



Reforming Corporate Governance and Strengthening Board Accountability

By Omar Khattaly · 18 June 2017

A Board of Directors is a body of appointed or elected members who jointly oversee the activities of an organization. Often simply referred to as "the board," its responsibilities and activities are determined by the organization's bylaws as well as applicable laws and regulations. These bylaws specify the board's duties, powers, the number of members, and the protocols for how and where they meet.

Generally, corporate boards play a central role in corporate governance. They typically do this in one of two ways: some take on an active managerial role by directly managing the firm, making hiring decisions, and choosing which projects to pursue; others adopt a supervisory role, focusing on monitoring top management—especially the CEO—without involving themselves in day-to-day operations.

Board members should be selected based on their strong professional experience and skills that match the specific needs of the board. They should not serve merely for



financial compensation or personal interest.

At present, Libya directly or indirectly owns more than 500 companies spread across the world. Many of these firms suffer from a lack of strong human resources and leadership capable of guiding them to profitability. Across these 500+ companies, there are over 250 board memberships. In my opinion, there is a critical need for a comprehensive management system led by the Libyan Investment Authority (LIA) and its subsidiaries to oversee these positions.

Specifically, I propose the creation of a Board Recruitment/Nomination Committee composed of representatives from the LIA and its five subsidiaries. This committee would regulate and track all available board memberships across the 525 or more companies owned by Libya's foreign investment arms.

To prevent corruption, monstrous bureaucracy, and a culture of patronization, the members of this committee should be rotated or changed every year. This rotation will ensure that the primary focus remains entirely on the best interests of the companies, the fund, and—most importantly—the country and its wealth.

Typical Duties of the Board of Directors Include:

- Governing the organization by establishing board policies and objectives.
- Selecting, appointing, supporting, and reviewing the performance of the chief executive officer (CEO).
- Ensuring the availability of adequate financial resources.
- Approving annual budgets.
- Accounting to the stakeholders for the organization's performance.
- Setting the salaries and compensation of the company's management.
- Directing the strategic planning process.
- Approving long-range goals.
- Monitoring the achievement of goals and objectives.
- Overseeing the evaluation of products, services, and programs.
- Finalizing and approving budgets, as well as expenditures outside the authorized budget.
- Ensuring an annual audit of the organization's accounts.
- Employing the chief executive.
- Interpreting the organization's mission to the community or host country.



- Appointing committee members and calling committee chairs to urge them into action.
- Recruiting new board members.
- Signing legal documents.
- Ensuring effective organizational planning.
- Managing resources effectively.
- Determining and monitoring the organization's products, services, and programs.
- Enhancing the organization's public image.

Board Composition and Selection Criteria

The board of directors should possess a broad mix of skills and experience to be effective in executing its duties. It is also critical to ensure a good personality match among members to enable them to work collaboratively without hostility.

In for-profit corporations, it is vital to have members with a strong grasp of finance and the ability to thoroughly understand budgets and financial statements.

When selecting new board members, it is important to establish a formal and transparent procedure for the nomination and appointment of directors. To ensure a high level of success within the board, the nomination committee should look for the following in potential candidates:

- The key competencies needed by the board and found in prospective members.
- The specific business skills and knowledge required.
- The desirable personal qualities needed for that particular board.
- The ability to analyze the current, specific needs of the board.

How does the organization find a qualified member for its board, and in the case of Libya, should we search from within the company or look to the outside?

1. Mandate of the Nomination and Appointment Committee

The Nomination and Appointment Committee is responsible for establishing a formal procedure and specific guidelines to identify, evaluate, and select potential nominees for board director or member positions. To enhance and promote overall board effectiveness, the committee must develop specific criteria outlining the necessary



skills, experience, expertise, backgrounds, and other essential characteristics that should be represented on the board.

2. Candidate Evaluation Questions

To ensure a proper match of skills and expertise to the board's needs, the nomination committee should ask the following questions when reviewing a candidate:

- Does the candidate possess leadership and management experience in a related business?
- What specific business skills, technical knowledge, or unique background does this candidate bring?
- How well does the candidate's expertise fill existing gaps or deficiencies on the current board?
- Does the candidate demonstrate a strong, genuine interest in the business, rather than serving just for financial compensation or personal interest?
- Does the candidate exhibit the personal qualities and collaborative mindset necessary to integrate smoothly into the existing board?

3. Minimum Qualifications, Skills, and Qualities

To qualify for a position on the board, a candidate or member must meet the following minimum standards:

- **Integrity and Mindset:** Must be of the highest integrity, possess an inquiring mind, show a willingness to ask hard questions, and demonstrate the ability to work well with others.
- **Experience:** Must have proven leadership and management experience within a relevant business sector.
- **Commitment:** Must have the dedication and time commitment to work diligently to defend and promote the best interests of the company.

4. Conflict of Interest and Governance Standards

- **Independence:** Members must be completely free of any conflict of interest that would interfere with their performance, responsibilities, and duties as a board member.
- **Accountability:** Every board member must sign a formal Conflict of Interest



Statement to ensure they are working strictly for the best interests of the organization.

5. Continuous Evaluation and Re-Evaluation Process

To ensure ongoing productivity and efficiency, a special committee must establish a structured process for the regular evaluation and re-evaluation of board members.

- **Initial Evaluation:** The committee will evaluate each new member to verify they possess the required qualifications and skills needed to effectively address board deficiencies.
- **Performance Review:** Ongoing assessments will be conducted to ensure that all members continue to contribute effectively, maintain high productivity, and remain aligned with the strategic goals of the company.