



Good Governance is at the Heart of a Successful SME Venture

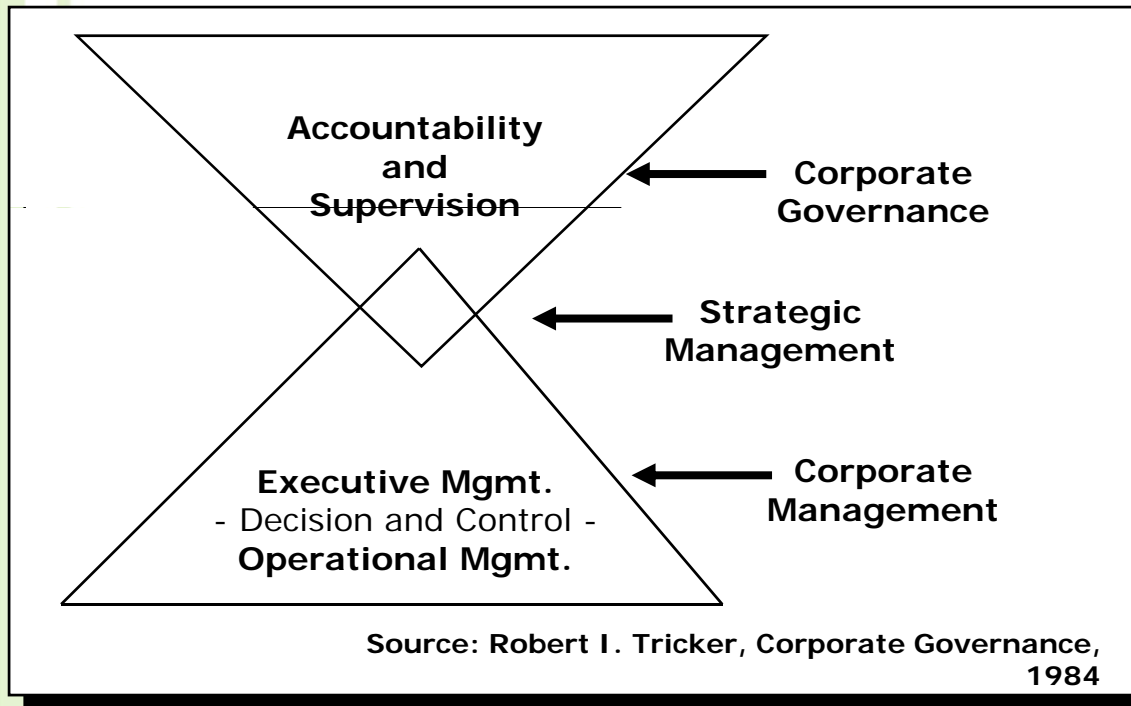
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OECD Principles Define Corporate Governance – Comprehensively 2004

“Corporate Governance involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders.”

We must clarify and distinguish Corporate Governance from the other elements.....



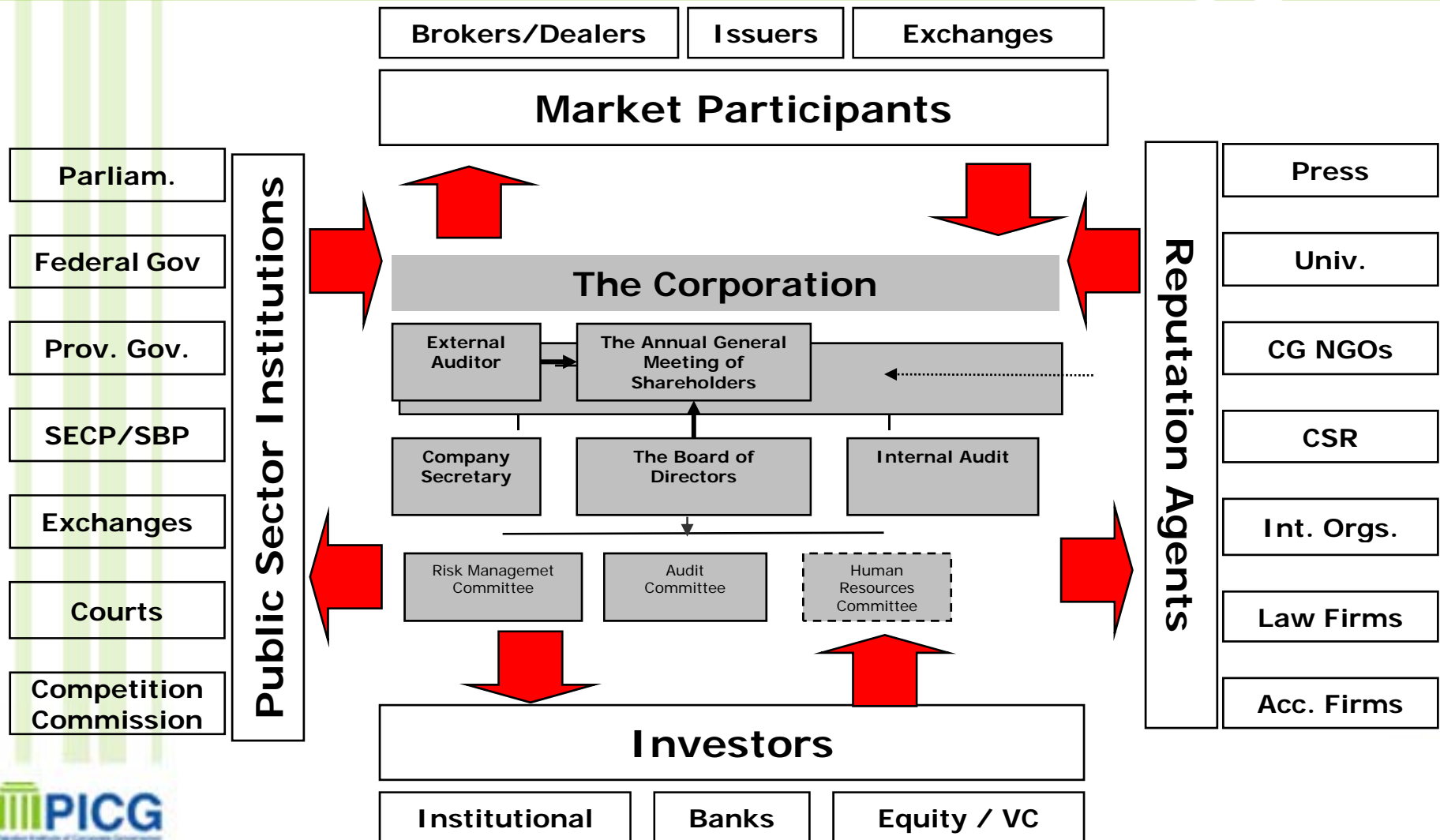
- Gov focuses on structure and processes to ensure **right behaviour**
- Management focuses on **tools of operation**
- Overlap is “strategy”

Corporate governance ≠ corporate/financial management

Corporate governance ≠ corporate social responsibility

Corporate governance ≠ business ethics

The Board is at the Heart of the Corporation and Corporate Governance



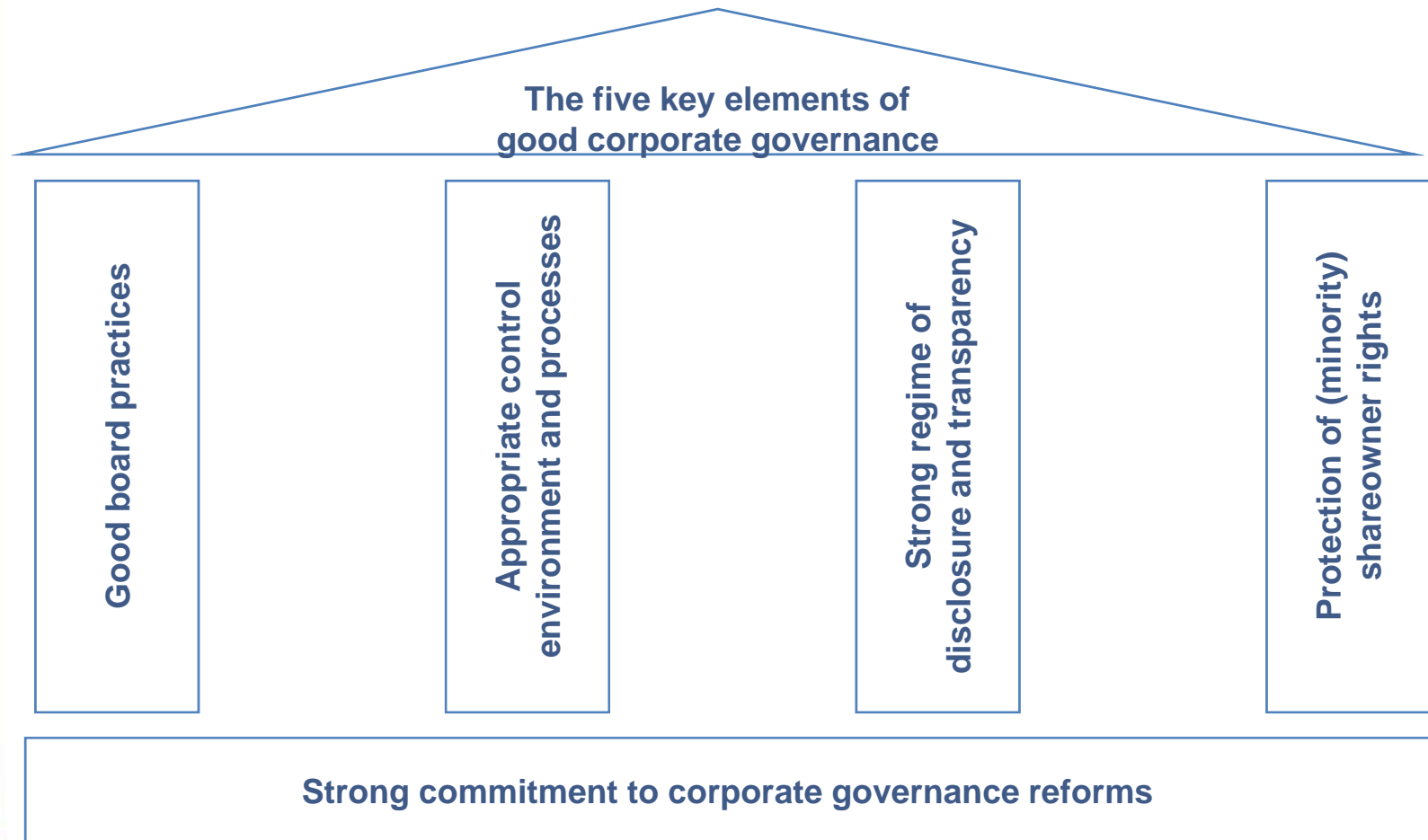
Corporate Governance for SMEs

- Many SMEs consider that corporate governance is only relevant to large corporations
- Good governance is not primarily concerned with compliance with formal rules and regulations only
- It is about establishing a framework of company processes and attitudes that add value to the business, help build its reputation and ensure its long-term continuity and success

Corporate Governance means Leadership

- For efficiency
- For probity
- With responsibility
- Both transparent & accountable

Five elements of Corporate Governance



12 essential principles of Corporate Governance for SMEs

1. Shareholders should establish an appropriate governance framework for the company. The process and the governance requirements will develop with the growth of the company.
2. Family companies should establish family governance mechanisms which promote coordination amongst family members and organize the relationship between the family and the business.
3. It is important to establish an effective board which is collectively responsible for the long-term success of the company. A starting point for an SME may be the creation of an advisory board for management.
4. There should be a clear division of responsibilities at the head of the company between the running of the board and the running of the company's business. No one individual should have unfettered powers of decision.

12 essential principles of Corporate Governance for SMEs

5. All boards should contain directors with a sufficient mix of competencies and experience. The size and composition of the board must reflect the scale and complexity of the company's activities.
6. The board is responsible for risk oversight and should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets.
7. Dialogue should be encouraged between the board and the shareholders on the company's strategic objectives. The board should always remember that all shareholders have to be treated equally.
8. A stakeholder engagement process should be established, ensuring that the board always presents a balanced assessment of the company's position and prospects to its stakeholders.

12 essential principles of Corporate Governance for SMEs

9. The board should be supplied in a timely manner with appropriate information and should meet sufficiently regularly to comply with its duties.
10. All directors should receive induction training on joining the board and should regularly update and refresh their skills and knowledge.
11. The board should undertake regular appraisals of its own performance and that of each individual director.
12. Levels of remuneration should be appropriate to attract, retain and motivate executives and non-executives of the quality required to run the company successfully.

Seven key concepts of good governance

1. Delegation of authority
2. Checks and balances
3. Professional decision-making
4. Accountability
5. Transparency
6. Conflicts of interest
7. Aligning incentives

Annual CSR Report - Disclosure

*Disclosure of CSR practices annually – as per
latest Securities Law*

Code of Corporate Governance

- As per the Code, listed companies deem to get themselves oriented with the best practices in Corporate Governance.
- It does not apply on Un-listed companies though, but there is no reason why these companies shall not do it.
- Total of 114 companies which are publically unlisted have paid-up capital equals to or greater than 1 Million.

Remember, good corporate governance is not just for large publicly listed entities. All companies, regardless of their size or extent of their operations can achieve tangible benefits from implementing strong governance systems.