

In this article, we look at a number of practical steps which SMEs in the Middle East can take as they start on the path to implementing corporate governance within their business.

Getting started with governance: a guide for SMEs

While SMEs in the Middle East are not required to comply with the full range of governance regulations that are mandatory for publicly listed companies, there is still significant value to be gained in implementing aspects of corporate governance, even at an early stage.

The extent to which SMEs are able to introduce elements of corporate governance will depend on various factors, including the available budget, resources, and expertise. In general, though, the following steps are a useful guide for any small or medium business considering a move towards a more formally governed structure.

Set objectives

Different businesses will have different motivations for introducing elements of corporate governance, and the reasons most relevant to you will inform your approach.

For example, if you're running a tech startup, you may be looking primarily to facilitate growth, whereas if your business is in the healthcare sector, compliance and risk

management might be more pressing concerns. Defining your key objectives is a good first step in identifying which aspects of governance will best help you achieve them.

Separate functions

Depending on your individual situation, you may wish to set up a formal board of directors or start smaller by appointing an advisory board, or even simply one or more independent advisors.

Whichever path you choose, it's an important step in beginning to separate the strategic and executive functions. This will serve you well as your business grows further.

Define roles

Whether you've added a board or a less formal advisory function, it's important to clearly define and publicize the specific roles and responsibilities of each party.

You should precisely document to whom you have delegated authority to act on the company's behalf, what limits there are on their powers, and how they will be held accountable for their actions. Examples could include the ability to authorize expenditure, or the ability to enter contractual relationships on behalf of your business.

Regular oversight

Regular board (or advisory) meetings are crucial to effective governance, providing a framework for the transparent disclosure of relevant information. The meetings should include progress reports on company activity, updates on actions proposed in previous meetings, reporting on budgets and the financial position of the business, and discussions on company strategy.

To ensure that meetings are properly scheduled, conducted, and recorded, you may wish to appoint a Company Secretary or contract a third party to provide secretarial services.

Manage risk

Risk management is a key area of governance, and you should implement a risk management process, along with internal controls to formalize this function.

For SMEs just starting out with corporate governance, an obvious place to begin is with financial risk, e.g., monitoring and controlling cash flow or credit arrangements. Depending on your area of business, you may also start by looking at data security; physical security; health and safety; compliance; or environmental, social, and governance (ESG) issues.

Ensure continuity

Another central aim of governance is to ensure the stability and continuity of your business, regardless of external factors or events. While SMEs benefit from the agility that comes with smaller headcounts and flatter management structures, it's still important to plan how you will respond should something go wrong.

A good starting point for SMEs is to develop a disaster recovery and business continuity plan which covers how the business will respond in the event of a crisis. This should include a range of scenarios including technical failures, environmental threats, personnel issues, financial events, and social or political upheaval.

Codify ethics

Operating your business in an ethical fashion is vital to your success, in terms of managing risk, minimizing liability, and maintaining good relationships with partners, investors, employees, shareholders, and customers.

Developing and publishing a written code of ethics is important, as it normalizes the conversation around ethical conflicts. While such conflicts may be rare in SMEs, codifying this early will help to preserve standards as your business grows, and embed a workplace culture of honesty, accountability, and respectful behavior.

Review regularly

As you begin to introduce and implement different elements of corporate governance, it's important that you regularly evaluate the impact and success of each new initiative and look at the best way to progress.

If you have an advisory board, is it fulfilling its purpose efficiently, or is it time to formalize it? If you already have a formal board, is the composition of your board appropriate for the next phase of development, or do you need to appoint new directors?

Or, does your continuity plan need to be updated to include new risks or threats which have emerged? Regular reviews will help you to plot the best course in terms of improving your governance structure.

Getting started

For owners of SMEs looking to get started with corporate governance, MEIoD offers a range of services and capacity-building programs designed specifically to support and assist you. [Contact us](#) or visit [Entrepreneurs](#) segment to learn more.

About the Author:



Maali Q. Khader is a highly experienced, effective, and trusted lawyer. Today she is a luminary in the corporate governance, sustainability, legal training, and advice sectors.

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