

Corporate Governance and Small and Medium Enterprises

WHAT WE OFFER

IFC provides governance training and advisory services for founders and owners of small and medium enterprises (SMEs) with high growth potential. The training and services are based on IFC's **SME Governance Methodology**, the first and only tool of its kind on the market.

WHY IS GOOD GOVERNANCE GOOD FOR BUSINESS?

The extensive body of research shows that well-governed companies demonstrate substantially better long-term financial results. They grow faster and more sustainably. Conversely, results consistently show poor governance practices to be directly linked to poor business performance, fraud, and catastrophic failures.

ISN'T IT TOO EARLY FOR SMES TO THINK ABOUT GOVERNANCE?

Governance is a long journey, and the sooner SMEs start adopting good practices, the more benefits they can reap. In practical terms, governance provides a key set of tools that SMEs can use to support their competitive survival and growth. Entrepreneurs need to start governing their companies based on a certain set of principles, trusting that specific solutions and tools will evolve with the business as it grows. For example, even simple internal controls, when properly designed, help prevent fraud and allow for more accurate financial reporting and planning.

Also, SMEs interested in attracting investors can use better governance as a core value proposition. Various providers of risk capital for SMEs, such as private equity and venture funds, understand that good governance means more security and better return on investment.

WHAT IS SPECIAL ABOUT IFC'S APPROACH?

Traditional guidance for SMEs has amounted to "simplified" versions of corporate governance practices recommended for larger companies. That approach rarely provides practical value for SMEs, which have unique needs and limitations.

IFC, on the other hand, focused in particular on SMEs, analyzing stages of SME growth from startup to maturity and identifying the various opportunities and challenges associated with each stage. IFC then developed governance guidance specifically to address them.



BACKGROUND

Corporate governance is defined as the structures and processes by which companies are directed and controlled. Good corporate governance helps companies operate more efficiently, improve access to capital, mitigate risk and safeguard against mismanagement. It makes companies more accountable and transparent to investors and gives them the tools to respond to stakeholder concerns. Corporate governance also contributes to development by helping facilitate new investment, access to capital, and long-term sustainability for firms, leading to economic growth and increased employment opportunities across markets.

IFC CORPORATE GOVERNANCE GROUP

The IFC Corporate Governance Group brings together staff from investment support and advisory operations into a single, global team. This integrated team advises on all aspects of corporate governance and offers targeted client services in areas such as increasing board effectiveness, improving the control environment, and family businesses governance. The Group also helps support corporate governance improvements and reform efforts in emerging markets and developing countries, while leveraging and integrating knowledge tools, expertise, and networks at the global and regional levels.

The SME governance tools and training materials do not push entrepreneurs toward common “best practices.” Instead, entrepreneurs learn how to identify governance gaps in their own companies and to find practical solutions that will benefit their business and promote its sustainable growth.

KEY MESSAGE AND THEMES

The modular course design of SME governance training allows for flexible delivery, customized to different audiences. The training length is adaptable, varying from one to two days. It covers the following key topics:

- Evolution of strategic decision-making and management practices
- Practices to attract, motivate, and empower staff of high caliber
- Succession planning to minimize key-persons risk
- Internal controls to manage business risks
- External advisers and advisory board
- Setting up an effective board of directors
- Governance of family businesses

In all cases, the training includes interactive real-life case studies, allowing participants to practice the knowledge and skills they are gaining.

By the end of the course, participants will engage in **individual action planning** using the Governance Diagnostic Tool for Small and Medium Enterprises. All participants will leave the training with a set of high-priority actions that are practical, realistic, and quick to generate positive impact.

The training can be followed, on demand, by in-depth governance advisory services, helping companies plan and implement priority changes.

PROJECT EXAMPLES

IFC Corporate Governance Project in Middle East and North Africa has trained more than 300 SMEs on good governance practices. More than 500 owners generated action plans through the diagnostic tool. The team has also assisted several countries in developing SME-specific governance codes.

IFC Corporate Governance Project in Latin America and the Caribbean rolled out the SME Program in Colombia on a fully commercial basis, with IFC partner institution generating a healthy profit.

IFC Corporate Governance Project in South Asia provided training to three private equity funds and their portfolio companies. The team also delivered extensive advisory services to SOLARIC, a Bangladesh SME delivering solar-power solutions. IFC support focused largely on improving the decision-making process and internal-control environment. This work helped the company access private equity capital from a fund based in Singapore.

NEW PUBLICATION



[Governance for SME Sustainability and Growth](#), PSO 43, April 2019

Corporate Governance and SMEs:
[Topic Page](#) | [Fact Sheet](#)
May 2019

[IFC Corporate Governance Progression Matrix for SMEs](#), April 2019

CONTACTS

Vladislava Ryabota
+ 66 2 6866533
Bangkok, Thailand
vryabota@ifc.org

Alexey Volynets
+1 (202) 458-8097
Washington, DC
avolynets@ifc.org

www.ifc.org/corporategovernance

www.ifc.org/cgsme

May 2019

Canada



Creating Markets, Creating Opportunities