverage from our exclusive event with Lady Barbara Judge CBE in London this week. She was worth the wait! The formidable business icon and new chairperson of The UK Institute of Directors (IoD) hosted a group of GCC directors for dinner and shared her thoughts on her new role. "I'm the first female director of the IoD, I'm losing count of the number of firsts I've been as a woman," she told a rapt audience. "I'm here to shake things up," she said with a mischievous grin.

She told the GCC BDI delegation that she planned to get more women through the IoD doors (I've already personally signed up 80, she said). She also hopes to lower the average age of members, ditch the formal dress code and connect young and older members for networking and mentorship. You can find out more about her thoughts on business and global corporate governance on page 8.

Earlier in the day, the BDI was delighted to host 'The Effective Director' workshop for GCC delegates on the IoD premises. The highly engaging course drew attendees from Bahrain, Saudi Arabia and the UAE and sparked essential debate on corporate governance in the region.

We asked: What makes a good director? What makes a board perform optimally? And how should a board be structured? The answers were often surprising and uniquely tailored to circumstance. But ultimately it is clear that standards are needed to create and maintain order within any organisation. What's more, standards are required to drive performance, both within the company and the board. This month's newsletter takes a look at two catalysts for optimum board performance: good communication and ongoing board evaluation.

Enjoy the newsletter and the month ahead.

Jane Valls
Executive Director

Inside

Calendar of events	2
Voice of a BDI Member with Michael Morcos, Managing Partner Hedrick & Struggles, MENA	4
'Is your board truly performing or are you just going through the motions?' by Peter Breen	5
'Communication skills: The key to getting the most out of your carefully selected board members' by Dawn Metcalfe	6
Event spotlight: The Effective Director: Adding Value to your Board, London, Aug 1-2	8

Upcoming events

- Breakfast Forum**
7 September, Dubai, UAE
- Foundations of Directorship**
26 - 27 September, Riyadh, KSA
- BDI Alumni Dinner**
27 September, Riyadh, KSA
- Mastering the Boardroom**
28-29 September, Riyadh, KSA
- Breakfast Forum**
3 October, Dubai, UAE
- Chairman Summit**
4 October, Riyadh, KSA
- Breakfast Forum**
10 October, Riyadh, KSA

Featured events

The Effective Director: Adding Value to your Board, London, Aug 1-2
Read more on page 8

GCC BDI BOARD
DIRECTORS
REMUNERATION SURVEY
2016

CALL FOR
PARTICIPATION!

For more information, please send us an email to: getinvolved@gccbdi.org

2016 Calendar Of Events

Our vision is to make a positive impact on the economies and societies of the region by promotion directorship and raising the level of board effectiveness.



Board
Directors
Institute



7 September	Breakfast Forum, Dubai, UAE	19-20 October	Mastering The Boardroom, Muscat, Oman
26-27 September	Foundations of Directorship, Riyadh, KSA	1 November	Joint Venture Directorship – Global Best Practices Workshop, Manama, Bahrain
27 September	BDI Alumni Dinner, Riyadh, KSA	6 November	Breakfast Forum, Abu Dhabi, UAE
28-29 September	Mastering The Boardroom, Riyadh, KSA	7-8 November	Foundations of Directorship, Abu Dhabi, UAE
3 October	Breakfast Forum, Dubai, UAE	8 November	BDI Alumni Dinner, Abu Dhabi, UAE
4 October	Chairman Summit, Riyadh, KSA	9-10 November	Mastering The Boardroom, Abu Dhabi, UAE
10 October	Breakfast Forum, Riyadh, KSA	4 December	Board Secretary Circle, Manama, Bahrain
16 October	Breakfast Forum, Muscat, Oman	5-6 December	Foundations of Directorship, Manama, Bahrain
17-18 October	Foundations of Directorship, Muscat, Oman	6 December	BDI Alumni Dinner, Manama, Bahrain
18 October	BDI Alumni Dinner, Muscat, Oman	7-8 December	Mastering The Boardroom, Manama, Bahrain

To register email getinvolved@gccbdi.org or call +971 4 554 7967

For more information visit www.gccbdi.org

Voice of a BDI member



Michael Morcos is also a member of the Financial Services, Private Equity, Energy, Natural Resources and Global Technology & Services practice at Hedrick & Struggles, MENA. He is fluent in Arabic, with expertise in the Middle East and North Africa on key issues such as board alignment, leadership development, leadership assessment and executive search.

How will Brexit affect business relations with the UK's trading partners?

The decision of British voters to exit the European Union (EU) marks the beginning of what is likely to be an extended period of uncertainty not only for companies in the UK and the EU but around the world.

While it is impossible to predict how events will unfold, it is worth remembering that before "Brexit" can occur, new Prime Minister Theresa May must first trigger Article 50 of the Lisbon Treaty that binds the EU together. The UK would then have two years in which to renegotiate a host of treaties and trade agreements with the EU before exiting.

During this unsettled time, affected companies will need to rethink governance and oversight, source talent for new and existing locations within the EU and the UK, and ensure that they have the right leaders and an agile organisation to see them through the transition.

Many companies that have important operations in the UK in order to gain entry to the single European market, will need to consider their geographic footprint. Changes to the free movement of people between the UK and EU may impact the ability to recruit talent in both locations. Firms in heavily regulated industries like banking may see little choice but to find a new legal home in the event that Brexit cuts them out of the EU's uniform regulations.

How could Brexit affect GCC board strategies?

For boards, one challenge will be how best to oversee operations split between the UK and the EU. The questions they will face include: Should a dedicated UK or EU subsidiary board be established or enhanced? How should a company's main board ensure that it is getting accurate input about both UK and EU operations? Should there be dedicated executive committee leaders for both the UK and EU?

While the impact of Brexit will vary widely by industry and individual companies, virtually all firms will be feeling their way through uncertainties on all sides. With the UK's influence

in and through the EU reduced, companies will grapple with how best to contribute to rule and agenda setting in both the UK and the EU. They will have to adapt to separate UK and EU regulatory environments and they will need to be ready to cope with shifts in critical areas such as financial services provision, tax policy, and the erosion of the digital single market.

What can boards do to effectively manage the risk around Brexit?

Stay close to your clients. First and foremost, companies need to consider how to stay close to clients to support their still-unfolding needs in the wake of the Brexit vote. In a rapidly changing market, needs are constantly changing.

Leadership in the spotlight. When the only certainty is uncertainty, there is greater need for agile, adroit leadership. Heightened awareness will ensure leaders develop appropriate strategies, enabling them both to capitalise on new opportunities and better prepare for a range of unpredictable outcomes.

Diversity matters. Whatever the implications of Brexit, leaders should maintain an outward-facing and open-minded ethos. Diversity is key. Group think was a major factor in the financial crash of 2008 and is why diversity of thought is increasingly integral to building resilient and thriving organisations. By the same token, the benefits of a culturally diverse workforce and an internationally diverse leadership team are increasingly critical to meeting the challenges of today's hyper-connected world.

Consult continuously. The Brexit vote also underscores the need for leaders to consult their stakeholders continuously. The market will continue to be fluid into the medium and long term, yet businesses must still maintain momentum. Clients, employees and shareholders all have a vital part to play in helping leadership teams refine their strategy and maintain momentum – and thereby ensuring they are alert to trends in their markets as they develop.



Peter Breen is Partner Emeritus and chair of Heidrick & Struggles's Middle East Practice. He is also a member of the EMEA Chief Executive Officer & Board of Directors Practice, focusing on both executive and non-executive board positions. As one of the founders of the GCC Board Directors Institute, Peter has invested time in the Arabian Gulf with McKinsey, Allen & Overy and PWC. Previously, he was founding Managing Partner for National Telephones PLC, one of the UK's fastest growing telecoms suppliers and distributors, later acquired by Alcatel.

Is your board truly performing or are you just going through the motions?

By Peter Breen

Here in the Gulf, improving board performance is a relatively misunderstood concept, let alone a well-practiced part of corporate behaviour. And yet, everywhere in the world, individual performance – from the CEO to the shop floor – is widely agreed to be a critical component of organisation effectiveness and almost all organisations have KPIs that apply to most individuals, against which they are measured, bonused and promoted (or not).

As countries and companies across the world continue to raise the bar in terms of corporate governance, regulators and legislators are seeking – and very often mandating – new standards of behaviour on the part of board directors and, correspondingly improved performance of the Board. From a "nice to have" of only a few years ago, the requirement for Boards to undertake Board Evaluation is now a regular feature of their regulations and legislations. That said, the very word "evaluation" is a pejorative. Boards – and particularly their board members – not unreasonably bridle at the prospect of "being evaluated".

Both within the GCCBDI and in my employer of the last 30 years, Heidrick & Struggles, "Board Performance Review" is a much more acceptable and more commonly used term when we are invited to undertake a review, to help a Board take stock of itself and see where it sits – both in absolute terms but also in relative terms against its peer group(s). Here, I am talking about a real review – not mere "box-ticking compliance" which sadly still prevails in some jurisdictions.

Around the world – and certainly here in the Middle East region – most Boards of most companies are still a product of their past rather than a function of their future, and yet the primary role of a Board should be looking forward. What's more, too many Boards are too involved in operational detail, rather than

helping busy line-executives to ensure their day-to-day tactical behavior fits into the agreed broad strategic framework of their company. This can lead to major frustrations on the part of executives, as well as causing confusion as to "who's doing what?" As one participant in a GCC BDI Corporate Governance Workshop famously remarked, "Board members should have their noses in, but fingers out!"

When conducting a Board Performance Review, we are looking for Boards where they not only satisfy core governance and compliance requirements, but where the Board members' competencies and capabilities are aligned with the requirements of the company's five to ten year objectives and where core technical capabilities and experiences are defined, agreed and brought onto the Board, with Board skill gaps and succession issues regularly addressed.

Such Boards are comprised of high IQ and high EQ Board members, able to be forensic on arguments and to engage positively with others and where they have global mindsets and global networks to call on. They should be talent focused; regularly engaged in mentoring line executives (with the full support and endorsement of their Chief Executive). They should work as a team, with world class insights, in-depth knowledge on best practice and a relentless focus on tomorrow. They should live the values and set an outstanding tone at the top.

And importantly, they and their chairpersons should have the appetite and courage to objectively and professionally have the performance of their Boards regularly measured – something we see as one of the most important developments in corporate governance in the world at large and increasingly in the region.

This article was printed with permission from the author. Copyright © 2016. All rights reserved.



Based in Dubai, Dawn Metcalfe is the Managing Director of PDSi. PDSi helps individuals, teams and organizations become even better at what they do through coaching, training, mentoring and facilitation. Her first book, *Managing the Matrix* (Wiley, English; Jarir, Arabic) came out in 2014 and her second, *HardTalk*, will be available in 2017. *HardTalk* explores research around how the brain works and presents a simple, easy-to-use model to combat the BrainDrains that make it so hard for us to have difficult conversations effectively. Dawn writes regularly in the regional press and speaks on business related topics at conferences and events.

Communication skills: The key to getting the most out of your carefully selected board members

By Dawn Metcalfe

Can your board have difficult conversations effectively? There is no doubt that a business's long-term strategy and success hinges heavily on having the right talent and skills set in the boardroom.

You take your board seriously. You've worked hard to cultivate a great mix of people from different backgrounds – functional, industry, gender, cultural, linguistic and educational. You've read, listened to and understood the research that diversity is a good thing and decided that you wanted to get some of the excellent results that come with it.

But you're not seeing anything change. Your board is not delivering the results your company, its shareholders and your stakeholders need. Obviously no group of people can be everything to everyone, but why aren't they performing in the way you hoped?

All boards share three main responsibilities:

- Strategic planning
- C-Level capability evaluation
- Company-wide capability to implement strategy

Success is 25 percent making the right strategic choice.

The other 75 percent of success lies in implementation. Boards must look much deeper than synergy targets on the financial statements and dig into people, processes, systems and culture change capabilities to assess whether the strategic decision is correct and can be acted upon. They need to ask the tough questions, both about the capabilities at C-level and more widely throughout the organisation.

Finally, the board has to hold management to account for the successful implementation of the

agreed strategy. Tools and processes are important here but they're not enough – the individual directors need to be confident and skilled questioners and negotiators who build relationships even through difficult conversations.

When we look at the effectiveness of boards, there is almost always room for improvement. Even with a collective that has the right experience, stellar CVs and a great skill set, there are ingrained behaviours that can prevent the whole being worth more than the sum of its parts.

The most common problems we find are:

- Poor communication between board members and management, which can lead to a cycle of mistrust and a lack of alignment with company goals
- Uneven levels of contribution from board members, particularly in situations where members lack the confidence to voice concerns or choose to keep quiet based on incorrect assumptions regarding group preference
- Miscommunication of decisions to management, employees, stakeholders and the general public, which can lead to a lack of confidence in the board's abilities and proposals
- Unprofessional or ineffective methods of communication within the board members which can severely hinder their functionality

Many of these issues arise because boards:

- Are often more 'reported to' than 'engaged with'
- Find themselves bombarded by data, with few chances for further inquiry
- Are not made fully aware of the values and beliefs that are behind the actions taken

So how can we do better? Structure, policies and processes are of course important and there are initiatives such as sabbaticals or fixed term board membership to ensure cross-pollination of ideas and safeguard against a "cosy" culture where the status quo is accepted unquestioningly.

But we also need to hire the right people. The right experience or

learn and change with you, then you may have a difficult decision to make. To avoid the sunk-cost fallacy, ask yourself, "would this board member be hired today in a competitive situation, given his or her area of business expertise and interpersonal skills in the team sport of being on a Board?" If the answer is no, then you need to move those board members out in order to refresh the entire board.

"Boards need to measure the behaviours they want to see, review their progress and reflect on what happens next."

functional skills are, of course, fundamental, but in the modern day workplace, so too are the abilities to listen, to probe, to empathise, to deliver hard messages and to hold others accountable. Mistakenly, we rarely ask to see these essential skills in our directors.

Good luck!

Once hired, we shouldn't just assume that the individual members of the Board will automatically form a functioning team. We need to give board members an opportunity to learn how to better work together; to spend time thinking about what works, what doesn't and why, so that they can decide, as a functioning team, what they want to change in order to be effective. Sometimes this might involve improving or broadening their skills. So many company leaders profess to be fans of "life-long learning" and understand its importance and yet very rarely do we see boards training together. Those who do, however, report the time and energy well spent.

Most importantly, any evaluation and action shouldn't be a one-off. Boards need to measure the behaviours they want to see, review their progress and reflect on what happens next.

This might sound uncomfortable. It might even sound challenging enough to be off-putting. That's why we've named our programme *HardTalk* - it's Hard! But it's worth it. When people have difficult conversations effectively they can do their jobs properly and in the case of your board, this job is pretty important!

In the end though, if you can't help them then maybe it's time to say goodbye. If you're trying to change the culture of your Board and there are individuals who do not want to



Event spotlight: The Effective Director: Adding Value to your Board, London, Aug 1–2

The GCC BDI team was delighted to invite several senior directors from the UAE, Bahrain and Saudi Arabia to take part in 'The Effective Director: Adding Value to your Board' workshop in London this month.

The two-day event generated lively debate around corporate governance practice in the Middle East and culminated in a dinner hosted by new UK Institute of Directors (IoD) chairperson, Lady Barbara Judge.

Led by Jane Valls, Executive Director of the GCC BDI, Paul Munden IoD course leader and Khalid Garousha, Partner at Allen & Overy, the workshop took a bold look at what it really means to be a director in the region in today's times.

Valls opened the session by emphasising that corporate governance is "not just about compliance, it's a performance driver." Munden, a self-proclaimed 'corporate governance geek' explained that corporate governance is the system by which companies are directed or controlled – whether "it's good or bad." He added that ultimately effective corporate governance is "what keeps companies safe."

Valls explained that the Dubai-based Damas brothers scandal in Dubai in 2008 led to a redoubling of regional efforts to promote good corporate governance: "In many cases across the world, it's scandals that precipitate new governance initiatives and an appetite for regulation."

In the last few years, effective corporate governance strategy has been spearheaded by large regional companies and promoted by organisations such as the BDI. Garousha told the workshop that he has high hopes for regional corporate governance development. "In just 10 years, the GCC has gone from zero to following world-class practices."

Garousha added that investors are demanding more transparency and disclosure, "15 years ago this did not exist. There are now best practices to

protect different stakeholders." At dinner, Lady Barbara Judge CBE explained what she perceived to be the differences in national approaches to corporate governance.

"After business scandals such as Enron, the US government told corporate America what it could and could not do and then it was administered. In the US, everything is deemed to be ok until it is not. In America, everyone grows up wanting to be a cowboy but in England everyone grows up wanting to be a gentleman."

Lady Judge explained that being a gentleman and being part of a gentleman's club means that there is an unwritten code of how to behave which members adhere to. "They don't want to be kicked out of the club, so this is why they didn't need to have any laws for a long time. The Brits just never crossed the line or the code."

"In just 10 years, the GCC has gone from zero to following world-class practices."

So, asked Lady Judge, what specific traits does the Middle East have when approaching corporate governance? What's the culture that will be transposed onto the basic corporate governance structure?

Several delegates raised the region's strong family structures, hospitality and trust as some of the Gulf's unique qualities. One of the delegates said: "In the Gulf, there is a mix of cowboy and gentleman elements. There is a culture that expects everyone to do the right thing but there is still some guidance required from the authorities to behave with upright standards. There is instruction on what should be done but there is still room to act as a gentleman. I think that being late into this game also allows the region to benefit from the learning of the US and the UK."

Upcoming Events

The Breakfast Forum Series

As part of our commitment to strengthen and accelerate board's professional development and incite a genuine culture of directorship, GCC BDI is eager to introduce a new format "The Breakfast Forum Series" covering different issues connected with Board Governance and with eminent guest speakers who will share the latest information on global trends.

SEPTEMBER 7 | Dubai, UAE

BREAKFAST FORUM on Growing Arab Leaders with Michael Rennie, McKinsey's Head of Global Organization Practice, in collaboration with McKinsey & Company

OCTOBER 3 | Dubai, UAE

BREAKFAST FORUM on Board Director Remuneration, with Simon Walker, Director General, UK Institute of Directors, and President of Global Network of Director Institutes

OCTOBER 10 | Dubai, UAE

BREAKFAST FORUM on Sustainable Development, with Dr. Sanju Deenapanray, Director Ecological Living in Action

OCTOBER 16 | Muscat, OMAN

BREAKFAST FORUM on Latest Trends and Best Practices in Effective Corporate Governance, with Jane Valls, Executive Director, GCC Board of Directors Institute

NOVEMBER 6 | Abu Dhabi, UAE

BREAKFAST FORUM on Hot Topics in Governance, with Prof. David Beatty, Conway Director of the Clarkson Centre for Business Ethics & Board Effectiveness, Rotman School of Management, University of Toronto

The Chairman Summit

Presided by H.E. Khalid A. Al-Falih, Minister of Energy, Industry, and Mineral Resources; Chairman of the Board of Directors of Saudi Aramco, 4 October 2016, Riyadh, KSA

GCC BDI most reputed event which brings together leading chairmen, regulators and practitioners from the GCC region. Comprised of a series of panel discussions on various topics of importance to chairmen, the Summit is also a platform where we gather influential chairmen, business leaders and actors, and regulators of the GCC to stimulate dialogue on key governance and board issues of today's economic climate to raise awareness and enhance governance practices in the region.

By invitation only.



On our Social Media



FOLLOW



Follow us @GCCBDI for live updates from our workshops and events as well as regular insights on board governance and effectiveness best practices.



SUBSCRIBE



This month Patrick Van Deale, Vice President & Country Chairman for Shell in KSA & Bahrain shares his opinion on how a board and management can track the progress of their organisation.



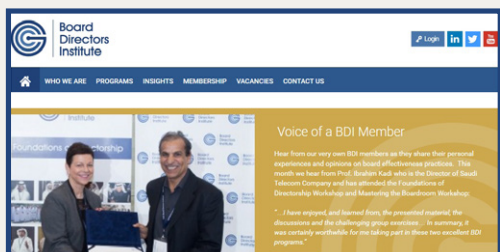
JOIN



Become a member of our exclusive BDI LinkedIn Group for updates on BDI membership and activities.



VISIT



Visit our website for more information on who we are, monthly interviews from our Alumni members, latest news and interesting insights on board effectiveness in the GCC region.

Contact us:

Emirates Financial Towers
Office 2201, South Tower
Dubai, UAE
P.O. Box 507007
T: +971 4 554 7967
www.gccbdi.org

We strive to continuously enhance our offerings and we always welcome your feedback, talk to us! getinvolved@gccbdi.org