

**OSB**

SULIMAN S. OLAYAN  
SCHOOL OF BUSINESS

**RAMI FOUAD MAKHZOUMI  
INITIATIVE IN CORPORATE  
GOVERNANCE**



# A Year

## IN REVIEW

### 2017-2018



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## ABOUT THE INITIATIVE

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The Initiative is the first of its kind to be carried out by an academic institution in the region. It was established in 2011 as part of Rami Makhzoumi's vision to encourage implementing best practices. Rami's parents wanted his legacy to continue through realizing his dream of institutionalizing companies to implement corporate governance best practices.

Since then, the Initiative has offered different educational conferences, workshops and seminar series on implementing governance best practices in the region. It has provided scholars and advisors in the field with an opportunity to present their latest findings on best practices. Moreover, the Initiative has collaborated with local and global organizations to help create awareness about the role of corporate governance in institutions. The Initiative aims to be a regional player in shaping governance through education, collaboration and advocacy.



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# DEAN'S STATEMENT

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Sound corporate governance is a key pillar for the success and survival of businesses. The 2008 financial crisis is a stark example of how businesses, even those “too big to fail”, can collapse in the absence of solid corporate governance practices.

The Rami Fouad Makhzoumi Initiative in Corporate Governance at the Olayan School of Business was established to support the adoption of corporate governance best practices across the business world. The Initiative is a true testament to our commitment to excellence in governance and our role in encouraging the adoption of sound practices across the business world.

We are pleased to be the lead school in the MENA region in hosting a corporate governance Initiative. We aim to be a catalyst for governance information dissemination and for engaging the business community to become leaders for good governance practices in the region. We look forward to many significant interactions with our community to achieve this common good.

**Steve Harvey, PhD**  
Dean



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# CORPORATE GOVERNANCE IN MENA COUNTRIES

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For the last several years corporate governance has been sweeping through the Middle East and North Africa. As part of the crucial topics affecting international competitiveness, the investment climate and the development of the capital markets in the Arab world, practitioners from capital markets, banks, public and private sector have accepted the need to address corporate governance best practices.

As early as 2001, Initiatives have been taken by different private sector groups to address the importance of, and need for corporate governance in the MENA region. In July 2003, the World Bank's Global Corporate Governance Forum (GCGF), the Center of International Private Enterprise (CIPE), and local partners in Egypt, Jordan, Lebanon and Morocco launched a regional Initiative to assess and address such state in selected MENA countries. Meetings took place in several Arab countries to address such state. The first regional experts meeting took place in Cairo in September 2003 to address and discuss regional challenges and trends in corporate governance and to raise awareness for the implementation of corporate governance in the region. A smaller group of Arab experts represented the region in the November 2003 World Bank/ OECD review of corporate governance principles in Paris. (Corporate Governance in MENA countries, Improving Transparency and Disclosure; Nasser Saidi 2001).



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# FAMILY BUSINESS SYMPOSIUM – OCTOBER 2017

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Prominent family business leaders and scholars assembled for a dynamic symposium at the Suliman S. Olayan School of Business (OSB) on October 6, 2017. Participants tackled issues of importance to family (and other) businesses, including succession planning, governance, growth, and innovation challenges. The event was co-sponsored by the Rami Fouad Makhzoumi Initiative in Corporate Governance, with May and Fouad Makhzoumi in attendance, and the Darwazah Center for Innovation Management, Rami Fouad Makhzoumi Initiative in Corporate Governance, and Entrepreneurship at AUB.

Opening the symposium to a packed audience, OSB Dean Steve Harvey noted that most businesses around the world are family businesses and this is especially true in Lebanon, which means that “family business does matter, and it is something we need to be talking about.”

Tarek Kettaneh, senior lecturer at OSB and former CEO of Kettaneh Group, underlined this point in his introduction: “In MENA, 90% of businesses are family owned,” he said. “They represent 75% of the GDP of the region. So we need to help them sustain, grow, and innovate.” He also explained that this job is an immense challenge because only about half of these family businesses have concrete plans for succession, governance, innovation, and strategy. The keynote address was given by Dr. Michael Carney of Concordia University, an expert in family business scholarship. He offered a dissection of family businesses that are in the top 1% in terms of wealth. Contrary to popular opinion, these family businesses are neither “mom and pop” stores nor rentiers; but they are productive owner-manager firms with a median of \$30 million in revenue. They constitute the backbone of the economy—contradicting the popular image portrayed in the public and media. He concluded by advocating that family businesses become more vocal in order to take advantage of what he called their “trust dividend.”

“People have a very positive view of family businesses relative to other businesses,” said Carney. “But this generalized goodwill is squandered simply because people don’t know which are the family businesses ... If you are not projecting that you are a family firm to your customers then you are not benefitting from the positive energy people feel toward family businesses,” he added.

Following a short presentation on the Family Business Network of the Levant by Chaker Saab, the first panel discussion began with moderator Rida Elias focusing

on succession planning as a governance issue. Reg Athwal, a founding partner and managing director of RTS Global Partners, talked about facilitating family board meetings. He highlighted that this work requires a balance between establishing serious governance and processes and dealing with the “socio-emotional wealth and human capital” that are at the core of family business dynamics.

Also on the first panel was Fayez Rasamny, who talked about his rocky path to become chairman of Rasamny Younis Motor Company (RYMCO). As part of the third generation of a family business that originated in Liberia and then migrated to Lebanon, Rasamny worked many years for the company and eventually had to raise the money to buy the business so that he could run it. Both speakers made it clear that succession can be a major stumbling block for family businesses and that thoughtful succession planning is necessary for longevity.

The focus of the second panel of the day was innovation and growth in family businesses. It featured Karim Baalbaki, chairman and managing director of BCI Holding S.A., and Anthony Boukather, CEO of A.N. Boukather SAL. Boukather, along with his twin brother Nicolas, who helped orchestrate a remarkable turnaround of their family business.

Moderating this panel was Bijan Azad, director of the Darwazah Center for Innovation Management and Entrepreneurship, who pointed out that MENA region family-dominated businesses have proved resilient through war, conflict, and political instability because of their ability to improvise.

“Family businesses’ entrepreneurial improvisation may be different from technology entrepreneurship but it has proved critical to the economy of the region,” said Azad, referring to what he called “phoenix entrepreneurship” whereby, after the near collapse of the economy around them, these family businesses had “risen from the ashes more than once.”

Audience members and participants had several opportunities during the breaks and at the end to network with each other and discuss the thought-provoking issues that were raised at the symposium.



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# WOMEN IN GOVERNANCE- OCTOBER 2017

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The Rami Fouad Makhzoumi Initiative in Corporate Governance at the Suliman S. Olayan School of Business (OSB) hosted a conference on Women in Governance, offering an opportunity for women leaders represented in Forbes Top 100 Most Powerful Arab Businesswomen to share their expertise, impressions, and career journeys within their various disciplines.

“Governance is based on ethical conduct,” said May Makhzoumi, president of the Makhzoumi Foundation. “I believe having women on boards will pave the way for a clearer vision that will allow boards to excel in their duties. Women in leading positions bring prosperity, better employee performance, higher productivity and less turnover of employees to their companies.”

The conference marks the 40<sup>th</sup> birthday of Rami Makhzoumi, a leading advocate of corporate governance who passed away in 2011 and in whose memory the Rami Fouad Makhzoumi Initiative in Corporate Governance was established. The mission of the Initiative is to promote corporate governance best practices among businesses in Lebanon and the region through conferences, research, and workshops. A working group has been established within the Initiative to empower women in governance positions.

The Women in Governance panel discussion highlighted the importance of women’s roles in leadership positions and discussed the opportunities and challenges women face on the way to, as well as while holding, top positions. On the panel were three women who were ranked among the 100 most powerful Arab businesswomen by Forbes Middle East, 2017: Chief Executive Officer (CEO) of Citi UAE Elissar Farah Antonios, CEO and board member of Lazard Gulf Ltd. Farah Foustok, Board Member at Fattal Group Caroline Fattal Fakhoury, and Vice Chairman of Capital Markets Authority Firas Safieddine. Necessary changes were recommended and a comprehensive communication strategy was discussed to raise awareness about gender balance and the benefits of diversity throughout organizational hierarchy.

Elissar Farah Antonios, who has more than 25 years of experience in the financial industry and the region, spoke about women as “global growth generators in the economy” and the current modest percentages of women’s participation across the Middle East and North Africa region and specifically Lebanon.

“There needs to be a shift in the mind set and a tackling of the unconscious bias that exists,” said Antonios. “Of course, women have a role to play, and as we focus on increasing the number of women, be it in government or senior business leadership positions, this will help accelerate the agenda. However, this would have to be supported by changes in legislation and supporting policy matters to drive the diversity agenda of women in senior positions, which would prepare women to be in governance roles.”

The panel discussion, as well as the passionate Q&A session that followed, was moderated by Dr. Samer Khalil, associate professor of Accountancy at OSB, who has a research background in corporate governance. The audience of professionals from various backgrounds raised several related issues, including the role of society, structural facilitation and policies needed, and proposals to counter existing obstacles and “break the system, not blame it.”

“Having more women in positions of leadership is not merely a social matter,” said Caroline Fattal who combines 20 years corporate business experience with the skills of a certified business coach, in her advocacy for female empowerment and gender equality in the Middle East. “Actually, it is mostly an economic one. Women mean business: they make most of the key purchasing decisions, hold a big part of the wealth in our region and have a distinct approach to risk. So, increasing their participation in the boardroom is not only the right thing to do, it is a smart thing to do!”

This year to date, OSB has led three key Initiatives on the empowerment of women: The Women in Data Science partnership with Stanford University, the Knowledge is Power (KIP) project on Gender and Sexuality, and the Women in Governance conference.

“It is a long journey ... and it is not something that is exclusive to the Middle East ... but there is a lot to be said about inclusivity,” said OSB Dean Steve Harvey. “There is no system in this world that is known to exist and sustain itself over long periods of time unless it has diversity. Diversity is a thread of life. Inclusiveness is critical to governance.”

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# PPP-PUBLIC PRIVATE PARTNERSHIPS

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The American University of Beirut's - Rami Fouad Makhzoumi Initiative in Corporate Governance partnered with the Lebanese Transparency Association to organize a conference on public private partnerships "Towards Transparency and Accountability in PPP: An Overview from the Region", which focuses on the importance of PPP's to enable for greater opportunities for further cooperation between the State and the private sector.

The conference took place on the April 3, 2018 at the Suliman S. Olayan School of Business. The conference highlighted the importance of adopting the PPP Law in Lebanon and its effect on national economy.

The timing of this conference came in light of Lebanon's readiness for the CEDRE conference, where one of the reform items required from Lebanon is the PPP, as stated by the IMF in one of its reports.

The conference highlighted successful PPPs between the public and private sectors and hosted high level speakers from both sectors, including Mr. Arkan Seblani, Manager of UNDP's regional anti-corruption Initiative in the Arab states, Mr. Saad Sabra, a Senior Country Officer at the International Finance Corporation (IFC) and World Bank Group, Mr. Khalil Daoud, Chairman and Managing Director of LibanPost, Ziad Hayek, Secretary General of the Republic of Lebanon High Council for Privatization and PPP, and Saba Taleb, Consultant for planning and transparency at the Administrative Agent office at the Ministry of Health in Iraq.



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# NAVIGATING TRANSFORMATIONS AND DISRUPTIONS: HAWKAMAH 12<sup>TH</sup> ANNUAL CONFERENCE– DUBAI–UAE

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Technological innovations are producing major positive disruptions to the usual way of doing business. Driverless cars and robotic workers are fueled by the latest thinking on artificial intelligence; 3D printers are up-ending traditional views of manufacturing, publishing and construction; Fintech and cryptocurrencies are rapidly changing the finance landscape; and the data being collected from information and operation technologies are being transformed to fuel more innovations in the way policies, communities and individuals are governed. Companies and their boards need to re-think and transform their approaches to cope with such a dynamic landscape.

The conference explored the impact that these transformations and disruptions will have on how companies are governed. How can organizations align their decision making to match the increasing speed of change? How can boards of directors drive transformation and foster innovation within their businesses? How can transformation and innovation be encouraged and monitored? How can government support, enable, and accelerate these changes?

Dr. Assem Saffieddine, professor of finance at the Olayan School of Business at the American University of Beirut spoke on corporate strategy at the Hawkamah 12th annual conference held in Dubai, in April 2018.

Dr. Saffieddine spoke of good governance that aims to support strategic decision making, risk management and, increasingly, a corporate culture which anchors the enterprise securely in the society from which it derives its franchise and which itself is subject to rapid change. How do boards set priorities and manage an increasingly complex agenda? What are the particular challenges facing regional companies with the prevalence of concentrated ownership?



## OECD MENA CONFERENCE 2018- LISBON- PORTUGAL:

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Ms. Rasha El Hassan, the Director of the Rami Fouad Makhzoumi Initiative in Corporate Governance, presented at the opening session and gave an overview of recent corporate governance developments in MENA economies. MENA economies have recognized the importance of corporate governance in improving company performance and increasing access to capital. Speakers outlined how increased public enforcement activity has been seen in larger markets in the region with corporate governance frameworks increasing transparency and disclosure requirements (i.e. Saudi Arabia, Oman and the UAE). In these cases, a baseline of 2007/2008 is often used to measure progress and company practices over time. Speakers agreed that improving the integration of corporate governance priorities into the overall economic development plans of countries is an important next step to bring corporate governance to the next level. In this regard, the MENA-OECD Competitiveness Programme plays an important role, providing a platform to establish a link between different economic policies.

## GOING FORWARD

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In the Rami Fouad Makhzoumi Initiative In Corporate Governance, we believe in the importance of good corporate governance to create value for corporations and society. Our aim is to promote corporate governance best practices through education, collaboration and advocacy and we will continue doing so. Our aim is to work with different governments, financial companies, family businesses and regulators to promote corporate governance best practices. The reality is that all companies – big and small, private and public, early stage or established – compete in an environment where good governance is a business imperative. One size doesn't fit all, but right-sized governance practices will positively impact the performance and long-term viability of every company, and this is what we will tailor our strategy to serve.

# CONTACTS

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