

# Emaar united arab emirates economics essay



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Corporate governance is the convergence of economics and relationships that determine a company's direction and performance. Its purpose is to optimize resources to promote accountability and efficiency within the corporate structure. Most companies' corporate governance is set by their boards of directors, which establish and promote policies for the management and employees of the corporation. The board of directors is responsible to shareholders and customers for the corporation's outcomes. In this paper I will discuss the corporate governance at EMAAR and its global challenges.

## **Emaar United Arab Emirates**

In this paper I will focus on Emaar that is considered one of the most important players in the UAE real-estate market and it is considered the pioneer in the developing sector. During the last decade, Emaar has achieved many mega projects like Dubai Mall, Burj Khalifa, The Meadows, Emaar Towers and many other projects that help in developing the new image of Dubai as a hub of tourism and financial operation of the GCC and the Middle East

## **Company back Ground EMAAR**

The flourishing of real estate sector in UAE is considered a direct result of the rapid economic growth in the country after oil, and it reflects the size of country growth and development. EMAAR is one of the key companies that play a major function in the development of the real estate in UAE[1]. EMAAR is considered one of the leading companies in Dubai and plays a major role in the creating the new image of Dubai that put the city on the map of international tourism; EMAAR mega projects ( Burj Khalifa , Dubai Fountain,

Downtown Marina, Lakes, Dubai Mall, etc..) are considered a real indicator for the company success. EMAAR believes that growth and success is based on innovation and dedication to value and quality of the projects. “ In tandem with Dubai’s rapid growth, EMAAR has been shaping landscapes and lives in the Emirate since the company’s inception in 1997. Not just building homes, EMAAR develops value-added, master-planned communities that meet the homebuyers’ full spectrum of lifestyle needs. A pioneer of innovative community-living concepts, EMAAR is the prime mover of the Emirate’s real estate and construction sector.”[2]EMAAR has this view of Down Town Dubai,

### **View of UAE economical situation and relation with global economy**

UAE Dirham is pegged with Dollar and that is considered one of major reasons for inflation. Many government officials are discussing the effect of Dollar peg on the economy and what are the possible alternatives to reduce inflation. In the previous years Dollar values compared to Euro and the Japanese Yen were not stable and most of the time less than them. UAE is selling oil by Dollar currency and importing things from Europe and Japan and this lead to increase in prices for the importing commodities from those countries. The devaluation dollar results in a decrease in the buying power of the dollar, and that leads to a decrease in living standards, that leads to decrease in demand. If the Dollar decreases by 50% and you had 10 million US Dollars, the 10 million Dollars will just buy \$5, 000, 000 worth of goods and services. You would have lost \$5, 000, 000 in purchasing power. Many countries in the GCC and specially UAE are trying to break the peg and

differentiate their baskets with gold, silver, and Euro to reduce the impact of crisis and to increase credibility in their currencies that is pegged again with gold.

## **GDP and real estate contributions in UAE (focusing on Dubai) economy**

Real estate and construction sectors together are the third player after oil and trade in the UAE GDP, and the UAE policy is moving to decrease dependent on oil production and to diversify their GDP resources especially in the field of construction, real estate, and tourism with the availability of good infrastructure for those fields, billions of dirham's were invested by his Highness Sheikh Mohamad on roads, airports, metro, and public transportation network to connect the country with highly developed and organized network that has its effect on both tourism and Real estate sectors. Laws concerning property has been adjusted to face increase in supply of real estate products in Dubai[3], those laws are considered flexible concerning foreign if investments compared to other Emirates and the political stability of UAE compared to other countries in the area lead to make Dubai one of the major player in GCC and the MEA where political unstably is threaten foreign investment specially Lebanon who is the major competitor to DUBAI.

## **Corporate Social Responsibility at EMAAR**

Customers are considered vital for the success of EMAAR; it believes that creating loyal customers is a result of good relationship, mutual respect, continuous development of company products, and after sales services. EMAAR believes that satisfied customers will help in company success

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through talking about our products to others, “ Customers are not just a source of revenue – they are the ambassadors of our brand and the lifeblood of our company”[4].

Trust is considered another important part of social responsibility at EMAAR, it believes in mutual trust between the company and its employees from one side and the company and its customers from another side. EMAAR believes that trust is a key success for any company, trust in the company means trust in its products and that lead to increase in customers’ loyalty. Trust in employees will help the company in creating a very productive atmosphere where employees are considered a major part of company success, “ In order to thrive, a company must develop a rock-solid trust with its employees and customers, but also with its suppliers and partners. This trust is built on honesty, reliability and quality”[5].

Employees are considered an asset for any successful business; EMAAR believes that continuous development (training, education, knowledge, etc...) of employees will help the company to keep its qualified staff. The quality of the staff will impact quality of services and provided products; working environment will help employees and increase their productivity, “ EMAAR strives to provide excellent customer service as well as high quality products. To ensure these goals are met, EMAAR equips its employees with the necessary knowledge through formal trainings or hands-on day-to-day experiences”[6].

EMAAR believes that its responsible for maintaining lowest levels of pollution , preserving natural resources , and protecting national heritage of

the UAE. One can see the Arabic and Islamic touch on our projects, this touch is a part of EMAAR responsibility towards UAE cultural values and traditions (mosque in each mall). “ Environmental protection is our responsibility towards our communities and future generations. Following the best practices and spreading environmental awareness are our prime duties in fulfilling this responsibility. Environmental protection involves prevention of pollution, conservation of natural resources and maintaining ecological balance”[7].

## **Emaar Public Relations and Customer Center**

Public relations are the practice of managing and organizing the relation between the company and its customers. It aims to persuade customers, investors, suppliers, partners, and employees (the stakeholders) about the company activities, new products, and to support its decisions. Public relations activities are intended to maintain a favorable image of the company in the world of business.

Public Relations and Customer Center at Emaar have played a major role in the company success during the last decades and still to continue. Customer Center is providing variety of services to satisfy customers and maintain good relations between Emaar and its customers. Customer Center of Emaar is supervised by Public relations department and offering the following services, like (customer care, home orientation, property handover, property transfer, home alterations, mortgage registration, utilities, property registration, bills, and issuance of related certificates) . Those services are intended to satisfy customers, satisfied customers will maintain good image about the company and its services; the company can't know what its

customers' need without having good public relations that transfer their complaints to the owners.

## **Impact of globalization on real estate sector in UAE and governmental policies**

UAE government is applying open market policy that encourages foreign investments and cash in and out flow. This open market policy is followed by new property law that allows expatriates to own and invest in properties and real estate sector (Dubai and Sharjah); this law is not applied in other GCC countries. " The country took-off once it was open to foreign investment. The country has been called the " mini-USA" in recent years, which has proved beneficial for the country's economy; especially since it has changed the country's dependence on oil revenue"[8]; with the new governmental regulations and increase in foreign investments, the real estate sector in UAE has been subjected to major positive changes. Those changes are related to increase in demand, increase in prices, and increase in the flow of cash to the country due to various foreign investments in real estate sector. " It embraced globalization, and aggressively diversified its economy into non-oil sectors such as financial services, tourism, and real estate. Dubai is home to some of the most ambitious building projects on the planet, including the world's tallest tower and the world's biggest shopping mall"[9]. Mega projects like malls, longest metro without driver in the world, biggest water front, Palms, the only seven stars hotel in the world, and longest building in the world give Dubai a unique global image that attracts investors and tourists from around the world. The cultural diversity in UAE has played a major role in encouraging tourism and enhances cultural communication;

this spirit doesn't exist in all GCC countries that are considered closed or strict cultures.

## **Governing bodies**

Government is responsible for real estate sector through providing suitable Legislation and governing control. There are certain variations that differ from Emirate to another, but government still the upper authority that controls real estate sector, " The Government of Dubai has consolidated the property laws and regulations with the aim of ensuring that property investors are assured the highest possible service and integrity standards from real estate agents, brokers and property developers transacting business in Dubai. It is important to know the recent property laws regarding ownership, buying and selling of land and property and rentals. Special laws and decrees are applicable for expatriates dealing with freehold property zones"[10].

Some companies are applying internal control system to guarantee certain standards and procedures. EMAAR is applying ISO (International Standard Organization) to guarantee environmental values and quality standards, " With the award of the ISO 14001: 2004 certification, EMAAR underscored its commitment to the Green Buildings initiative of the Dubai government to create energy-efficient residential and commercial buildings that support sustainable development"[11].

## **Application Corporate Governance @ Emaar**

Emaar is committed to maintaining the highest standards of business conduct and corporate governance. We believe this is essential in operating



a successful business, serving our shareholders well and maintaining Emaar's integrity in the marketplace. Emaar's approach to governance is based on the connection between good governance and maximizing shareholder value. We report to all our stakeholders with accuracy and transparency and maintain full compliance with laws, rules and regulations that govern our businesses.

Emaar has won the ISO 14001: 2004 certification in 2007, for its environmental management processes, making the company the first property developer in the region to win ISO accreditations for adherence to both quality and environmental standards. With the award of the ISO 14001: 2004 certification, Emaar has also underscored its commitment to the Green Buildings initiative of the Dubai government to create energy-efficient residential and commercial buildings that support sustainable development. Emaar's "Earth Watch" recycling initiative within its master-planned communities has been a phenomenal success and Emaar is extending it to all its projects. Emaar's concern for sustainable development is ingrained in the company's vision, and the winning of the ISO 14001: 2004 international standard certification is the result of concerted efforts taken at all levels - its staff and customers - to promote a healthy environment.

Global real estate major Emaar Properties has appointed UAE national Arif Mohammed Hadi Amiri as Head of Corporate Governance and Investor Relations. A banking professional with more than a decade of experience[12], Amiri holds a Bachelor Degree in Aviation Business Administration from the Embry Riddle Aeronautical University, Daytona Beach, USA; and an Executive Management Diploma in Marketing Strategy

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and Executive Diploma in Organization Behavior from the University of Cambridge, UK. Earlier, as Corporate and Institutional Banking Manager at HSBC Middle East, Arif was responsible for enhancing profitability, sales and market share through the development and execution of tactical sales plans. His competencies include strategic planning, risk management, executive leadership and supervision, marketing and sales leadership and business development, among others.

## **Conclusion**

“ Effective corporate governance is crucial in determining the direction that any company will take,”[13]said Mr Mohamed Ali Alabbar, Chairman, Emaar Properties. “ Apart from outlining processes, customs and policies that shape the administration and control of the company, the head of Corporate Governance must also build relationships between three key players - the stakeholders, management and board of directors. Arif’s extensive experience in the banking sector will enable him to strategies policies not only from an economic efficiency perspective but also from the stakeholder view of bringing in more accountability.” Amiri will play an active role in meeting the company’s stated Vision 2010 of becoming one of the most valuable companies in the world through innovative business solutions and strategies.

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