Round Table Discussion:
Importance of Governance for
Investment, Growth and Scale

KOGOD SCHOOL of BUSINESS   LEGATUM   letswork

15 June, 2022
18:00 - 19:30 UAE
Rove Healthcare City, Dubai

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The Pearl Initiative (PI) is the Gulf region's leading business-led, non-profit organization established in 2010 by regional business leaders in cooperation with the United Nations Office for Partnerships. PI promotes the business case for a corporate culture of accountability and transparency across a wide variety of stakeholders including MNCs, Family businesses, SMEs, Tech entities, youth through different programmes and initiatives.

PI recently launched its Governance in Tech programme with the aim to raise awareness amongst tech entities within the Gulf region on the benefits of strong and innovative corporate governance capabilities.

In 2022 PI is looking at hosting a series of roundtable discussions with tech executives and entrepreneurs across the Gulf region as we continue to develop and implement a set of activities for the tech ecosystem with the goal of enhancing the competitiveness and sustainability of tech companies and startups and by providing a practical approach to corporate governance that is robust, flexible, and simple to adopt regardless of what stage of maturity the company is.

Pearl Initiative (PI) in collaboration with the Legatum Center at MIT; American University Kogod School of Business, and Letswork a tech startup established in the Gulf region in 2019 organised an exclusive roundtable discussion and networking session on **'Importance of Governance for Investment, Growth and Scale'** on **15 June 2022**.

The round table discussion facilitated by Dina Sherif, Executive Director of Legatum Center for Development and Entrepreneurship at MIT Sloan and Ayman Omar, Associate Dean for Graduate Programs at the Kogod School of Business at American University and Co-Founder of the Blockchain Hub at American University focused on why governance plays a key part in building, scaling, and sustaining any tech company.

The session focused on addressing some key questions around corporate governance such as:

1. What are the key principles of corporate governance for tech businesses/startups? Both structural and functional?
2. Key components, policies and procedures that can be easily adopted/embedded that tech entities often overlook in their early stage. Is it a gradual process or should it be done all at once?
3. In addition to the unique selling point of the product or service provided by the tech entities what components within a governance framework do investors look at say during the due diligence process?

4. How much time, effort, and money should small businesses invest in embedding an effective governance framework, while also targeting profitability and business growth? Specifically, for early-stage, bootstrapped startups, is it worth the investment (must have vs. nice to have)

Key Learnings and Insights:
- Business is a force for meaningful change
- While interfacing with portfolio companies about governance, incorporating ESG in the accountability framework is essential
- Bringing in investors who believe in the business model and the larger goals of the organization rather than the profitability only
- Corporate governance is a structure that can either be set up by the board, founders, or leadership. It differs based on the stage the company is currently
- Some companies do not have a board of governance but have strict governance in place, a procure a certification to ensure a ESG mark
- Understanding that a strong board is key to driving impact with profitability is essential to small businesses
- A lot of investors may buy into the business model but compromise on the impact journey if a strong governance structure doesn't exist
- First step towards corporate governance is putting a board of directors together
- Correlation between impact and ESG, companies who have a strong ESG score have higher return on investments
- Think about governance to drive and capture sustainable growth
- Start-ups face a serious number of challenges and choices and therefore there needs to be a balancing framework that enlist the priorities like short-term, long-term goals, internal and external stakeholders and doing all of this while staying true to the mission of the start-up
- Falling into the trap of growth at all costs, very common challenge to start-ups
- Board of governance is put together based on the need of the company – based on whether a family foundation is, group of friends starting the company etc.
- Credible content sources are very important to understand the need and process to set up corporate governance structures
- Marrying the values of the company to the corporate governance structure is key to effective governance
- Compliance is the bare minimum, especially for tech start-ups its important to think both reactive and proactive i.e., Ensuring compliance regulations are in place and at the same time thinking about some future challenges they are likely to encounter with privacy, security etc.
- A key mantra to remember is - People invest in people