



CONSULTING  
**H**AUS

**CORPORATIZATION SERVICES**

OCTOBER 2024



## Corporatization services

### TRANSFORMING INTO A CORPORATION INVOLVES OPTIMIZING SEVERAL KEY AREAS OF YOUR BUSINESS

As businesses move down the maturity curve, a transformation of their financial and governance infrastructure is required to ensure continued growth and longevity

#### WHAT IS CORPORATIZATION ?

Corporatization refers to the process through which privately held businesses transform their operations by adopting and enhancing their management practices to achieve the following objectives:

- **Implementing a robust corporate governance framework:** Supporting principles of accountability, transparency, risk management, and sustainability.
- **Establishing key processes and infrastructure to support business operations:** Ensuring effective financial reporting and planning capabilities are in place coupled with competent and skilled staff and adequate technology to cater to the operational needs.

#### WHAT IS DRIVING THE NEED FOR CORPORATIZATION?

- Privately held businesses in the GCC are increasingly embarking on the corporatization journey to enhance their operational efficiency and align with global best practices. This transition allows these organizations to establish robust financial infrastructures that improve financial reporting and strategic planning, ultimately driving better decision-making.
- Furthermore, corporatization fosters the implementation of strong corporate governance frameworks, which enhance accountability and transparency while effectively managing risks. As these businesses seek to attract investment and foster growth, the benefits of corporatization become evident: it not only enhances credibility with stakeholders but also positions companies to adapt to evolving market demands and regulatory environments.
- By embracing this journey, GCC businesses are better equipped to achieve long-term sustainability and competitive advantage in an increasingly dynamic economic landscape.

#### KEY COMPONENTS ON THE CORPORATIZATION JOURNEY

1	LEGAL STRUCTURE, BOARD OF DIRECTORS ("BoD") & EXECUTIVE MANAGEMENT ("EM")
2	CORPORATE STRATEGY & DEPARTMENTAL OBJECTIVES
3	INTERNAL AND EXTERNAL CONTROLS AND COMPLIANCE MANAGEMENT
4	KEY BUSINESS FUNCTIONS – OPERATIONS & SUPPORT
5	FINANCIAL MANAGEMENT
6	HUMAN RESOURCE MANAGEMENT
7	INFORMATION TECHNOLOGY ("IT") MANAGEMENT
8	HEALTH SAFETY & ENVIRONMENT ("HSE")



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### OUR APPROACH TO CORPORATIZING BUSINESSES

Consulting HAUS LLC (“**CH**”) has developed a two-phase approach to corporatizing businesses: A gap assessment followed by support in remediating the identified gaps

#### PHASE 1: GAP ASSESSMENT

- Our corporatization assessment covers all the key components to be considered as part of a corporatization journey: Accounting practices, financial systems, financial planning, internal controls, performance measurement, risk management, shareholder reporting and training & development.
- The objective of this phase is to assess the current state of the business's financial and governance practices against industry leading practices (or appropriate benchmarks given the context of the particular engagement). Based on this, we identify gaps and recommend remediation strategies to enhance operational efficiency, accountability, and compliance.
- We work hand in hand with you (or the target company) to identify and discuss any gaps that need closing on your corporatization journey.
- By assessing the extent and nature of any gaps, we will report our findings for each of the above areas in one of the three following categories:
  - Immediate action required
  - Adjustments required
  - In place (no action required)
- We analyze these gaps in greater detail in individual follow-up workshops and clarify the time, content and resources required to close them. These results are then used to develop a prioritized work plan associated with the remediations.

#### PHASE 2: REMEDIATION ACTIONS

- Based on the identified gaps covering both the financial and governance assessment, we will develop a comprehensive remediation plan and support with the implementation.
- The detailed plan for executing the remediation strategies includes the assignment of specific tasks and responsibilities, timelines for implementation and details of resource requirements and estimated costs.
- The plan aims to align the company's practices with industry best standards, enhancing operational efficiency and compliance.

#### BUY-SIDE DUE DILIGENCE

- We have seen an increase in the requirement for an acquiring company to incorporate the gap assessment of financial and governance practices into their buy-side diligence process to gain a comprehensive understanding of the target company's operational health and potential risks.
- Identifying gaps in accounting standards, financial systems, and governance frameworks allows the acquiring entity to evaluate not only the target's compliance with industry leading practices, but also the potential for future liabilities and inefficiencies.
- This assessment provides crucial insights into the target's ability to generate sustainable value, informs the negotiation process, and helps in crafting post-acquisition integration strategies. By addressing these gaps early, the acquiring company can mitigate risks, enhance synergies, and ensure a smoother transition, ultimately leading to a more successful acquisition outcome.



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### THE GAP ASSESSMENT PROVIDES DEEP INSIGHTS INTO THE FINANCIAL & GOVERNANCE INFRASTRUCTURE OF THE COMPANY

Our team will first undertake a gap assessment against best practices and highlight the key areas for remediation

#### SUMMARY OF THE QUESTIONS ADDRESSED DURING THE CORPORATIZATION JOURNEY



##### LEGAL STRUCTURE, BoD & EM

- Is there an effective and optimal legal structure in place that matches the requirements of the business(es)?
- Does the BoD exist in a functional capacity, including a suitable board charter that is fit for purpose?
- Is there a mix of board members comprising executive, non-executive, and independent members?
- Is there a board chairman among the board members, and is there a board secretary in place?
- Are there board committees established to support various tasks and responsibilities related to strategic, regulatory, and operational matters?
- Are the roles and responsibilities defined for the board members, committee members, chairman, and secretary in the terms of reference?
- Are the senior and EM personnel effectively managing the company's operations?



##### STRATEGY & OBJECTIVES

- Does the business strategy outline the corporate priorities for the long, medium, and short term?
- Is the business plan aligned with the long-term corporate strategy?
- Are there departmental strategies or plans that outline the priorities and milestones for individual business units in line with the corporate strategy?
- Are there key performance indicators (“KPIs”) established at both the entity-wide and departmental levels to assess the overall contribution to achieving the business strategy?
- Are key policies and frameworks, such as the delegation of authority matrix and operational guidelines, in place to facilitate process execution?
- Is there a system for monitoring and reporting on the entity-wide and departmental milestones and KPIs on a periodic basis?



##### CONTROLS & COMPLIANCE

- How does the internal audit assess and evaluate entity-wide processes and controls for their adequacy and effectiveness?
- What processes are in place for enterprise risk management to identify, evaluate, and mitigate potential risks to the organization?
- How does the anti-fraud framework identify and mitigate potentially fraudulent activities, and what corrective measures are taken?
- What systems are implemented for legal and compliance management to track, monitor, and report on ongoing compliance requirements from both operational and regulatory perspectives?
- How does the external audit contribute to the annual statutory reporting and financial disclosures?
- What external certifications or reviews are conducted to validate the adequacy and effectiveness of internal processes according to local standards and leading practices?



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##### KEY BUSINESS FUNCTIONS

- How is finance managed to oversee financial operations, budgets, and reporting requirements?
- What processes are in place for human resources and administration to manage recruitment, payroll, compensation and benefits, learning and development, and performance management activities?
- How is IT managed in terms of IT setup, security, data protection, and network and application management?
- What strategies are implemented for business continuity management ("BCM") to ensure the critical business processes are maintained with necessary backups?
- What measures are taken to ensure health, safety, and well-being of staff while at work?
- How does the organization engage in corporate social responsibility ("CSR")?



##### FINANCIAL MANAGEMENT

###### ACCOUNTING PRACTICES

- How does the company review compliance with accounting standards, such as GAAP or IFRS?
- Does the company adhere to GAAP or IFRS in its financial practices?
- How consistent are the financial reporting practices across different periods to ensure reliability?
- What is the structure and comprehensiveness of the existing chart of accounts?
- Are there any inconsistencies or redundancies in the chart of accounts that may hinder accurate financial reporting?
- How frequent and thorough are the internal reviews of financial statements?
- What is the effectiveness of the existing reconciliation processes in ensuring accuracy?

###### FINANCIAL SYSTEMS

- How effective is the current financial management software in terms of features, scalability, and user-friendliness?
- What gaps in functionality exist, such as reporting capabilities, integration with other systems, and ease of use?
- How is financial data collected, stored, and accessed, and what measures are in place to ensure data integrity and security?
- What are the real-time reporting capabilities, and how accurate are the generated financial reports?
- Which existing manual processes could be automated to improve efficiency?
- What opportunities for technology upgrades exist that could streamline financial operations?

###### BUDGETING & FORECASTING

- How are budgets developed, and what is the level of stakeholder involvement in ensuring alignment with strategic objectives?
- What is the frequency of budget revisions, and what mechanisms are in place for incorporating feedback?
- How is sensitivity analysis utilized to identify key assumptions and their potential effects on financial outcomes?
- How are budgets monitored against actual performance, and what is the frequency and format of reports provided to stakeholders?
- How effective are the feedback mechanisms in driving budget adjustments and strategic realignments?



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##### HUMAN RESOURCE MANAGEMENT

- What is the detailed process for recruiting and onboarding resources, including proper induction?
- Are there defined KPIs for each grade in the performance management system?
- How is the compensation and benefits structure defined to incentivize employees?
- What training and development methodologies are in place to enhance the skillset of the workforce in line with their role expectations?
- How is the employee relations process defined for current and exiting employees, including the termination and exit process?
- Is there a defined code of conduct for the workforce to adhere to, and how does it align with the company's corporate values?



##### IT & BCM

- What frameworks and policies exist to ensure that IT governance aligns with business goals?
- Are there robust mechanisms in place for the management of hardware, software, networks, and data centers, including the development, deployment, and maintenance of software applications, as well as data collection, storage, backup, and recovery?
- What defined frameworks are in place for IT service management, including incident management, change management, problem management, service level management, and performance management?
- Is there a documented BCM plan to ensure that critical business functions can continue during and after a disruption?



##### HSE & CSR

- What comprehensive policies establish the organization's commitment to maintaining a safe and healthy workplace while minimizing environmental impact, including waste management, pollution prevention, and resource conservation?
- What existing policies ensure compliance with local, regional, and national HSE regulations?
- How does the organization ensure a safe and inclusive work environment for all staff members in terms of employee well-being, diversity, and inclusion?
- Are there policies in place for CSR that focus on building relationships with local communities through philanthropy, volunteerism, and support for community development initiatives?



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THE RESULT: SIGNIFICANTLY ENHANCED OPERATIONAL,  
FINANCIAL AND STRATEGIC CAPABILITIES

### BENEFITS OF CORPORATIZING YOUR BUSINESS

- Achieving corporatization offers numerous advantages that significantly enhance a business's operational and strategic capabilities.
- Firstly, it fosters a clearer governance structure, which improves decision-making and accountability through a well-defined BoDs and robust legal frameworks. This governance enhances stakeholder confidence and can attract investors, leading to increased capital and resources for growth.
- Secondly, corporatization typically leads to greater operational efficiency, as the organization implements best practices across key business functions, optimizing processes and resource allocation. This efficiency not only reduces costs but also accelerates responsiveness to market changes.
- Additionally, corporatization strengthens financial management practices, ensuring better financial oversight, transparency, and reporting, which can enhance credit ratings and access to funding. Furthermore, it cultivates a stronger organizational culture focused on performance and accountability, which can boost employee morale and retention through improved human resource management.
- Lastly, corporatization promotes a strategic focus on innovation and competitive positioning, enabling the business to adapt proactively to industry trends and customer needs, ultimately driving sustainable growth and long-term success.



**OPTIMAL LEGAL  
STRUCTURE & BOARD  
OVERSIGHT**



**DEFINED STRATEGY &  
OBJECTIVES**



**SUFFICIENT CONTROL  
ENVIRONMENT**



**CLEAR DEFINITION OF KEY  
BUSINESS FUNCTIONS**



**ROBUST FINANCIAL  
MANAGEMENT**



**OPTIMAL HR FUNCTION**



**ADEQUATE IT FUNCTION**



**APPROPRIATE LEVEL OF  
HSE OVERSIGHT**

A photograph of two people shaking hands in a business meeting. The image is overlaid with a large, white-outlined geometric shape consisting of several interconnected triangles and polygons. The text 'CONSULTING HAUS' is centered within one of the blue-shaded triangular sections of this overlay. The background is a blurred office setting with a desk, papers, and a pen.

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