



مركز الحوكمة
CENTER FOR GOVERNANCE

MANAGING DIRECTOR AND CEO?

Rethinking dual executive titles in Saudi companies



A PIF COMPANY

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Report

TABLE OF CONTENTS

EXECUTIVE SUMMARY	5
1. INTRODUCTION	6
2. THE PREVALANCE OF THE MD/CEO MODEL IN SAUDI COMPANIES	8
3. WHAT EXPLAINS SEPARATE MD AND CEO APPOINTMENTS?	10
4. THE GOVERNANCE RISKS OF HAVING BOTH A CEO AND MD	16
5. CONCLUSION: THE BENEFITS OF CLEAR EXECUTIVE ACCOUNTABILITY	20



EXECUTIVE SUMMARY

This paper examines the continued prevalence of the Managing Director (MD) role alongside that of the Chief Executive Officer (CEO) in some Saudi companies. It assesses whether this dual-executive structure remains fit for purpose in a modern governance context.

While the CEO role is globally understood as an organization's single point of executive authority and accountability, Saudi governance practice has retained the MD designation as a legacy of earlier legal frameworks, ownership structures, and board traditions.

Analysis of CFG's governance database covering 345 Saudi listed companies shows that, although the MD title remains common (arising in 30% of issuers), it most often functions as a legacy or honorary designation: in around 65% of cases, the MD and CEO titles are held by the same individual.

Genuinely separate MD-CEO structures are less common, appearing in only around 10% of listed companies. These cases are disproportionately concentrated among larger Main Market issuers with concentrated ownership arrangements.

Where the roles are separated, the MD position is typically ownership-aligned. Most Managing Directors are founders, family representatives, major shareholders, or former CEOs who retain strategic influence after stepping back from day-to-day management.

Boards and owners often justify MD-CEO separation as a mechanism for preserving strategic control, managing leadership transition, mentoring new CEOs, or embedding group-level oversight in subsidiaries. These rationales are understandable in context but give rise to governance concerns.

Material governance risks associated with MD-CEO coexistence include blurred executive accountability, erosion of CEO authority, an increased likelihood of informal power structures, weakened board challenge, and difficulty assigning responsibility for performance outcomes.

Interviews with Saudi board members confirm that, while the dual MD/CEO model can preserve stability and alignment with shareholders, it frequently creates confusion over "who is really in charge," particularly when the MD sits on the board and the CEO does not.

From an international investor perspective, dual executive leadership roles are likely to be perceived as opaque and idiosyncratic, potentially undermining confidence, comparability, and perceptions of minority shareholder protection.

The paper concludes by arguing that a unified CEO model, overseen by a strong and independently minded board, offers a clearer, more robust foundation for executive accountability than a dual MD/CEO structure. As the Saudi capital market matures, phasing out separate MD-CEO roles would strengthen governance clarity, leadership effectiveness, and investor trust.

I. INTRODUCTION

Across global capital markets, the title of Chief Executive Officer carries a widely understood meaning. It denotes the organization's most senior executive, accountable to the board for strategy execution, operational performance, and leadership of the management team.¹ In Saudi Arabia, however, this clarity is sometimes complicated by the appointment of a Managing Director alongside the CEO, resulting in a split executive leadership structure in which authority may be duplicated, blurred, or fragmented.

In the Saudi governance context, the Managing Director is not a standardized executive role, but a legacy designation shaped by historical legal requirements, concentrated ownership, and established board practices. Under earlier Companies Laws, the Managing Director was the legally recognized executive authority. Although subsequent reforms have prioritized the CEO role, they have also left open the possibility of appointing a Managing Director, albeit without prescribing its scope, authority, or relationship to the CEO.

As a result, the Managing Director role now takes multiple forms. It may be combined with the CEO title, held separately by a founder or major shareholder to retain strategic influence, or used as a transitional position for a former CEO. Where a Managing Director coexists alongside a CEO, authority is often divided informally rather than clearly delineated: the CEO typically leads operations and execution, while the Managing Director focuses on strategy or reputationally sensitive matters. This flexibility helps explain the role's persistence, but it also introduces governance risks by diluting executive accountability and weakening leadership clarity.

This paper examines the causes and consequences of MD-CEO coexistence in Saudi companies. It argues that while such arrangements are understandable given the Kingdom's historical, ownership, and regulatory foundations, their continued use increasingly undermines effective governance. Although the Managing Director role remains relatively common across listed and unlisted companies, its authority and relationship with the CEO are often poorly defined, giving rise to overlapping mandates, unclear accountability, and uncertainty for boards, employees, investors, and other stakeholders.

At its core, the persistence of the Managing Director role reflects Saudi Arabia's distinctive corporate ownership structures. Many companies remain family-controlled, founder-led, or influenced by state or strategic shareholders, creating incentives to retain strategic control while delegating day-to-day management to professional executives. However, as Saudi capital markets mature and expectations around transparency and accountability rise, the disadvantages of a split executive leadership are likely to become more apparent.

The paper will conclude by arguing that a single point of executive authority – exercised by the CEO and overseen by an independently minded board – offers a stronger foundation for effective governance than the legacy MD/CEO dual leadership structure.

¹ Glick, M. B. (2011) 'The role of chief executive officer', *Journal of Leadership & Organizational Studies*, 18(2), pp. 226–235.



2. THE PREVALANCE OF THE MD/CEO MODEL IN SAUDI COMPANIES

The Managing Director title remains a visible feature of Saudi corporate governance. Based on an analysis of CFG’s governance database of 345 Saudi listed companies (with data from 2025 annual reports, referring to financial year 2024), we found that approximately 30% of issuers appointed a board member with the title Managing Director.

However, in the case of 68 of the 105 companies with an MD, the same individual held both the CEO and MD title. Hence in these instances, the MD designation appeared to function primarily as a legacy or additional honorary title for the CEO role rather than as a separate locus of executive authority.

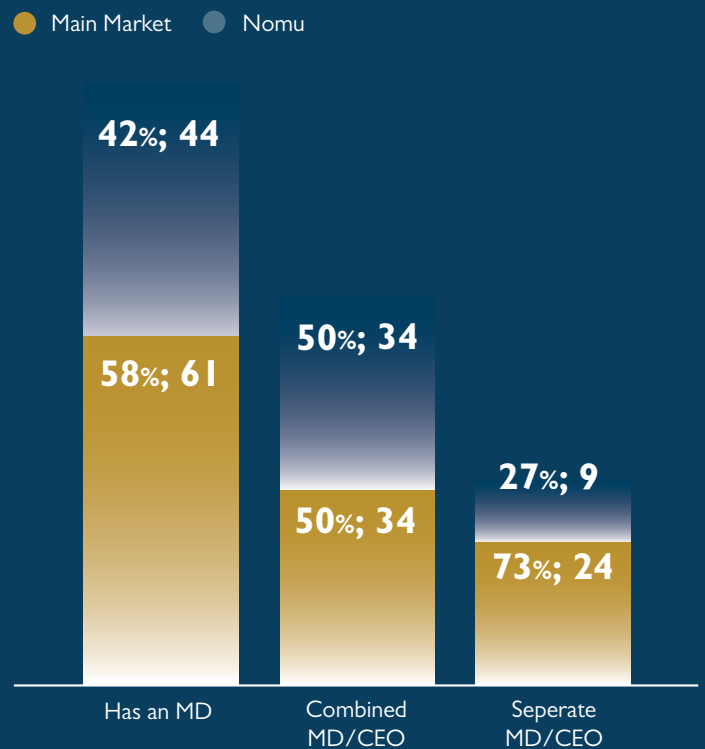
Genuinely separate MD-CEO structures were relatively uncommon. Only 33 companies – roughly 10% of the Tadawul – appointed a separate Managing Director and CEO. Although these companies represented a minority, they were still material from a governance point of view. These are the companies where questions of authority, accountability, and role clarity arising from a split executive leadership structure are most obviously a concern.

Disaggregating the data by listing segment revealed further patterns. Of the 105 companies with a Managing Director, 61 were listed on the Main Market (58%) and 44 on the Nomu Parallel Market (42%). However, separate MD-CEO structures were disproportionately concentrated in the Main Market. Of the 33 companies with genuinely separated roles, 24 (around 73%) were Main Market companies, compared with only 9 Nomu companies (27%). This suggests that larger, more established firms – often with more complex ownership structures – are more likely to choose split executive arrangements.

Share of Saudi listed companies with MD vs without MD



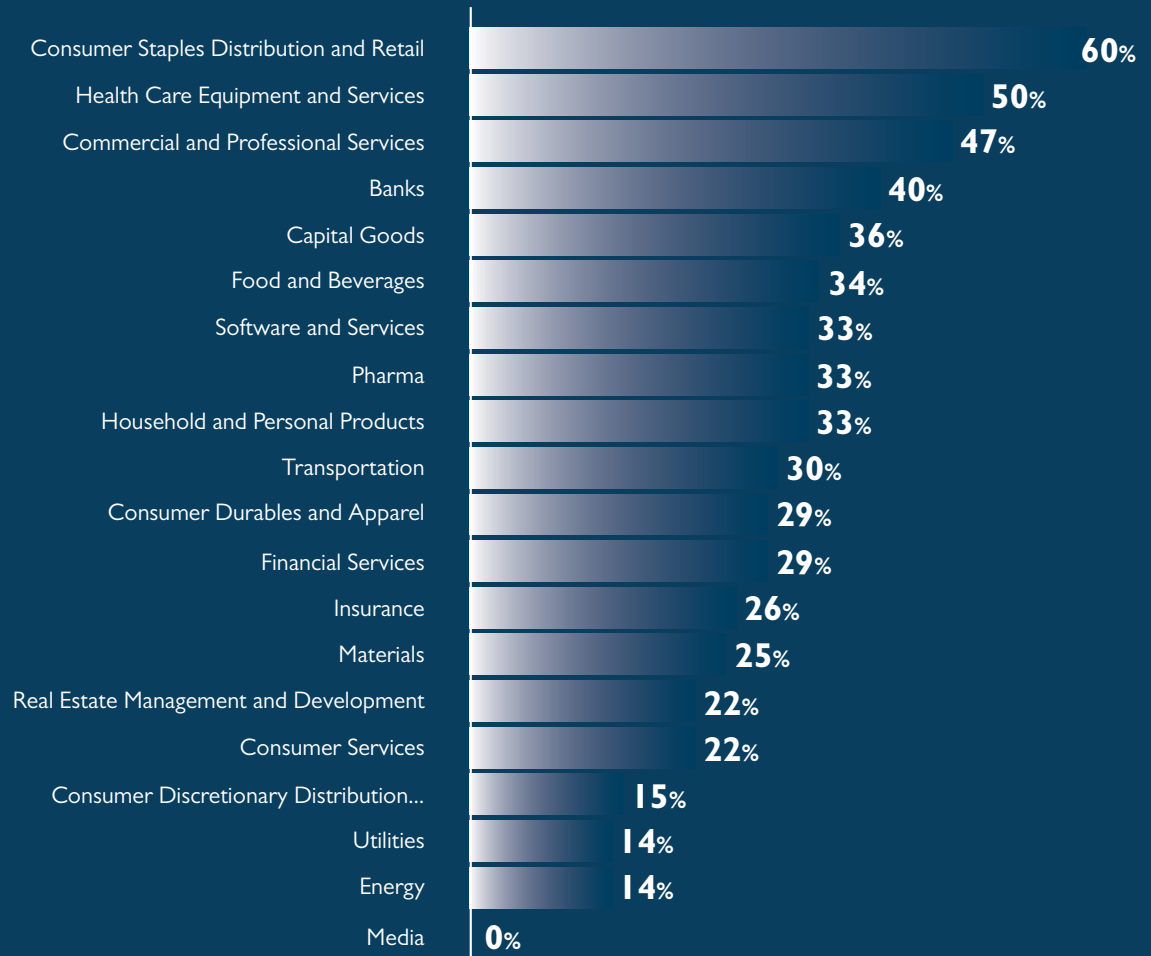
Saudi Listed Companies with an MD Role: Main Market versus Nomu



Source: CFG governance database, based on 2025 annual reports.

Prevalence of an MD role in Saudi listed companies according to sector

Source: CFG governance database, based on 2025 annual reports.



Sectoral patterns further underscore that the MD model is not uniformly applied. The MD designation is most prevalent in consumer-facing sectors such as retail, healthcare services, and professional services, where family ownership, holding-company structures, and founder influence are common. Traditional blockholder-heavy sectors, including capital goods, also exhibit above-average use of the MD title.

The financial sector presents an interesting case. There are no Saudi banks or insurers in which the MD and CEO roles are held by different individuals. Where the MD title exists, it is always combined with the CEO role, and in some cases explicitly linked to nomination rights held by strategic shareholders (for example, at SAB). In systemically important and highly regulated sectors, it is likely that regulatory practice is likely to favor a single, clearly identifiable executive authority, reinforcing the governance premium placed on accountability and clarity.

Heavily regulated or capital-intensive sectors such as utilities, energy, and media display very low adoption of the MD structure overall. This further suggests that where regulatory oversight, public accountability, or capital intensity are high, Saudi companies tend to converge more closely on CEO-centric leadership models.

Taken together, the data points to a clear conclusion: while the Managing Director title remains reasonably common in Saudi Arabia, genuinely separate MD-CEO structures represent a minority practice concentrated in specific ownership and sectoral contexts. It is within this minority that the most significant governance questions discussed in this paper arise.

3. WHAT EXPLAINS SEPARATE MD AND CEO APPOINTMENTS?

Our analysis of Tadawul companies suggests that MD-CEO separation in Saudi listed companies is often an ownership-driven phenomenon. Among companies with separate MD and CEO roles, we found that 61% of Managing Directors had a direct link to major shareholders or founding families, while a further 18% were former CEOs who had transitioned into the MD role.

In a clear majority of companies with separate MDs and CEOs, the CEO was not appointed as a board member. CEO board membership only occurred in 25% of cases, significantly less often than in the listed market as a whole (where 42% of CEOs are board members).²

Table I provides examples of Tadawul companies with separate MDs and CEOs, and categorizes them according to the MD’s background and the CEO board status.

Table I: MD role patterns in Saudi listed companies

Pattern	Description	Examples
Ownership-aligned MD	Shareholder	Leejam Sports Co. Horizon Food Co. AME Company for Medical Supplies.
	Representative of Major Shareholder	ACWA Power Co. Arabian Centres Co. Saudi Automotive Services Co.
	Family Representative	BinDawood Holding Co. Mulkia Investment Co. Hedab Al Khaleej Trading Co.
Transition MD	Former CEO retaining influence	Seera Group Holding. Ladun Investment Co. Sadr Logistics Co.
Hybrid Model	Both MD and CEO sit on the board	Tamkeen Human Resource Co. Filing and Packing Materials Manufacturing Co. Makkah Construction and Development Co.
Supervisory/ Professional MD	MD brought in for oversight	Al Qemam for Computer Systems Co. Saudi Fisheries Co. Sinad Holding Co.

Source: CFG governance database, based on 2025 annual reports.

² Center for Governance (CFG) (2025) Should the CEO be a board member? Riyadh: Center for Governance.

The above data combined with insights obtained from our discussions with Saudi board members points to a governance logic in which a separate MD role is often used to anchor ownership authority within the executive sphere.³ According to this model, the CEO is granted responsibility for operational leadership and execution, while the Managing Director retains strategic control, oversight, and ultimate influence over key decisions. Authority is therefore divided to preserve owner influence while accommodating the benefits of professional management.

This pattern is also pronounced in conglomerates, groups or sovereign-ownership structures. Here, the MD role is frequently used to embed a senior executive from the parent entity into a key position of influence in a subsidiary. In such cases, the MD role operates as a mechanism of vertical control across the group.

Family-controlled businesses often formalize this logic through what might be described as a governance triangle: a family member serves as Managing Director, an external professional is appointed as CEO, and another family representative acts as board chair. This structure enables professionalization of management to take place without a wholesale transfer of authority. Strategic control remains with the family, while operational execution is delegated to management. The separate MD role is central to maintaining this balance.

A second important explanation for the persistence of a separate MD role lies in leadership transition. In a significant number of companies, the Managing Director is a former CEO who has stepped back from day-to-day management but who wishes to remain involved in strategic oversight (see Table 1). This pattern is particularly common where the outgoing CEO is a founder, a major shareholder, or a long-serving and highly regarded transformational leader.

In these cases, the MD role functions as a transitional governance mechanism. It allows the company to retain institutional memory, key relationships, and strategic continuity during a CEO succession, while limiting the immediate transfer of full executive authority to the incoming CEO. Boards often frame this as a form of risk management: rather than entrusting a new CEO with unfettered authority from the outset, they retain an experienced figure – often with strong ownership ties – in a position of oversight and influence.

The MD role may also serve as part of the process of CEO induction. Newly appointed CEOs, particularly those recruited externally or from outside the ownership circle, are effectively “mentored” by the presence of a Managing Director. The MD provides guidance, oversight, and – in some cases – implicit constraint, until the CEO has demonstrated capability, cultural fit, and alignment with shareholder expectations.

3 Al-Faryan, A. (2023) Corporate Governance in Saudi Arabia: Developments and Challenges. Riyadh: Institute of Public Administration.

The third pattern illustrated in Table I – the least common – involves the appointment of a professional Managing Director with no obvious ownership or transition link to the company. In these cases, the MD role is intended to strengthen supervisory capacity, strategic coordination, or stakeholder engagement, particularly in operationally complex businesses or those facing transformation or crisis.

Beyond ownership and succession dynamics, the persistence of the MD role in Saudi Arabia may also be explained, at least in part, by the evolution of the Companies Law. For more than five decades following the foundational Companies Law of 1965, every Saudi joint stock company was required to appoint a Managing Director. The MD was the legally recognized executive authority, and the concept of a CEO, as understood in Anglo-American governance systems, did not formally exist.⁴

Although the Companies Laws of 2015⁵ and 2022⁶ progressively modernized this framework – first making the MD optional, and later requiring boards to appoint a CEO – neither law defined the MD's responsibilities. This legal permissiveness has allowed the dual MD/CEO structure to persist, even as the general trend has moved toward a unified CEO model.



4 Kingdom of Saudi Arabia. (1965) Companies Law, Royal Decree No. M/6 dated 22 Rabi al-Awwal 1385H (22 Apr 1965 G).

5 Kingdom of Saudi Arabia (2015) Companies Law, Royal Decree No. M/3, 28 Muharram 1437H (10 Nov 2015 G).

6 Kingdom of Saudi Arabia (2022) Companies Law, Royal Decree No. M/132, dated 1 Dhu al-Hijjah 1443 H (corresponding to 28 June 2022 G). Article 78, subsection 3: "The board of directors of a joint-stock company shall appoint a chief executive officer from among its members or others." In addition, it may appoint a Managing Director.



Institutional inertia may have also reinforced this outcome. Some companies' articles of association still refer explicitly to the Managing Director. Amending them requires shareholder approval and regulatory processes that boards may be reluctant to initiate unless strictly necessary.⁷ Over time, the MD role has also accumulated symbolic prestige, perhaps making it psychologically difficult to entirely abandon.

Taken together, these factors point to a deeper conceptual distinction between Saudi governance practice and the Anglo-American model. The MD role embodies an owner-centric conception of authority, in which executive power remains anchored in the board and the shareholder base.⁸ The CEO role, by contrast, reflects a management-centric conception of authority, built around unified leadership and clear accountability to an independent board.

In Saudi Arabia, the CEO model was largely imported as part of efforts to professionalize management and align with global norms. Rather than replacing the MD role, however, some boards have chosen to layer the CEO model on top of an existing MD structure. The result is a dual-executive arrangement: the Managing Director represents ownership and board authority, while the CEO represents professional management.

7 PwC Middle East. (2023) Corporate Governance Developments in Saudi Arabia. Dubai: PwC Middle East.

8 Al-Faryan, M.A.S. (2017) 'Ownership Structure and Corporate Governance: Evidence from Saudi Arabia', *Corporate Ownership & Control*, 14(4), pp. 152-160.

CASE STUDY

How the MD role fulfilled a governance need at a listed company

The following case was described by a board member and major shareholder at a Saudi listed company. Certain details have been anonymized and adjusted to protect confidentiality while preserving the underlying governance dynamics.

Prior to listing, the business was led for more than two decades by the founder-CEO. As part of IPO preparations, the founder stepped down from a combined Chair/CEO role. As he wished to retain some degree of involvement in the executive side of the business, the board appointed him as Managing Director and Vice Chair, while recruiting an external professional as Chief Executive Officer. A second family representative was appointed as non-executive Chair.

Rationale for the structure

The board had three principal justifications for the combined MD-Vice Chair role.

- First, it was framed as a mechanism for preserving strategic continuity and institutional memory following the founder's transition out of day-to-day management.
- Second, it was presented as a safeguard during the early tenure of a new CEO unfamiliar with the company's culture, ownership dynamics, and informal stakeholder relationships.
- Third, the MD-Vice Chair title provided a clear signal that ultimate strategic authority remained closely aligned with the founding family, even as professional management was introduced.

In internal discussions, the arrangement was described as temporary and explicitly linked to the CEO's induction process.

How it worked in practice

Formally, the CEO was responsible for operations, financial performance, and leadership of the executive team. The Managing Director's remit focused on strategy, major investments, government and key stakeholder relations, and oversight of transformation initiatives.

The Managing Director acted as the principal interface between the board and CEO on strategic matters, shaped board agendas, and played a central role in framing board discussions even though the Chair formally led meetings.

Senior executives frequently sought informal guidance or approval from the Managing Director before escalating proposals to the board, particularly on matters with ownership, reputation, or long-term strategic sensitivity.

Outcomes and governance implications

In the short term, the structure delivered stability. The leadership transition was orderly, relationships with key stakeholders were preserved, and external investors viewed the continued involvement of the founder as reassuring. The CEO benefited from access to the Managing Director's experience, credibility, and networks, particularly during the early phase of his tenure.

Over time, however, governance tensions emerged. The absence of the CEO from the board, combined with the strong board-level presence of the Managing Director, reinforced a perception amongst senior managers and business partners that the CEO was not empowered to make important decisions. The CEO's ability to establish independent leadership credibility was constrained. Several years after the IPO, the MD role remained in place, despite the original intention that it would be transitional.

Governance lessons

This case illustrates how the Managing Director role can function simultaneously as:

- a mechanism for owner-aligned strategic control,
- a quasi-induction framework for a newly appointed CEO, and
- a de facto substitute for an Executive Chair in a system that does not formally permit one.

It also highlights a central governance risk identified in this paper: that structures introduced to manage transition, continuity, and control can, over time, entrench role ambiguity, dilute executive accountability, and weaken rather than strengthen overall governance effectiveness.

4. THE GOVERNANCE RISKS OF HAVING BOTH A CEO AND MD

The historical, legal, and ownership-based rationales for appointing both a Managing Director role and a CEO role were set out in the previous section. However, such a strategy gives rise to material governance risks. These risks are likely to become more pronounced as Saudi companies mature, seek to attract external capital, and operate within increasingly transparent and internationally benchmarked capital markets.

Blurred accountability and diluted responsibility

The most fundamental governance weakness created by MD-CEO coexistence is the blurring of executive accountability. In a conventional governance model, the CEO is unambiguously responsible for operational performance, strategy execution, and leadership of management, and is held accountable by the board. Where a Managing Director exists alongside the CEO, this clarity is weakened.

In such circumstances, responsibility for outcomes can become ambiguous. If performance deteriorates, it may be unclear whether accountability lies with the CEO, who manages day-to-day operations, or with the MD, who may retain strategic oversight and influence over major decisions. Conversely, where performance is strong, credit may not be attributed to the right person. This ambiguity undermines one of the core functions of governance: the clear alignment of authority, responsibility, and accountability.

This risk is exacerbated by the lack of formal role definition. Among large Saudi listed companies that continue to use the MD designation, only a small minority clearly articulate the specific responsibilities, delegated authorities, and decision rights of the Managing Director in publicly available governance documents. For boards, executives, and stakeholders alike, this lack of transparency creates uncertainty over where authority truly resides.

Erosion of the CEO role and leadership effectiveness

A second, closely related risk concerns the erosion of the CEO's authority. If a CEO does not have full control over operational activities, strategic execution, and senior management appointments – and must defer to the Managing Director on some or all executive matters – then the role ceases to resemble that of a chief executive in any meaningful sense.

In such circumstances, the CEO may function more like a chief operating officer or general manager, despite holding the CEO title. This mismatch between title and authority is problematic. Internally, it weakens the CEO's ability to lead the organization, set direction, and hold senior executives accountable. Externally, it risks misleading investors and stakeholders who assume that the CEO designation carries a widely understood and internationally consistent set of responsibilities.

Over time, constrained CEO authority can also affect executive recruitment and retention. High-caliber candidates may be reluctant to accept a CEO role that lacks genuine decision-making power, particularly if ultimate authority remains informally vested in a board-embedded Managing Director.

Organizational confusion and informal power structures

MD-CEO coexistence also complicates internal governance and organizational behavior. Employees and senior executives may struggle to navigate reporting lines and escalation pathways when authority is divided between two senior figures. In such environments, informal power structures can easily emerge.

Rather than escalating issues through formal governance channels, executives may seek informal guidance or approval from the Managing Director before engaging with the CEO or the board. Strategic initiatives may be “pre-aligned” outside formal decision-making forums. While such practices may appear efficient in the short term, they weaken institutional processes, reduce transparency, and make it harder for boards to exercise effective oversight.

Over time, this can lead to a culture in which authority is exercised informally rather than through clearly defined roles and structures – a characteristic that is increasingly at odds with the expectations of modern corporate governance.

Board-level governance challenges

At board level, MD-CEO coexistence can distort governance dynamics. Where the Managing Director is a board member – and particularly where they are also a major shareholder, founder, or Vice Chair – their influence may extend beyond executive matters into board deliberations themselves.

This raises difficult questions about independence and oversight. Who evaluates the Managing Director’s performance? How effectively can independent directors challenge strategic decisions when the MD embodies both executive authority and shareholder influence? In practice, boards may rely more heavily on process – committees, external advisors, and formal assurance – to compensate for constrained interpersonal challenge.

The result is a governance system that may appear robust on paper but is less effective in practice at testing assumptions, challenging dominant views, and holding powerful actors to account.

External perception and investor confidence

From the perspective of international investors, proxy advisors, and global asset managers, the coexistence of MD and CEO roles in Saudi Arabia is unusual and often poorly understood. Most are accustomed to governance frameworks in which there is a clear separation between board oversight and executive management, and where a single executive – the CEO – is unambiguously accountable for performance delivery.

In a market that is actively seeking to attract foreign investment, governance arrangements that appear idiosyncratic or opaque can undermine confidence. Even if a dual-executive structure functions tolerably in practice, it may still be distrusted by investors who prioritize clarity, comparability, and alignment with international norms. This can translate into higher governance risk premiums and reduced investor appetite.

Minority shareholder and fairness concerns

There are also substantive concerns relating to minority shareholder protection. The Managing Director construct has, in some cases, enabled major shareholders or their representatives to encroach into the executive space, influencing operational and strategic decisions in ways that may privilege dominant ownership interests.⁹

In companies with minority shareholders, this raises questions about fairness and neutrality. A Managing Director who represents ownership authority may be perceived – rightly or wrongly – as less independent than a professional CEO accountable to the board as a whole. Over time, this perception can erode trust in the governance framework and weaken confidence in the company’s commitment to equitable treatment of shareholders.

⁹ Al-Faryan, A. (2023) Corporate Governance in Saudi Arabia: Developments and Challenges. Riyadh: Institute of Public Administration.

THE PERSPECTIVE OF BOARD MEMBERS

This section draws on interviews with Saudi board members. All quotations have been anonymized to reflect the sensitive nature of boardroom interactions and to preserve participant confidentiality.

From the perspective of Saudi board members, the coexistence of Managing Director (MD) and Chief Executive Officer (CEO) roles is rarely discussed in abstract governance terms. Instead, it is experienced as a practical arrangement shaped by ownership realities and inherited ways of doing things.

Several board members acknowledged that the MD role can play a bridging or mentoring function, particularly during periods of leadership transition. Where a CEO is newly appointed – especially if recruited externally or from outside the ownership circle – the Managing Director is sometimes seen as a stabilizing presence.

In such cases, the MD is expected to help the CEO navigate ownership expectations, informal stakeholder relationships, and board dynamics.

“There is often an assumption that the CEO will grow into the role over time,” one independent director noted. **“The MD is there to guide that process.”**

Related to this, board members observed that Managing Directors often focus on defined areas of responsibility, rather than attempting to replicate the CEO’s role. Commonly cited areas include strategy formulation, major investments, government and regulator engagement, capital allocation, and oversight of large transformation initiatives. One non-executive director remarked:

“The MD is not usually involved in day-to-day operations. Their attention is on the big, sensitive issues.”

In principle, this division of labor is intended to allow the CEO to focus on execution, while the MD concentrates on matters seen as too critical or reputationally sensitive to be fully delegated. Some board members viewed this as helpful in the short term, particularly in complex or politically exposed environments.

However, several board members were also clear that this bridging and domain-focused role is inherently fragile from a governance perspective. As one independent director cautioned:

“What starts as guidance can very quickly become direction.”

Concerns about accountability were raised. Directors questioned whether responsibility for outcomes can be clearly assigned when strategic and operational roles overlap:

“When results are weak, it becomes very difficult to answer a simple question: is this a CEO issue or an MD issue?”

Several directors noted that, in practice, accountability tends to fall disproportionately on the CEO. CEOs are easier to evaluate, challenge, and replace than Managing Directors, particularly where the MD embodies ownership authority. As one nomination committee member observed:

“The CEO is accountable to the board. The Managing Director may not be.”

Board members also highlighted the signaling effect of MD-CEO coexistence within the organization. Where the Managing Director sits on the board – and especially where the CEO does not – perceptions of authority can become skewed:

“When the CEO is not in the boardroom, but the Managing Director is, it inevitably shapes perceptions of authority.”

Board members expressed concern about how such structures are viewed by international investors and governance commentators. Dual executive roles often require explanation, and that explanation is not always convincing:

“I am not sure that people outside of Saudi understand how the MD role works here.”

Importantly, directors drew a clear distinction between temporary and permanent arrangements. Many were willing to tolerate the coexisting MD-CEO model during defined transition periods, such as post-IPO phases or founder succession. However, they were more critical when the structure became entrenched:

“As a transitional arrangement, it can work,” one board member noted. **“As a permanent model, it creates confusion and eventually frustration.”**

Overall, Saudi board members expressed mixed views about MD-CEO coexistence. Some acknowledged the historical and ownership-based logic of the model, and believed that it could work well in practice. However, others recognized its potential to undermine CEO authority, blur accountability, and weaken overall governance effectiveness.

5. CONCLUSION: THE BENEFITS OF CLEAR EXECUTIVE ACCOUNTABILITY

The analysis set out in this paper leads to a clear conclusion: while the coexistence of Managing Director and Chief Executive Officer roles in Saudi companies is historically explainable, it is increasingly difficult to justify from a contemporary governance perspective. What emerged as a pragmatic solution to ownership concentration, founder succession, and regulatory evolution has become a source of ambiguity that weakens accountability, distorts authority, and complicates board oversight.

The global rise of the Chief Executive Officer title provides useful context. From its origins in the United States in the 1930s to its global adoption today, the role reflects the broader evolution of corporate governance – from owner-managed enterprises to professionally led organizations operating in increasingly integrated capital markets.¹⁰ While governance systems continue to vary across jurisdictions, the CEO designation has come to represent a widely understood focal point for executive authority and accountability.

In Saudi Arabia, the CEO role is no longer a new phenomenon. It is increasingly understood by boards, regulators, investors, and executives themselves as a marker of professional management, leadership clarity, and modern governance practice. Against this backdrop, the layering of the CEO role on top of that of the MD creates ambiguity and complexity.

Where two senior executive figures coexist, each can plausibly claim legitimacy, yet neither may be fully accountable. The evidence presented in this paper shows how this duality can blur responsibility, constrain CEO authority, and encourage informal power structures that sit uneasily with transparent governance.

This is not to say that the persistence of the MD role is the result of “bad governance.” Ownership alignment, succession management, and continuity concerns remain powerful motivations, and boardroom interviews confirm that many directors view the Managing Director as a stabilizing presence during periods of transition. However, the same interviews reveal acknowledgement about the sustainability of this arrangement. What may function as a temporary mechanism often becomes entrenched, long after the original justification has faded.

¹⁰ Chandler, A. D. Jr. (1977) *The Visible Hand: The Managerial Revolution in American Business*. Cambridge, MA: Harvard University Press.

This points to the next phase in the evolution of Saudi corporate governance. Not every feature of foreign governance models warrants adoption. However, the use of a single, clearly empowered Chief Executive Officer – supported by a strong board, independent oversight, and transparent delegation of authority – is one area where completing the transition would materially strengthen governance outcomes. Phasing out situations where the Managing Director role and the CEO role is held by separate individuals would enhance clarity for executives, boards, employees, and international investors alike, while reinforcing accountability and leadership effectiveness.

In a capital market with increasingly global ambitions, such clarity around executive authority is not a superficial consideration. It is fundamental. Completing the shift to a unified CEO model would signal that Saudi Arabia's governance framework is transparent, investor friendly and strongly committed to the highest standards of governance.



ABOUT THIS PUBLICATION

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We welcome comments and feedback on this paper. Please get in touch with us at research@cfg.sa

ABOUT THE CENTER FOR GOVERNANCE

The Center for Governance was established by the Public Investment Fund (PIF) in 2020, and is dedicated to enhancing corporate governance capabilities and know-how in Saudi Arabia and beyond. We are a catalyst for governance excellence in the Kingdom, delivering practical solutions that elevate standards, build trust, and foster societal progress.

Our work spans the public, private, and non-profit sectors in three core areas:

- We undertake board evaluations for all kinds of entities, and provide advisory services relating to governance, risk, and compliance.
- We design and deliver development programs aimed at board members, the C-Suite, and governance professionals.
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