

THE GOVERNOR

Abu Dhabi Corporate Governance Centre director general, Khalid Deeb, tells Alicia Buller about his plans to clean up the emirate and invite trust from foreign investors

Amid the decadent cream upholstery of the ADCCI, Khalid Deeb cuts a smart, modest figure.

His immaculate beard and blemish-free suit befit the kind of man who has carved a long and successful career in tidying up businesses. And, as director general of the newly-formed Abu Dhabi Corporate Governance Centre (ADCGC), Deeb has his biggest clean-up job on his hands yet.

“There’s not just some way to go with establishing corporate governance in Abu Dhabi, there’s a lot of way to go,” he says.

“Good businesses have proper systems, control and transparency; everyone knows their roles and accountability.”

He’s right, this sentiment does seem a world away from the current business environment; not just in Abu Dhabi, but around the world. But as the global economy continues its painful rebound from the domino effects of unregulated US banking activity, the stark light of the recession means the days of hidden transactions are numbered. Deeb is here to steer in new foundations for the local economy.

As head of audits at the ADCCI previously, Deeb was instrumental in pushing for the new ADCGC, which was officially inaugurated in January this year and tasked with raising awareness of corporate governance in Abu Dhabi and further afield.

But while the ADCGC may be new, the country’s concerns about corporate governance are not. As

far back as 2007, the government issued guidelines, allowing three years for the public sector companies to implement them. The Emirates Securities & Commodities Authority (ESCA) is monitoring the process, which is expected to be completed by April next year.

The murmurings of corporate regulation in Abu Dhabi noticeably gained momentum this year, as big local players start to address their transparency issues in a bid to play on the world stage and lure international investment.

In 2009, government investment arm, Mubadala, set up a corporate governance research arm and laid its annual reports open to the public for the first time, while Abu Dhabi National Bank has announced it will release details of bankers’ salaries.

One of Deeb’s main tasks is to create genuine awareness of why corporate governance is so important for individual companies, as well as the overall Abu Dhabi economy.

“A lot of people don’t understand what the term really means,” he says. “Corporate governance is a new term and when people hear the words, even the word “audit”, it sounds scary because it’s a fear of the unknown.

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Deeb adds that corporate governance is concerned with clarifying and streamlining the company: creating relevant committees at board level, putting processes in place for ushering in transparency and proper reporting of results and performance.

Not only does this mean the business is more efficient, but local and international financiers will feel more confident investing in Abu Dhabi companies.

"It's a good time to sit back and look at your company; before, firms were busy making money, but now a lot of companies are looking at corporate governance and restructuring. Now companies will be reviewing their strategies with a more cautious angle, and in this quiet time, it's time to clean up."

Corporate governance, he explains, is not a mere legal or administrative add-on, it's a culture and a concept that should pervade everything the business does. "The first seminar we did in October was a success, we had a good turnout, but we found that the top-level figures tend to leave corporate governance to their legal teams or staff lower down in the organisation.

"For corporate governance to work, the initiatives must be driven from the top and everyone must be involved. It's as if, when they get to the top, people feel they don't have to learn anymore, but everyone needs to keep learning," Deeb says.

"If you don't have a proper audit system, then you don't know exactly what is going on in your business. Is

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your department working properly? Are you achieving your goals?

"That's why we have so many tools in place, such as the monitoring of key performance indicators. If you don't have audits and reports, then you can't see what's really going on.

"It's like you are driving with a dirty wing mirror, or a car from the 1960s without a proper dashboard."

In an environment where company liquidation, weak profits, corruption and CEO step-downs have become the norm, having a clear eye on the business has become more imperative than ever.

The ADCCG has planned a two-pronged awareness attack: education and consultancy.

As well as holding regular open conferences, the organisation will offer consultancy services for board members, senior government members and legal advisors at a fee.

The press are also a target audience as Deeb says it's crucial the media are able to educate shareholders

about how corporate governance can help with their rights.

While corporate governance compliance is largely voluntary at present, the coming months and years will see ADCGC push for legal enforcements.

“Laws will help, of course. And we will introduce them if we have to. You cannot legalise everything, but you should have minimal guidelines on what to do and how to do it,” the director general says.

However, Deeb hopes firms will be naturally inclined to implement corporate governance as they become aware of the benefits. He says there is a combined carrot-and-stick effect: the stick, of course, is the potential laws, but the carrots, or incentives, are many.

For a start, corporate governance can keep a lid on fraud and underhand practice. Does he think corporate governance initiatives could have prevented the recession?

“We can’t prevent everything, but corporate governance does minimise risks – some banks weren’t affected, for example. Someone should have looked at what the US banks were doing before it reached a critical stage, but because the chairman and CEO were often the same person, that made it easier to run unchecked,” he says, adding that local corporate governance guidelines advise the chairman and CEO roles to be held by different people.

“Even with corporate governance, top-level managers could still defraud, but they would be found out. Good corporate governance, along with sound fiscal policies will protect companies from a large amount of risk.” In addition, corporate governance implementation provides external benefits: such as making it easier for firms to gain access to bank credit.

Deeb adds that it’s vital that more of Abu Dhabi’s financial organisations come on board to offer benefits to companies that offer information and transparency on their activities.

“We’re starting to push this and are encouraging all banks to get involved. In some cases, well-governed firms can get up to 20 per cent more credit,” Deeb says. “The banks can play a major role by putting in place guidelines and criteria.”

Crucially, gaining corporate governance stripes and the accompanying transparency will also help businesses to garner foreign investment.

The more Abu Dhabi businesses that come on board, the stronger the emirate’s foreign investment cache becomes.

“Corporate governance encourages outside investors. If you adhere to proper laws, regulations and corporate governance rules, this can only encourage investors to come and put their money here,” he explains. “It reduces risk, creates more transparency and accountability for mistakes, while protecting shareholders.”

The benefits of implementing regulation are multi-fold, Deeb is sure of that; but now his job is to convince Abu Dhabi and its stakeholders of its value. The biggest challenge, he says, will be confronting the closed culture of businesses and bringing them into the modern age.

“At the moment companies are not used to organised systems, and in some cases there is a board of one person: the chairman,” he says.

“My challenge is to get the boards on side, once they believe in the value of corporate governance, then they can begin to release information: annual reports, revenues, number of employees and so on for the benefit of all parties.”

The wider effects of instilling corporate governance across the board on Abu Dhabi’s reputation as a business hub cannot be ignored.

When the banks, companies, legal firms and government entities eventually pull together on regulation, the ripple effect is instant.

“The effects trickle down. For employees, it gives them security and proper systems. And not just that, it offers a framework for being fair to your suppliers and banks too,” Deeb says.

As Abu Dhabi focuses its sights on becoming one of the top five countries for investment globally, corporate governance has become a crucial pillar for the modernisation of Abu Dhabi’s economy.

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“The emirate will become a better place to work and invest with the guidance of corporate governance. In line with Abu Dhabi’s 2030 vision, better transparency will deliver a large, if indirect, boost to the economy,” he says.

And with that, Deeb is finished. He checks his pristine hair as the photographers click away. He appears just as you’d hope a man that may delve into the very heart of your business would: immaculate, measured and well-informed – both in the way he dresses and speaks. A man you could trust? Yes. A postcard for corporate governance. Definitely.

As the ADCGC draws close to its first birthday, it’s left to Deeb to pioneer the transformation of the city’s business landscape – not single-handedly, of course, but by gaining the backs of senior officials in the emirate.

How difficult the task will be remains to be seen; but for Abu Dhabi’s investment cache, let’s hope success comes sooner rather than later.