

Essential Governance Guide for Family-Owned Businesses in the UAE

Abdulhameed Al Jasmi Advocates
عبد الحميد الجاسمي للمحاماة



As a prominent law firm dedicated to serving the vibrant landscape of family-owned enterprises in the United Arab Emirates (UAE), Abdulhameed Al Jasmi Advocates and Legal Consultants present essential governance guidelines distilled from the comprehensive insights of the Dubai Centre for Family Businesses. These guidelines encapsulate crucial strategies and components tailored to navigate the nuanced dynamics of family businesses within the UAE context.

Key Components of Governance Framework for Family Businesses

Drawing from the expertise of the Dubai Centre for Family Businesses, we emphasize the importance of the following components in establishing a robust governance framework:

Family Charter: A foundational document outlining principles, values, and regulations governing familial relationships and business operations.

Shareholders Agreement: Legally binding protocols defining rights, obligations, and shareholding dynamics to ensure clarity and stability among stakeholders.

Articles of Association: Legal instruments harmonized with the Family Charter, specifying internal rules and operational protocols compliant with UAE business regulations.

Family Majlis and Council: Formal platforms facilitating dialogue, consensus-building, and alignment of familial aspirations with business objectives, reflecting Emirati cultural values.

Board of Directors and Committees: Strategic oversight bodies entrusted with performance evaluation, risk mitigation, and formulation of prudent strategies, adhering to UAE corporate governance standards.

Executive Management: Leadership tasked with executing strategic directives and ensuring operational efficiency, reflecting UAE's commitment to professionalism and excellence.

Internal Audit, Risk Management, and Compliance: Vital functions fortifying internal controls, preempting risks, and ensuring adherence to UAE regulatory frameworks to safeguard integrity.

Navigating Overlapping Family and Business Priorities in the UAE

In collaboration with the Dubai Centre for Family Businesses, we highlight strategic approaches for navigating the complex interplay between familial and business interests:

Define Clear Roles and Responsibilities: Precisely delineate familial roles and business responsibilities to foster impartial decision-making and mitigate conflicts of interest.

Establish Communication Channels: Cultivate transparent communication channels to preserve familial cohesion amidst business exigencies, aligning with Emirati cultural norms.

Implement Impartial Decision-Making Frameworks: Prioritize business interests over personal considerations, ensuring judicious decision-making while respecting cultural sensitivities.

Adopt Corporate Governance Practices: Embrace transparency, accountability, and fairness in alignment with UAE's commitment to international best practices and regulatory standards.

Plan for Succession: Devise succession plans to ensure seamless transitions, reflecting UAE's forward-looking approach to continuity and sustainability.

Seek External Expertise: Leverage external insights to navigate complex familial dynamics, enhancing governance mechanisms and fostering continuous improvement.

Best Practices for Clarifying Roles and Responsibilities

We underscore the following best practices distilled from the expertise of the Dubai Centre for Family Businesses:

Define Clear Roles and Responsibilities: Articulate clear mandates to foster alignment and mitigate ambiguity.

Separate Family and Business Roles: Maintain clarity and integrity by distinguishing familial roles from business functions.

Implement Governance Structures: Institute formal structures to fortify oversight mechanisms and uphold governance imperatives.

Promote Transparency: Cultivate openness and accountability to foster trust and integrity in accordance with UAE's values.

Develop Policies and Procedures: Codify robust protocols to mitigate risks and address conflicts of interest.

Ensure Succession Planning: Strategically plan for continuity and resilience across generational transitions.

In conclusion, the guide provides indispensable insights into establishing robust governance frameworks crucial for the sustainable growth of family-owned enterprises in the UAE. Through its exploration of the key components of the governance framework for family businesses, including the Family Charter, Shareholders Agreement, and Executive Management structures, the guide offers a comprehensive roadmap for fostering clarity, stability, and alignment within these enterprises.

The recent development highlighted within the UAE context, represented by the enactment of Federal Decree-Law No. 37 of 2022 concerning Family Companies, serves as a pivotal step in encouraging family businesses to voluntarily adopt corporate governance principles outlined in the guide. While not obligatory, this legislation incentivizes family enterprises to integrate efficient governance protocols, thereby enhancing their resilience and prospects for enduring prosperity. By embracing these principles and practices, family-owned enterprises can transcend complexities, mitigate risks, and capitalize on opportunities, ensuring their resilience and continuity across generations. Finally, the guide's elucidation of best practices for clarifying roles and responsibilities underscores the importance of defining clear mandates, separating familial and business roles, and implementing formal governance structures. Adhering to these best practices fosters transparency, accountability, and long-term success, contributing to the vibrancy and sustainability of the UAE's economic landscape.

To view Dubai Centre for Family Businesses' Corporate Governance Guidelines, visit www.dubaichamber.com.

www.ajlc.ae

info@ajlc.ae

+971 4 22 510 11