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Inside MIM

- Read more about Corporate Governance
- Trademark Registration
- Stakeholder Value Maximization



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Inside MIM is a periodic newsletter written by MIM staff. It discusses key topics in management, consulting, auditing and accounting, etc. Since MIM is engaged in the field of management consultancies, our professionals have adequate expertise that they have gained through their years of experience at MIM. They therefore share their expertise and thoughts through this newsletter. Martin Cox & Associates, MIM sister company, is engaged in the field of auditing and accounting. Our professionals, through their experience in auditing and accounting, share updates, insights and information about auditing and accounting to keep you informed and up-to-date.

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corporate governance

Corporate governance is the way in which companies are governed to achieve its objectives. It is a field of research which is multifaceted as it involves issues related to the board of directors, executive compensation, ownership structures, and market for corporate control, shareholder activism and regulations. The fundamental issue of corporate governance in companies lies in the potential conflict of interest between the board of directors and other stakeholder groups especially shareholders and employees.

The directors of a company may be more interested in boosting the company's performance on a short term basis in order to gain their performance related rewards or may even take risks or decisions aimed at achieving short term goals which would not help the company's performance in the long run. On the other hand, shareholders are more concerned with company's performance in the long run, continued existence of the company and an increase in the value of their investments so if the company runs into financial problems the shareholders do not suffer a great financial loss.

The board of directors in a company appears to be a very important part of a company as they are essentially the decision making organ of a company. They are the link between the shareholders and the managers. The strength of a company will therefore depend on the balance power between those who own the company and those who run it.

A central issue in corporate governance is therefore the balance of power and influence among individuals on the board. In a poorly governed company, there will be no checks and balances to prevent one individual, or group of individuals, from dominating the board and its decisions. And in such a company, there will be an opportunity for autocratic leadership. Autocratic leadership may be enlightened and even good for the company, but there is a risk a company will be used to serve the purpose of that individual.

In most of the companies the board of directors are usually dominated by executives in terms of numbers and access to and control of information and this is a cause for concern as many companies failed due to lack of countervailing influence on boards dominated by executives only.

Since the executives have more access to information they can decide which information to pass on to the non executive directors who most often do not spend enough time in the company to know what really goes on . The executives may also decide to withhold sensitive information or even manipulate information to suit their positions. The appointment of people who are acquaintances or executive from other boards many of whom have a pre existing relationship with the firm, cannot be expected to perform monitoring and control roles required to protect shareholders interest.

It almost goes without saying that an individual appointed to the board of a public company should possess personal qualities such that investors should trust his or her honesty and integrity. Individual directors should have a sense of what is right and wrong, and act in an ethical way in business Although the board should aim to reach agreement on all issues, there might be some on which the directors disagree. A director should have the strength of character to back what he or she believes in, and should certainly not agree with the rest of the board simply to avoid argument. Where necessary, individuals should be prepared to disagree with the majority of the board, and let their views be known. If a NED resigns as a result of any concern, he or she should provide a written statement to the chairman, for circulation to the board. To achieve balance and objectivity at board level no one individual should have excessive powers; and there should be a significant numbers of independent directors on the board: independence is provided by NEDs.

Director's remuneration seems to rise at an alarming rate regardless of company performance. According to monks and minnow these pay schemes rarely relate to the performance of the company or that of the individual director and in addition to retainers, meeting fees, chairmanship fees, and stocks or option grants most companies also give huge discounts on whatever they produce.

A good remuneration package is one that aligns the interests of the individual directors with those of the company and its shareholders. The remuneration committee should consider whether the directors should be eligible for annual bonuses. If so, performance criteria should be 'relevant, stretching and designed to enhance shareholder value'. There should be upper limits to annual bonuses, and these limits should be disclosed.

The significance of corporate governance cannot be over emphasized as it is 'one key element in improving economic efficiency and growth as well as enhancing investor confidence as a result, the cost of capital is lower and firms are encouraged to use resources more efficiently, thereby underpinning growth. Corporate governance also helps to ensure that assets of the firm are secure and not subject to expropriation by individual groups within a firm who could exercise excessive power. It is an instrument of checks and balances in the administration of a company. A corporate governance program can boost your company's reputation. If you publicize your

corporate governance policies and detail how they work, more stakeholders will be willing to work with you. This can include lenders who see you have strong fiscal policies and internal controls, charities you might partner with to promote your business, government agencies, employees, the media, vendors and suppliers. The practice of sharing internal information with key stakeholders is known as transparency, which allows people to feel more confident you have little or nothing to hide.

We at MIM provide you with the most effective and transparent Corporate Governance models, which will help you to improve your business and market standing. This will help you obtain capital at lower cost, strengthened business strategy, will clarify accountability, it will enhance shareholder protection, and will attract more qualitative employees.

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Trademark Registration

Trademarks are brand identifiers. A trademark is a word, phrase, symbol or design that identifies and distinguishes the goods of one party from those of other parties. There are two kinds of marks, firstly the trademark and secondly the service mark. A service mark is similar to a trademark but a service mark identifies and distinguishes the source of their services rather than a product or a good.

Trademarks play an important role for the commercialization and growth of the industry. It is an asset, which forms the basis of any business to the ultimate purchaser or the consumer. It establishes the relation between the goods and the manufacturer. Trademarks establish goodwill between the source of a product or service and the consumer. They uniquely associate a product or service with a particular source, even if that source is unknown to the consumer. The reputation built by a trademark on the basis of the quality of the product or performance of the services together with the customer satisfaction, influences the customer's mind for repetitive orders. The customer may not even know the name or the address of the manufacturer but it is the mark, as an ambassador of the manufacturer, which weighs his decision to buy or not to buy a particularly branded product. It takes a long time for any manufacturer to establish goodwill or reputation of his trademark in the eye of the ultimate purchaser so as to reap long-term benefits. The promotion of the trademark by the owner also plays a vital role in a reputation built up exercise. If someone else attempts to deal out products using something “confusingly similar” to your trademark, you have the legal right to protect yourself and stop them.

If you register your brand name as a trademark you will be given a statutory right to protection of that name all over the country in spite of your reputation. This right can be evidenced by the use of ® to indicate to consumers and other traders the trademark is registered. Trademarks are precious business possessions in that they can be sold or licensed. If a competitor starts to use the same or a similar name or logo, trademark registration gives the owner of the trademark a faster, easier and cheaper way to prevent that competitor from using that name.

On the other hand trademark registration has been unfavorable as well. Firstly, the owner will need to show proof of use at regular intervals, the first submission is between 5-6 years after registration, and the second is 5 years later and every 10 years thereafter. If the owner does not file these documents on time, it could lead to the loss of trademark. The trademark is also described as the weakest form of intellectual property protection as it protects just marketing concepts and not always product itself. Therefore, trademark should go with other intellectual property rights like patent. Another disadvantage for trademark owners is that they will have to pay fee for registration and renewal. The fee depends on the number of classes of products that are covered in the application and some more additional fees.

However, your trademarked name clearly labels anything you make or sell as yours and no one else's; it marks your territory and protects you from counterfeit goods. So people can have a brand loyalty with you and no one can sell goods or services under your name or logo using your build up reputation for years and years.

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Stakeholders Value MAXIMIZATION

Business is all about creating right mix of value to its stake holders. Stake holders include but are not limited to Customers, Employees, Shareholders, Vendors, Government and the society. The first three being the most important, no business can survive in the long term without continuous value addition to them.

Let's look at why it is important to add value to the following stakeholders?

1. Customers

A business idea is worth considering only if there is a market for the same. That is, if it can solve any problem of its customers and adds value to them. Because they are the source of revenue for any business and of course money is the life blood of any business. Thus, there is no doubt that your loyal customers are valuable assets to your business.

2. Employees

Retaining your best employees is as important as retaining your customers, because it is your employees who represent your business to the market outside. The better you compensate them, the better they will serve your customers. Thus, happy employees lead to happy customers who indeed bring you more revenue. If your employees are not loyal to you, don't expect your customers to be, because if someone in your family is not, how can you expect an outsider to be?

3. Shareholders

Shareholders are the risk takers who accepted the risk expecting a return for the same. So, it is definitely the obligation of any business to give its shareholders a return on their investment.

How we help add value to your business?

At MIM, by conducting feasibility studies, business plans, corporate governance, performance management and improvement, we help you add value to your business. Right from the inception of your business idea we evaluate it in terms of the value

addition it makes to the targeted Customers and Shareholders. Thus we give you fair idea about the value it creates and advice the promoter, by conducting feasibility study, whether to go ahead with the business idea. We also help you find the best employee for each position for your organization through our recruitment services.

In short we strive to prosper your business in every sense, because our success is after yours.

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