ACCA

How vision and strategy helps small businesses succeed:

Governance needs of SMEs

Think Ahead

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About this report

This is the second of a three-part research programme supporting small business growth, through which ACCA aims to help small and medium-sized enterprises (SMEs) and contribute to wider policy discussions with governments around the world. This follows *Growing Globally,*[1] our July 2018 report on how small businesses can be better supported to participate in international trade. The final report will look at how small businesses can adopt best practice from high-growth firms to help them scale up effectively.

1 ACCA, *Growing Globally: How SMPs Can Unlock International Ambitions, 2018* <https://www.accaglobal.com/content/dam/ACCA_Global/professional-insights/growing-globally/growing-globally.pdf>, accessed 27 September 2018.

Introduction

Many businesses start their life with brilliant ideas. Owner-managers often have a good grasp of their industry and can develop a service or product that could fill the niche that they have identified. Why, then, is it often so difficult to turn the stellar idea into a star company?

In this ACCA report, we discuss some of the factors that leaders of small businesses may wish to consider. We explore how a business can build an internally robust organisation and go on to look at the way that this business might interact with the outside world.

The research identifies a number of key components that build a robust organisation: internally, an organisation should be supported by vision, strategy and people. Externally, in contrast, an organisation needs to monitor its relationship with stakeholders, including funders; stay alert to the environment; and adapt to change promptly to ensure resilience. Leadership plays a fundamental role in these activities.

We identified these components through a survey of small and medium-sized enterprises and not-for-profit bodies.[2] In designing the survey, we reviewed a number of established corporate governance frameworks in order to develop four themes that are further explored in 'Key findings'.[3]

These are:

- Vision, strategy and leadership;
- Leadership competence;
- Accountability and reporting; and
- Connecting with their employees.

The last theme, 'Long-term success for SMEs: in their own words' is based on an open ended question which asked exactly this.

In analysing the results, we asked a number of business leaders, advisers and academics to share their insights with us. The basic information on the respondents is available in Section 2, 'Our respondents – demographics'.

In 'Executive summary', you will find the overview of our findings. Here we have set out our understanding of governance principles for SMEs with simple diagrams, in lieu of key finding arising under each theme, which you will find at the beginning of each theme. We hope you find in this report some useful insights in driving your dream venture forward.

2 We used headcount as the main criterion for defining size. In doing so, we have followed the widely used definition as shown on page 9.

3 Corporate governance frameworks that we reviewed include: *UK Corporate Governance Code 2016*, https://www.frc.org.uk/getattachment/ca7e94c4-b9a9-49e2-a824-ad76a322873c/UK-Corporate-Governance-Code-April-2016.pdf, *G20/OECD Principles of Corporate Governance 2016*, https://www.oecd-ilibrary.org/docserver/9789264236882-en.pdf?expires=1538517358&id=id&accname=guest&checksum=DFF50A9BAD16C37176254E0886CA68A9, *QCA Corporate Governance Code 2018* (PDF purchased 3 May 2018), *Corporate Governance Guidance for Unlisted Companies in Europe: An initiative of ecoDa*, http://ecoda.org/uploads/media/GUIDANCE_-_2010_CG_for_Unlisted_-_EU.pdf, *King IV: Report on corporate governance for South Africa*, https://c.ymcdn.com/sites/www.iodsa.co.za/resource/resmgr/king_iv/King_IV_Report/IoDSA_King_IV_Report_-_WebVe.pdf, and *IFC Corporate governance tools*, https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/investment+services/corporate+governance+tools. All were reaccessed to confirm the existence and accuracy of the weblink with the exception of *QCA Corporate Governance Code* of which a PDF copy was purchased by ACCA.

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Executive summary

'In every country's population of firms, most are small. Small and medium-sized enterprises – SMEs (excluding micro enterprises, non-employers and informal firms) – account for 93 per cent of enterprises in non-high income, non-OECD countries. Micro firms and SMEs account for over 95 per cent of all enterprises in OECD countries.'[4]

WHAT IS GOVERNANCE IN THE CONTEXT OF SMES?

Corporate governance is a term broadly used to describe the way in which companies are directed and controlled. Its purpose is to enable an organisation to be governed with a view to achieving its long-term prosperity. This purpose is embedded in company law, governance codes around the world, and in the OECD Principles of Corporate Governance.[5]

In this report, we look closely at this purpose of achieving long-term prosperity as the core objective of SME governance. There is a huge variety among SMEs in size, activities, age, growth ambitions and approaches to risk. On the other hand, they face common challenges: changes in customer priorities and modes of production, obtaining funds and resources, reputation management, law and regulation, and technological development. These all increase uncertainty and the corresponding need for agility. Being alert to the environment both inside and outside of the business and navigating its course are more important than ever.

So, what is governance for SMEs? It is about leadership directing the organisation to long-term prosperity, and thus achieving the outcomes that the organisation has pledged. In doing this, the leaders need to introduce oversight mechanisms; align processes and procedures with the purpose of the organisation; demonstrate to internal and external stakeholders their commitment and bring them along on the journey towards prosperity and success; and exercise control to ensure that resources are used for the maximum impact.

These objectives are a lot to ask from time- and resource-scarce SMEs. They will require careful planning and resourcing: governance requirements may, at times, appear to involve a balancing act with the pursuance of the business's purpose. In fact, governance should go hand in hand with the purpose of the organisation: where *how* an organisation is run is well aligned with *what* an organisation aims to achieve, the organisation will be as efficient as it is effective.

In the rest of this section, based on our research, we set out our proposal for good governance principles for SMEs with simple diagrams, based on the survey findings, focus groups and interviews.

PRINCIPAL COMPONENTS OF SME GOVERNANCE

To succeed, the leaders of SMEs need to be aware of factors both *within* and *beyond* their enterprise and build a resilient organisation. Let's look at these two aspects individually.

Building a robust organisation

This requires people to work together to realise a common vision, supported by sound and fair strategy and processes.

The key drivers for success are:

- vision
- strategy, control and process, and
- people.

Leadership is responsible for developing, enhancing, and supporting these drivers (Figure 1) which we will consider in more detail below.

Vision

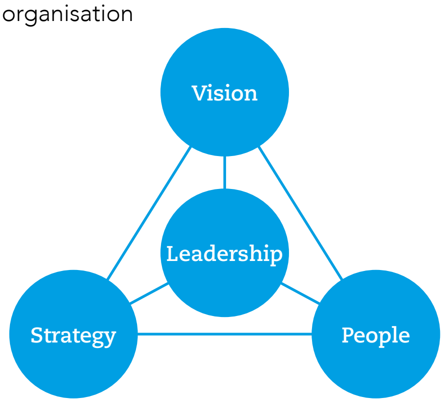
The vision of an organisation signposts the direction of its journey for its internal and external stakeholders. Any organisation, big or small, profit making or not-for profit, growth oriented or even hoping to remain as it is, needs to picture how it wants to be

4 World Trade Organization (2016), *World trade report 2016: Levelling the training field for SMEs*, https://www.wto.org/english/res_e/booksp_e/wtr16_e.pdf, accessed 23 September 2018.

5 Taken from ACCA (2018), *Tenets of good corporate governance*, https://www.accaglobal.com/content/dam/ACCA_Global/professional-insights/Tenets-of-good-corporate-governance/Tenets-good-corporate-governance.pdf, accessed 23 September, 2018.

> The organisation must understand and interact appropriately with its stakeholders – from its workforce to trade partners, from funders to the community in which it operates – and win their support.

FIGURE 1: Key components of a robust organisation



as an organisation, what it delivers, and even how people internal and external to the organisation would see it in the future. The journey will be unique to each organisation, but everyone supporting it needs to be aware where it is heading to.

There is no set end date for realising a vision – each organisation must determine and review this on a continuous basis. It depends on many things, including ownership, financial structure and funding sources, but above all on what the organisation has been set up to achieve – its long-term value.

Strategy, control and processes
If a vision is about where the organisation wants to go, strategy, control and processes are about how to get there, just as building a house must go from an architect's plan to laying the bricks. Strategies break down the vision into manageable stages, set achievable goals and objectives, and plan actions for execution, monitoring and reporting. Detailed processes and controls enable this to happen.

People
Even with the best leadership, business growth will ultimately depend on people. With advancing technology, including automation and artificial intelligence, we may jump to the view that the role of people in organisations has reduced. It is true that technology has changed the nature of work that requires human action but this change has actually increased the scope for judgement and decision-making. In high-growth, high-tech and niche industries, the innovation and creativity of people is fundamental. In any organisation, sales, negotiations over trade, promotion of ideas and products, collaboration and cooperation for projects – all require human involvement.

Leaders are responsible for these three drivers. They need to be aware of how they interact and ensure that they support each other to optimise efficiency by creating synergies.

Resilience in the face of a changing world

Resilience requires an organisation to understand internal and external stakeholder views and interests, and ensure their buy-in with the vision and strategy of the organisation. For this, the organisation must understand and interact appropriately with its stakeholders – from its workforce to trade partners, from funders to the community in which it operates – and win their support. This can make or break the business as it goes through the economic cycle, circumvents threats and explores opportunities.

For success, the business must:

- nurture its relationship with external stakeholders
- align rewards and opportunities for employees with its strategy, and
- stay flexible, adaptable and resilient.

Figure 2 summarises these relationships.

FIGURE 2: Interaction with the business environment

> Because of the relative significance of each stakeholder, it is fundamental that organisations understand the needs and goals of each one, and so obtain their long-term commitment.

Stakeholder relationships
Any individual stakeholder can prove to be vital to an SME. A stakeholder might be a funder who helps the enterprise to start and scale up and who supports it in a crisis, or a trade partner with a vital place in the supply and demand chains. Because of the relative significance of each stakeholder, it is fundamental that organisations understand the needs and goals of each one, and so obtain their long-term commitment.

Aligning strategy drivers and rewards
Employees, including temporary employees, must understand the organisation's vision and strategy. This requires communication from the leadership, but that is not enough. For people to appreciate that the organisation truly values employees who align their individual responsibilities and performance with business goals, they need to receive the right rewards, benefits and incentives.

Flexibility, adaptability and resilience
When all parties, both internal and external, share and are committed to the organisation's vision and strategy, they will see the future of the organisation as their own. While responsibilities and authority may differ, understanding between them will deepen. This facilitates better collaboration, willingness to support and complement each other's role, sharing and communication, which all contribute synergistically to the organisation's flexibility, adaptability and resilience.

The leaders of organisations again play a critical role in enabling this. Their role is not just setting the tone at the top – the 'tone' of the organisation might be obvious in a small business environment. It is equally important that they communicate the goal of the business to the workforce and the external stakeholders and explain what 'success' will mean, and that all parties will share the fruit of their hard work. This will encourage everyone to own their responsibilities, act as the eyes and ears of the organisation, and help it adapt to the rapidly changing business environment.

This report is for...

- people who are interested in starting a business or hoping to expand their business.
- SMEs in reviewing their governance arrangements, by providing a view on prevalent practices.
- SMPs in considering their service offerings to SMEs.
- Regulators and standard setters, by providing a view on how SMEs approach governance, in particular as regards achieving long-term success.
- government and SME infrastructure providers, by providing insights into areas where SMEs most need support.

1. Key findings

In this section, we review the results of our survey consisting of approximately 500 SMEs globally, which are complemented by narratives developed from focus group discussions and interviews.[6] The full details of the demographics of the data are available in Section 2.

For the analysis, we have based the size criteria on the number of employees:

- **micro entities** = organisations employing nine people or fewer
- **small entities** = organisations employing 10 to 49 people
- **medium-sized entities** = organisations employing 50 to 250 people.

I. VISION, STRATEGY AND LEADERSHIP

Main findings

- Respondents considered that a vision has a longer time frame than a strategy.
- The CEO/owner manager plays an important role as the leader for micro entities, but the importance of senior management teams rises as the organisational size grows.
- Micro entities claimed to discuss their strategy either frequently (eg more than once a month) or rarely (eg once a year). Medium-sized organisations tended to review their strategy on a quarterly basis. Small organisations fell somewhere between the two.
- Nearly half the respondents said that their businesses do not invite external parties to their strategy discussions. Consultants and independent advisers were the most popular choice for those who did, followed by professional accountants.
- Micro entities expected to benefit from the constructive criticism and independent perspective of external parties. For small and medium-sized businesses, the rationales appear to be more diverse.

6 ACCA is grateful to all the people who responded to the survey, organisations that supported ACCA in distributing the survey to their members, and individuals who provided narratives. The acknowledgement list is available in the last page of this report.

70%

of aggregate respondents said that their vision covered a period of three years or longer

a) Time frame of vision and strategy

Question 7 of the survey asked: To the best of your knowledge, what time span do your organisation's vision and strategy usually cover, when planned/ developed? (See Figures 1.1 and 1.2.)

In doing so, we avoided defining 'vision' and 'strategy' so as not to influence respondents' own ideas. Responses and narratives indicated that people had ideas that corresponded with a standard definition.

A vision is linked with mission, value and purpose -something in the future that we envisage. In contrast, strategy is about setting out resources to optimise the impact. The longer the time frame, it becomes more challenging to anticipate what events may take place and how to respond. Therefore, the more flexibility you need, the shorter your vision and, particularly, strategy would likely to be.

On aggregate, over 70% of respondents said that their vision covered a period of three years or longer. This reduced to 65% among micro entities, where 15% claimed to have no vision. The other two groups were different from micro entities but similar to each other: their organisation's vision tended to be longer and only 5% and 6% respectively claimed to have no vision.

FIGURE 1.1: Time frame covered by the organisation's vision

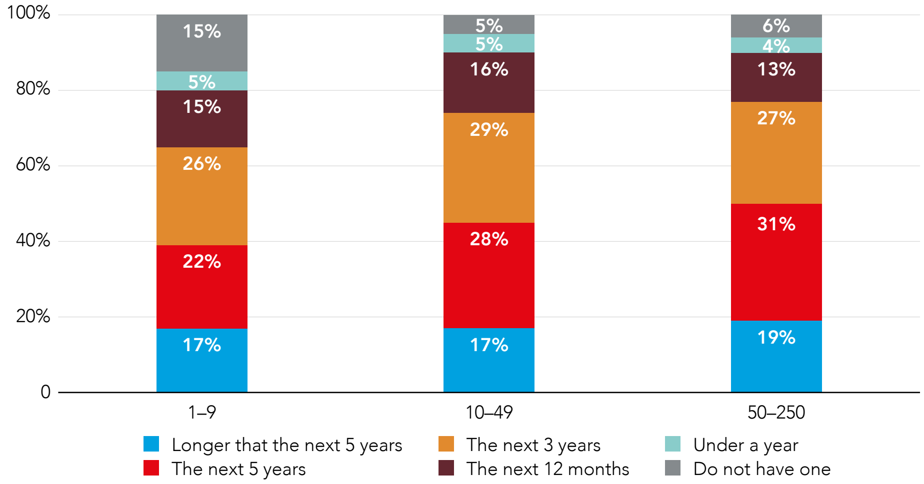
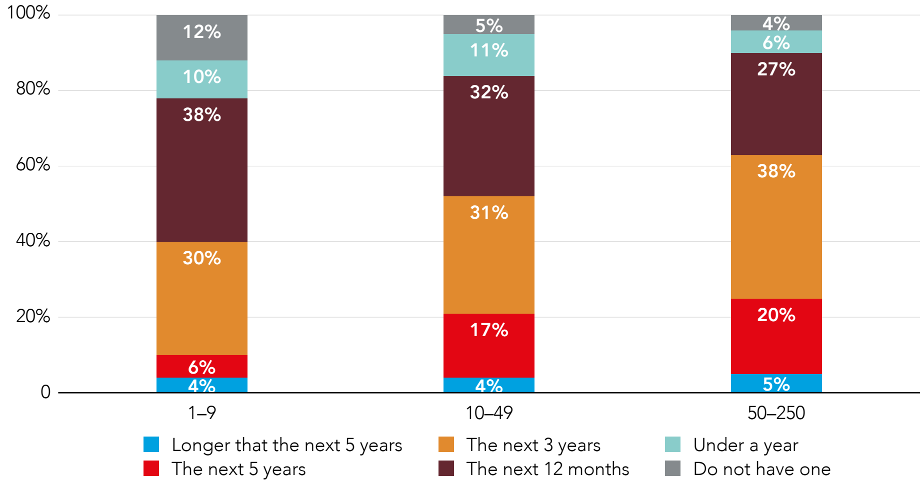


FIGURE 1.2: Time frame covered by the organisation's strategy



It is important to have a long-term perspective (vision). It has to be supported, however, by a relatively short-term strategy and processes that put the vision into practice.

The time frame appears to be shorter for strategy, which for 65% of total respondents covered between one and three years while 59% of micro entities and 37% of medium-sized entities said that their strategy covered one year or less. Among small and medium-sized entities, however, 21% and 25% respectively said that their strategy covered five years or longer.

For organisations led by a team of leaders, by the executive team and more prominently by the board, concepts of vision and strategy tended to cover a longer period of time than for those led by the owner-manager alone. Commentators at the focus groups observed that the involvement of debt and equity investment may be compelling for businesses to have a plan or strategy for a period of 12 months or longer.

Among SMEs, concepts such as 'vision' and 'strategy' can be very subjective. 'Strategy', in particular, may suggest something that applies only to large organisations. In reality, however, it may comprise factors that constantly concern the leadership and possibly everyone around them.

'Smaller businesses will say they don't have a vision or strategy, probably because a lot of them come from larger companies and then set up their own business so, to them, they already know what they are actually doing – doing it more economically, better service, etc. It's probably already embedded in the way they run the business. They just don't articulate it as a vision or strategy.'

Tan Ming Yew, CFO Retail Banking, Ambank Group

When we reviewed other characteristics of businesses, organisational form seem to correlate statistically with the organisations' time frame for vision and strategy.[7] Respondents from charities and not-for profit organisations showed notably longer time frames for both vision and strategy. Private company respondents indicated that their strategies tended to cover relatively short periods, but not their vision. In contrast, responses from subsidiaries of another company were split into two groups: those with a strategy covering the next 12 months and those covering the next five years. Subsidiaries' vision tends to cover a shorter period than the other two, extending only up to three years.

These features may be linked with the purpose of business – typically charities and not-for-profit, but also the business structure as subsidiaries' vision and strategy may be driven by decisions made by their parent companies.

Recommendations

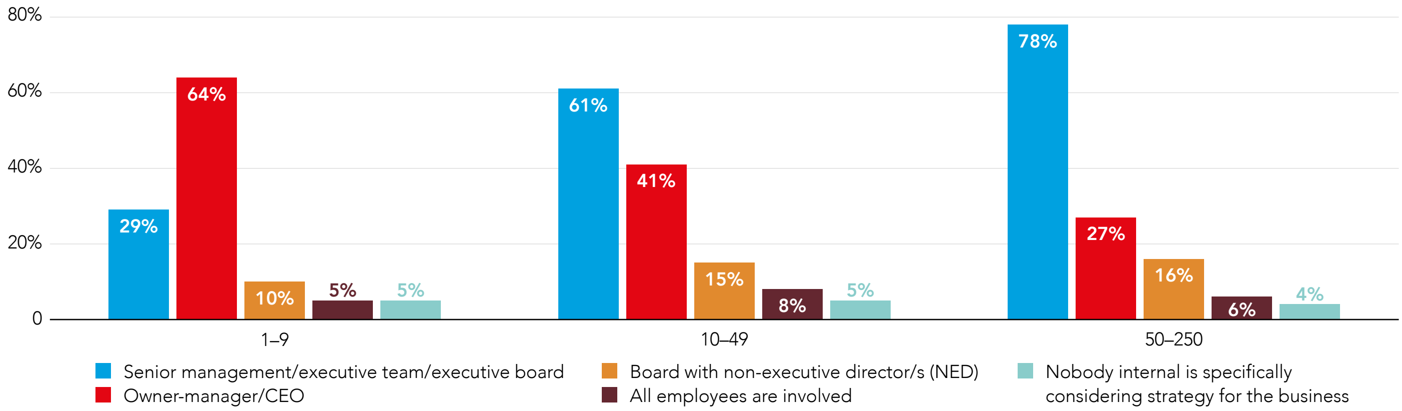
It is important to have a long-term perspective (vision). It has to be supported, however, by a relatively short-term strategy and processes that put the vision into practice. This vision may exist in the mind of the leadership, but it makes sense to have it articulated and written down. Strategy and processes can thus be subject to measurement and monitoring, and reviewed for progress. These can also be shared with employees as well as external stakeholders, such as funders, to gain their long-term commitment and support.

7 Categories large enough statistically were charities and not-for profit organisations, private companies and subsidiaries.

64%

of respondents working in organisations with 1–9 employees recognise that the owner-manager or CEO plays a major role in strategy setting

FIGURE 1.3: Identifying those responsible for strategic leadership



b) Identifying strategic leadership

In question 8, we asked respondents who are involved in developing a strategy for their organisation: Does your organisation have a person or team responsible for developing a strategy for the organisation? (Multiple choice) (See Figure 1.3.)

In all organisations, the owner-manager or CEO plays a major role in strategy setting. Nonetheless, as the size of the organisation grows, the role of the senior management/ executive team also becomes significant. This was recognised by 78% of respondents working in the largest organisations (50–250 employees) but of only 29% of respondents working in organisations with 1–9 employees. Non-executive director involvement is limited in all groups, and very few organisations involve all employees in strategy discussion.

Notwithstanding that involving all employees in strategy discussion is often impractical, communicating vision and strategy across the organisation gives a clear direction and purpose for what everyone does. This helps people not only to see their responsibilities in light of their organisation's overall effort towards success but also to become more alert to risks and opportunities that they encounter in their day-to-day work.

As regards other characteristics, it was noted from the data that companies that have been in operation for 10 years or longer, seem to be led by senior management team/executive team more often than companies that are younger; Companies that are not involved in the technology sector tend to be led by an individual owner-manager/CEO rather than a team; and more charities/not-for profit organisations are led by the board and involve all employees in their strategy discussions.

'Involvement in strategy is a key element of effectively implementing the strategy as opposed to writing it; because writing it is not a problem. It's implementation that's the difficult element; and if you don't have employee buy-in on this then the strategy is doomed to failure. There has to be a much wider internal audience, and indeed an external audience of stakeholders involved in this.

Strategy, mission, vision and values can be written on a postcard that all employees carry around in their overalls or wherever, and they can then question the directors, "What's happening to objective number 3B? What's the progress on that?"'

Dr Leslie Spiers, Principal Consultant, Boardroom Dynamics

78%

of respondents said that their organisation discusses strategy at least four times a year

c) Frequency of strategy discussions

We asked: How often does the [leadership] team (or person) discuss the strategy? (See Figure 1.4.)

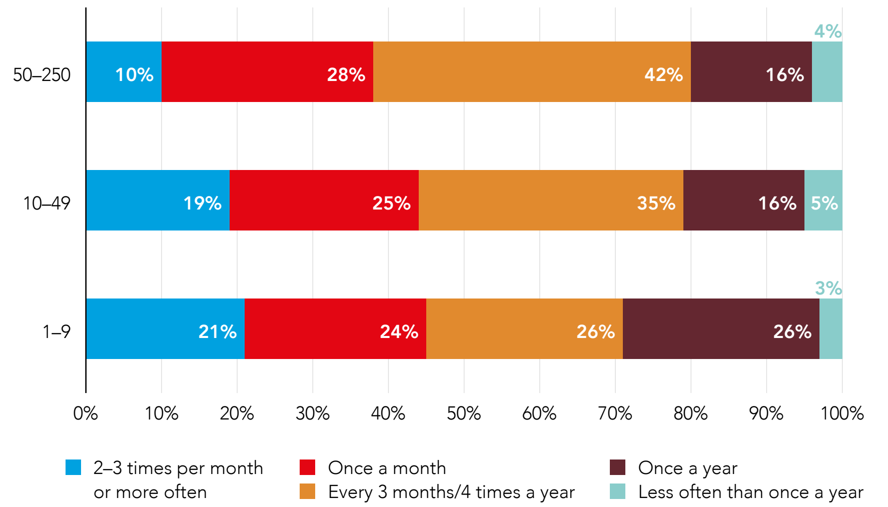
On aggregate, 78% of respondents said that their organisation discusses strategy at least four times a year. On breaking down the responses by organisation size, some differences emerge. For micro and small entities, strategy discussions take place at least once a month among 45% and 44% respectively, with 26% and 35% holding quarterly discussions. In contrast, among the medium-sized entities, strategy discussions take place less frequently, with 38% holding them at least once a month and 43% holding them on a quarterly basis, but the number holding them 'once a year' is as low as for small-sized companies. This appears to be in line with the expectation that larger organisations will hold strategy discussions usually as part of a formal agenda at executive team or board meetings.

It is also noticeable that, among the smallest organisations, those that discuss strategy only once a year are more numerous than among the two groups of larger entities. This may be because, at an owner-managed business, strategy may be considered only when the owner-manager goes through the annual results of the organisation. On a day-to-day basis, tactical rather than strategic decisions may claim greater attention – although the impact of the latter decisions can be critical for the entity's fortunes.

'Where the CEO has the most influence in setting the strategy, then he or she may sit down once a year and write things down and have a think about it. But that would be probably because the bank has asked for it. They are actually thinking about strategy alongside tactics all the time, but when it comes to setting it formally, it's normally driven by something outside the business.'

Sharon Critchlow, Director, Newgrange Developments Ltd

FIGURE 1.4: Frequency of strategy discussions



49%

of respondents overall said that their organisations do not invite external parties to strategy discussion

d) External party involvement in strategy discussion

To explore organisations' relationships with external parties and to assess their openness to challenge, we asked respondents whether their organisation invites external parties to join their strategy discussions.

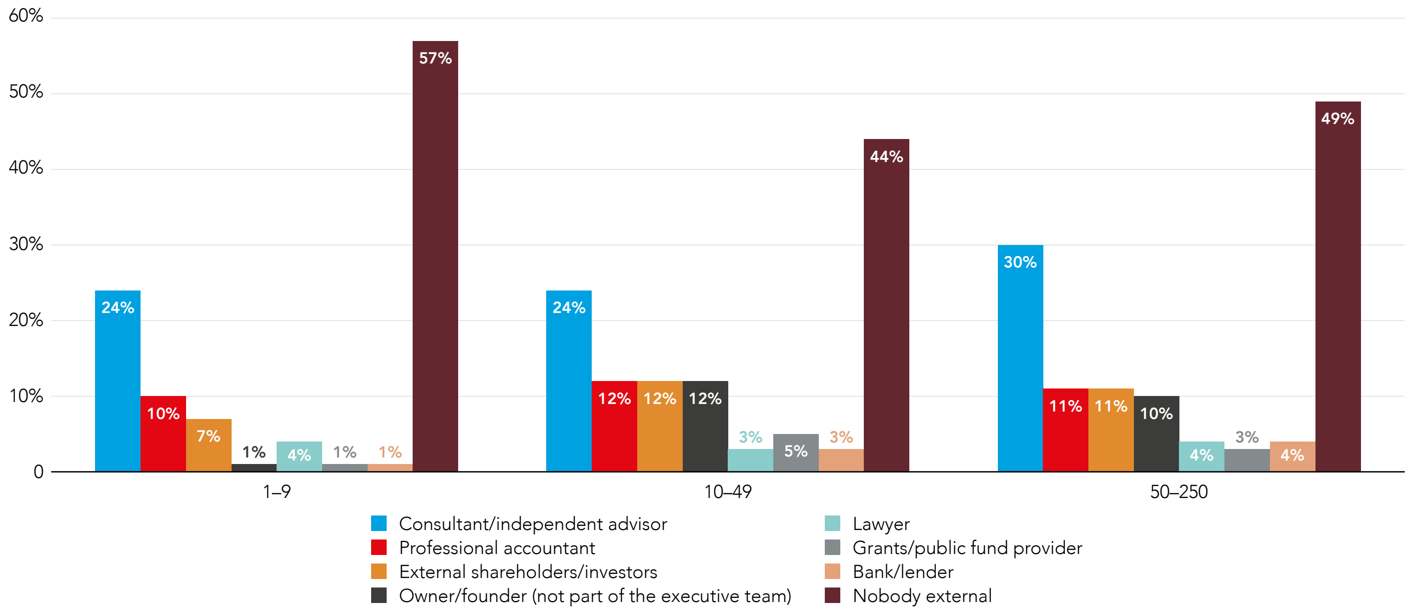
Question 11 asked: Is there anyone external to the organisation involved in developing the strategy? (Multiple choice) (See Figure 1.5.)

Overall, 49% of respondents said that their organisations did not invite external parties to strategy discussion. This rose to almost 60% among the smallest organisations. Two groups of larger organisations generally invited external parties to their strategy discussions more often, particularly an owner/founder who was external to the executive team. This appears to indicate that owner/founders may have given up their executive role in the day-to-day running of the business, which is not common among the smallest organisations.

Most frequently invited were consultants and independent advisers, followed by professional accountants and external shareholders/investors. Grants/public fund providers and banks were not very often involved in strategic discussions.

This indicates two different types of relationship. Consultants and professional accountants are voluntarily invited by SMEs actively seeking to gain insights to complement their own knowledge. Where they invite fund providers, this may be required for securing necessary funds.

FIGURE 1.5: Involvement of external parties in strategy discussions



> **Organisations that involved the technology sector appear to invite external advisers more than those who did not involve the technology sector.**

But depending on the type of funds – debt or equity, the subsequent relationship may differ. The benefits of involving these two kinds of external parties may not be dissimilar, but the leadership's awareness of how they might enhance the robustness of the strategy differs. During the focus group discussions, it was also noted that the involvement of external equity investment often compels businesses to have a plan or strategy for a period of 12 months or more. But some debt providers, including banks, may have closer relationships with borrowers than others do.

Organisations that involved the technology sector showed some noticeable differences in response to this question. They appear to invite external advisers more than those who did not involve the technology sector. They often invite consultants, but they invite, significantly more often, external shareholders and investors.

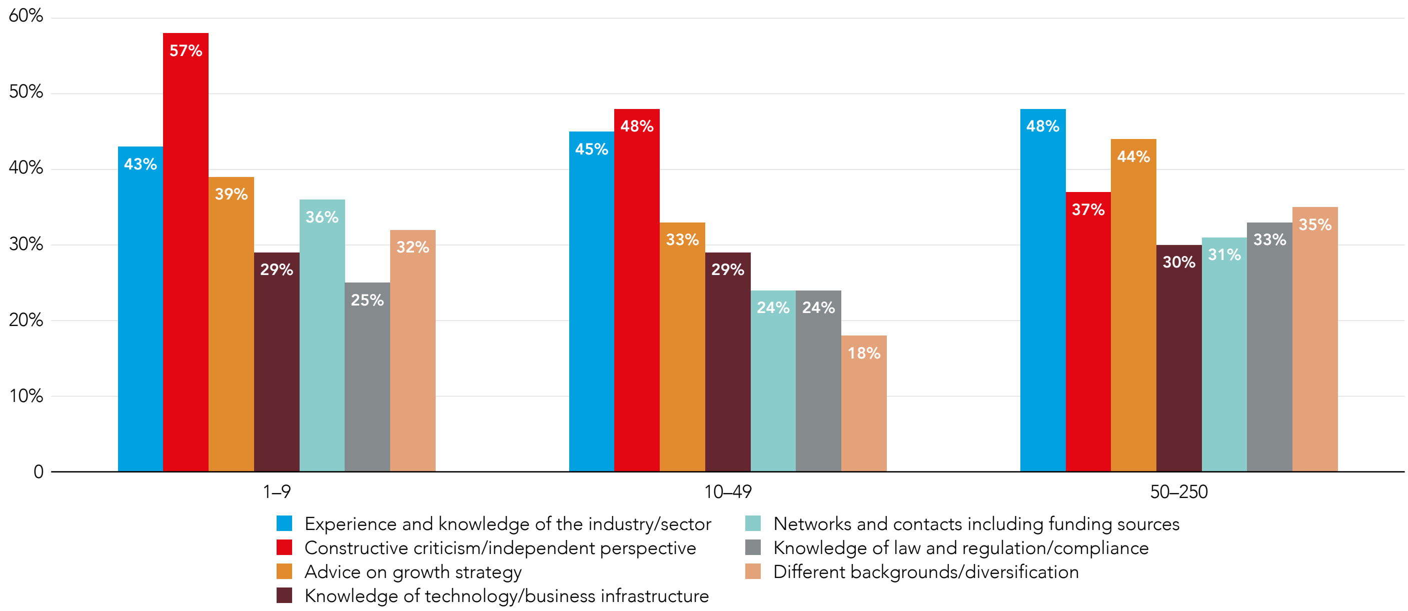
We asked what gains were expected by those organisations that invited external parties to their strategy discussions.

Question 13 asked: What does your organisation look to gain from the external person (or persons) invited to the discussion? (Multiple choice) (See Figure 1.6.)

The three top benefits were:

- experience and knowledge of the industry/sector
- constructive criticism/independent perspective, and
- advice on their growth strategy.

FIGURE 1.6: The perceived benefits of inviting external parties to strategy discussions



> More of the smaller organisations seek constructive criticism – an independent view point – than do their larger counterparts.

Reviewing the benefits in relation to the size of entities reveals that more of the smaller organisations seek constructive criticism – an independent view point – than do their larger counterparts. On the other hand, larger organisations appear to seek the experience and knowledge of the industry/sector and advice on their growth strategy from external parties.

Focusing on other characteristics, more established companies (that have been in operation for over 10 years) seek constructive criticism/an independent perspective more than their younger counterparts; companies involved in the technology sector seek, in contrast, advice on growth strategy, customer insights and communication/marketing; and strategies for dealing with human capital and talent.

Finally, we analysed the narrative responses of those who said that their organisations do not involve external parties. From 145 narrative responses, the three themes shown in Figure 1.7 emerged.

There were two types of response among those who said that they do not need external advice, as shown in Figure 1.7. Some had handpicked the leadership team on the basis of their needs. They were relatively confident that the necessary skillsets were already reflected in the leadership profile. On the other hand, there were those who may have assumed that there is no issue – or have never thought about the need. These organisations may benefit from reflecting on what they can achieve by bringing in people with different skillsets.

FIGURE 1.7: Attitudes towards involving external parties in strategy discussions

Not needed 61%	‘Sufficient skills [available] in-house to develop strategy.’ ‘The owner-managers think they know it all.’
Cost/time 14%	‘...the external consultation fees, services fees, etc. are now too high to afford.’ ‘... they don’t know it [external advice] exists, don’t want to pay for it or think they know best.’
Not considered 10%	‘... the thought of hiring someone to help with strategy seems rather odd.’

By having contacts to consult, leaders can benefit from different experience and expertise, ideas, contacts – or just having someone to bounce ideas against.

'You have a number of ways to quantify the value of getting external experts in… revenue per head increase, efficiency in production, cost reduction are some examples. But you may have received a value added service in an intangible form: you may have developed an intellectual property; you may have learnt some risk scales that you can start thinking about. There is a whole raft of values. But external advisers need to justify what values they can offer.'

Steve Bailey, Managing Director, Aim Proactive Ltd

'The difficulty for external advisers is that it is almost impossible to demonstrate the value of their service until after the event, by which time it is too late because their service appears to have little or no value… so it is down to the quality of advice received in the past that will determine if a company would seek one in the future.'

Malcolm Johnston, Director, Virtual CoSec

Establishing the benefit of bringing external advisers is a tough challenge. Anecdotes and success stories may exist, but it is hard to attribute, to what extent, the success is owed to the adviser in contrast with other factors. So overcoming this can be a challenge for policy makers involved in SME growth: they will need to address the value, as well as the affordability and sources, of external advisers.

Recommendations

Bringing in external parties to review strategy and the organisation's progress towards it may not always be a palatable idea. Nonetheless, those who are obliged to do so – perhaps because the external funder requires it – may be benefiting from doing so, by introducing discipline for financial and other controls, and by receiving different perspectives.

Some go out and actively seek advice, particularly to gain experience and knowledge of their industry and sector, or to receive independent perspectives. These supports may not mean that external parties sit at the senior management meeting on a regular basis – although that can also deepen their understanding of their organisational vision and enhance their commitment. But even on an ad hoc basis, by having contacts to consult with, leaders can benefit from different experience and expertise, ideas, contacts – or just having someone to bounce ideas against.

> Assessing leadership skills in a small organisation can be awkward, even challenging for an entity where the leadership 'team' consists of a single individual.

II. LEADERSHIP COMPETENCE

Main findings

- The majority of our respondents said that their leadership team had a process to ensure that its members have a broad range of skill sets.
- Where they had a method of assessment, it was fairly informal, such as internal discussion, while the use of more formal methods, such as using a skills matrix, was limited.
- The most frequently cited rationale for not assessing the leadership team's skill set was the absence of past issues due to the limitation in skill sets, followed by not considering it a priority. About a quarter said that they lacked the resources.
- Medium-sized organisations assessed individual leaders, first, according to whether they met performance and other targets, secondly by internal reviews, and thirdly through informal discussion. Almost half of the micro entities did not evaluate individual leaders.

a) Assessment of leadership skillset

We asked respondents whether their organisations' leadership team had a process in place to ensure that its members have a suitably broad skill set. On aggregate, 61% responded positively, 26% negatively and 13% did not know whether their leadership team had assessed the balance of its members' skill sets.

Differences become apparent when we consider organisational size. Among the micro entities, 48% said that their leadership team assessed their own balance of skills. This is a statistically significant difference from the other two groups, where 65% and 64%, respectively, stated that their leadership team did this.

Assessing leadership skills in a small organisation can be awkward, even challenging for an entity where the leadership 'team' consists of a single individual. Even where there is a team of, for example, three to four people, it is likely that these are handpicked by the owner-manager to work together as a collegiate team, and introducing a formal assessment to see whether they collectively hold the necessary skill set may not be easy.

A collegiate team can be a problem in itself as an organisation grows. If you are leading an organisation of up to 49 employees, having a team that is naturally consensual may look desirable. But this is very different in an organisation where 250 people are employed: issues such as 'group-think' and the lack of a challenge culture in the leadership team can arise. This is a different requirement from having leaders who are capable of performing each other's tasks when necessary.

A former senior executive from the financial services sector commented that it is often rare to see a formal approach to governance unless a business has been in operation for about five years or more, and employs over 50 people or more, although that can vary by sector.

But the question that any business may wish to ask is: can an organisation be too small to require diversity in leadership? If not, how we can achieve diversity within the limited time and resources?

Assessing the balance of the leadership skill set involves ensuring that the knowledge, expertise and experience necessary for the business to achieve its vision and strategy are available and there is sufficient diversity in viewpoints to create a culture of constructive formal or informal challenge. If this is lacking, a mechanism is needed to address this and give the leadership a better understanding of the risks and opportunities they face, thus enhancing the resilience of the organisation in today's rapidly changing business environment.

> Evaluating how each leader is performing is fine as far as it goes, but unless someone is given formal responsibility for this, there may be no follow-up action.

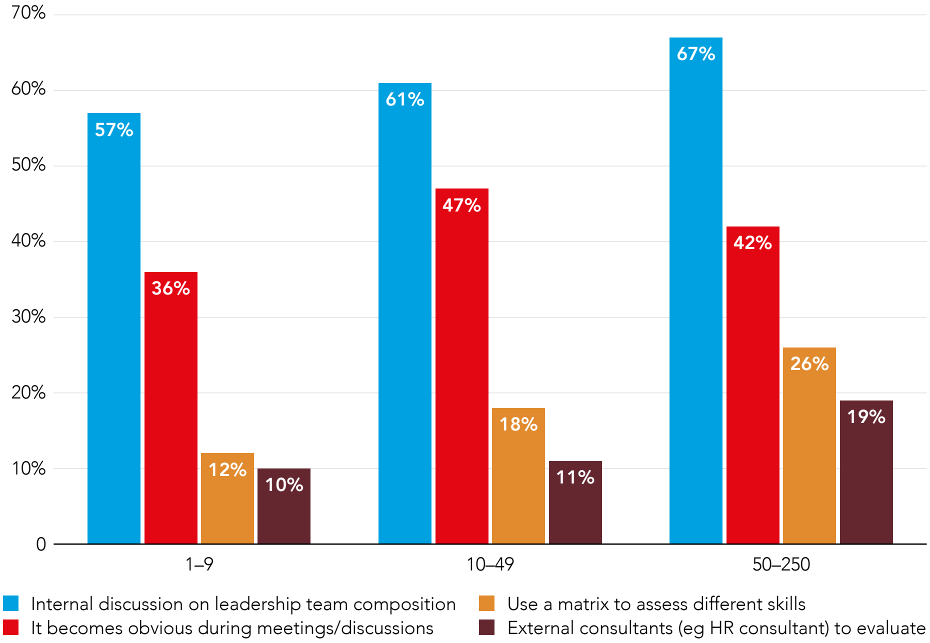
We then asked those who responded positively to the last question: How does the leadership team/person assess its balance of skills? (Multiple choice) (See Figure 1.8.)

Among all organisations, means of assessing leadership skills are fairly informal: most frequently mentioned was internal discussion about the leadership team's composition. The next most frequently mentioned methods were even more informal – many leaders believed that the balance of skills needed becomes 'obvious' during meetings/discussions. Alongside this, more formal means of assessing the balance of leadership skills were found somewhat more frequently among larger organisations.

It is important that leaders keep in mind the balance of their skill set. Informal means of assessing leadership skills have their limits. Evaluating how each leader is performing is fine as far as it goes, but unless someone is given formal responsibility for this, there may be no follow-up action.

126 people responded that their organisation has no process to ensure the leadership team/person has a broad range of skill-sets. We asked these people the following question.

FIGURE 1.8: Means of assessing leadership skills



37%

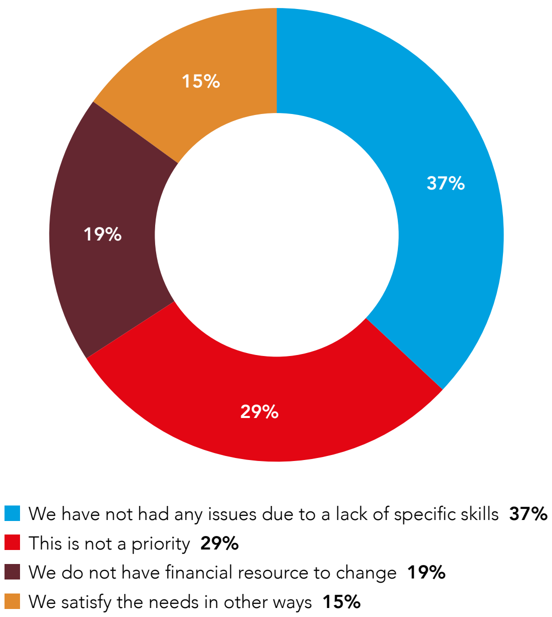
of respondents thought that their organisation had not considered the balance of its leadership skill set

If [the leadership does] not [have a process in place], how does the leadership team/person remain confident that, collectively, it has the necessary range of skills? (See Figure 1.9)

About 37% of respondents thought that at the time of the survey their organisation had not considered the balance of its leadership skill set because they have not had any issues due to the lack of specific skills. The next most common responses referred to organisational priorities and a lack of financial resource, which may indicate that, notwithstanding their awareness of the need to address the skill set issue, organisations may be postponing the task. A good leadership team can lead the business to success. Those who cited absence of issues may not be asking whether the business is maximising its potential.

In evaluating the performance of individual leaders, there are clear differences among the three groups of organisations.

FIGURE 1.9: Attitudes towards assessing the skill set of the leadership team



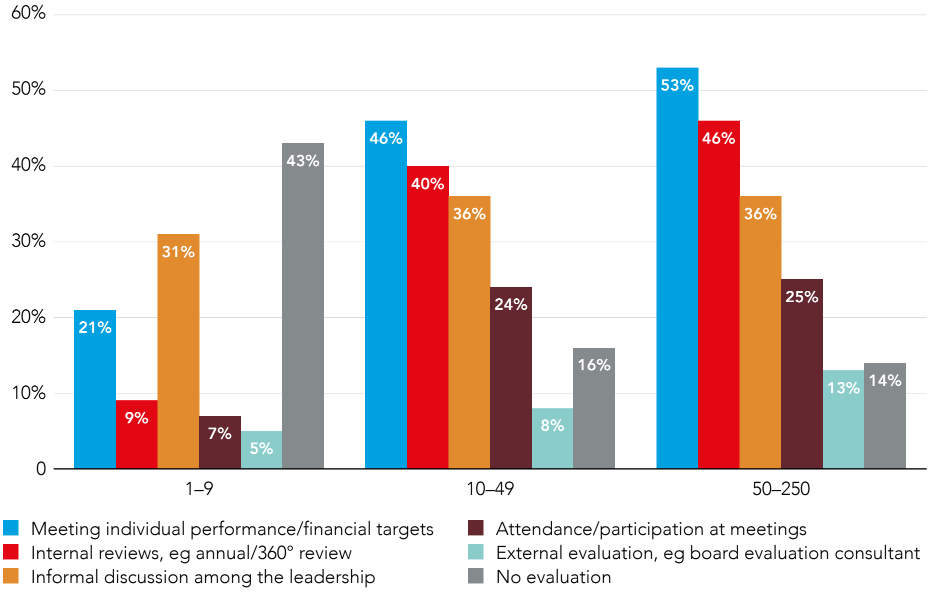
b) Evaluating the performance of leadership

Question17 asked: How does your organisation evaluate the performance of its leadership? (Multiple choice) (See Figure 1.10.)

Among the two groups of larger organisations, respondents claimed that whether individual performance/financial targets were met was the most frequently used assessment, followed by internal reviews, such as annual/360° reviews. The use of informal discussion among the leadership was used by about one-third of all groups, but respondents among larger organisations more frequently referred to measuring attendance and participation at meetings. A total lack of evaluation was most frequent among the smallest organisations, with over 40% mentioning this.

The use of informal discussion among the leadership was used by about one-third of all groups, but respondents among larger organisations more frequently referred to measuring attendance and participation at meetings.

FIGURE 1.10: Methods used to evaluate the leadership team's performance



'The top of an organisation may not want to be assessed – they may have a feeling within themselves that 'I am not sure how good I will come out in that' – a sort of fear. But this is often an over-stated fear, because they are probably not as bad as they think they are.

The other issue related to leadership assessment is the availability of free material on board competency assessment. There is a lot of material on management and financial competencies. But on leadership competencies, little guidance is available and they may not be clear about how skills such as knowledge, experience and expertise can be actually assessed.'

Dr Axel Kravatzky, Principal Consultant, Tailored Governance

Recommendations

A leadership review may sound like something that happens at larger companies on an annual basis. But in a constantly evolving business environment, it is important that organisations have a range of skill sets to anticipate and respond to risks and opportunities. Where to start? It may be worth having a look at 'RI-SKEET' chart in ACCA's report Risk and the Strategic Role of Leadership.[8] It discusses different skill sets that may benefit a leadership team in raising their collective risk insights. There is no need for a single individual to demonstrate all necessary competencies when you have a group of people acting as a team.

8 ACCA, *Risk and the Strategic Role of Leadership*, 2018, <https://www.accaglobal.com/content/dam/ACCA_Global/professional-insights/Risk-and-the-strategic-role-of-leadership/pi-risk-strategic-leadership.pdf>, accessed 27 September 2018

87%

of respondents overall said that their organisation presented financial information and prospects to external parties

III. ACCOUNTABILITY AND REPORTING

Main findings

- A large majority of respondents said that their organisation presented financial information and prospects to external parties. External parties are typically banks and external funders.
- Among micro entities, by contrast, up to one-third said that they did not share the organisation's financial information.
- Where organisations presented information other than financial information to external parties, this tended to be business and management information. This tendency was more pronounced among medium-sized entities.

To understand how organisations interact with external parties, we asked respondents about the information they present externally.

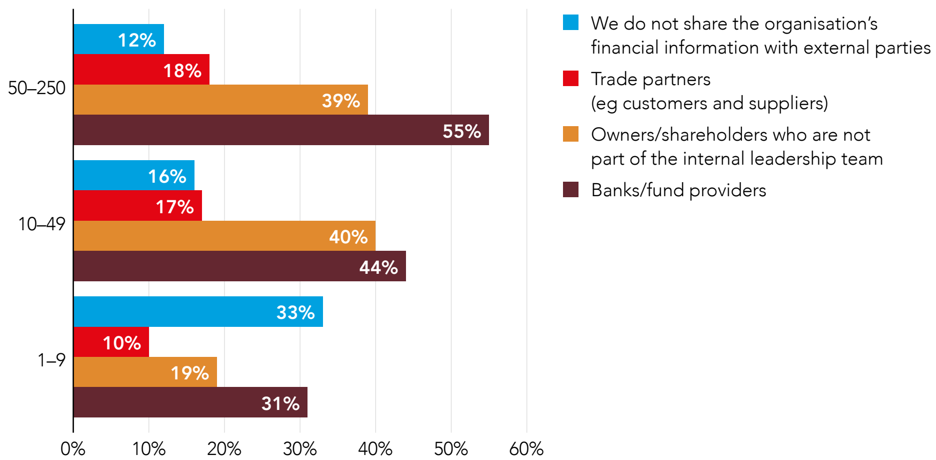
Question 18 of the survey asked: Does the leadership team/person ever present the organisation's financial position and prospects to external parties? (Multiple choice) (See Figure 1.11.)

Overall, 87% of respondents said that their organisation presented financial information and prospects to external parties. The main external parties here appeared to be banks and fund providers. This was followed by owners/shareholders who were not part of the internal leadership team and, after them, trade partners.

Looking at the differences by organisational size, significantly more organisations with 1–9 employees did not share financial information with external parties than was true of the other two groups. By contrast, more than half the largest businesses claimed to share their financial information with banks and other funders. Sharing of information with owners and shareholders outside the leadership team was also common among larger businesses (around 40% of all businesses with 10 or more employees). This may indicate that among the smallest companies, owners and shareholders are often part of the leadership team.

Many micro entities may have used their own sources of funding to start their businesses. As business grows, however, so does the need for additional funding. This might explain the closer relationship of small- and medium sized companies with banks and external equity providers The sharing of financial information and prospects is very much driven by necessity – without a reason for doing so, few businesses would give information to external people.

FIGURE 1.11: External presentation of financial information



54%

of respondents in the largest company category, said that their organisation prepared budget or forecast information for external presentation

When a business grows very fast while the mind-set of the CEO stays the same, it can be problematic for the long term growth of the company. The CEO may believe that he or she is capable of controlling the company and do not see the need for external support. But this can hamper further growth of the company.
Mirosław Kachniewski, Chairman, The Polish Listed Companies Association

When we asked whether their financial information is audited or reviewed, 80% responded that this was done at regularly set intervals or when requested. An overwhelming majority of respondents (93%) said that professional accountants including auditors, followed by banks and industry regulators, conducted these reviews. Those organisations with 1–9 employees were less likely to have their information reviewed or audited, but the three groups did not significantly differ in their choice of reviewers or auditors.

In the light of the diverse social and economic environments surrounding SMEs, we also asked what additional information organisations were preparing for external presentation. (See Figure 1.12.)

It appears that many organisations prepare and share management/business information. For example, among the largest company category, 54% of respondents said that their organisation prepared budget or forecast information.

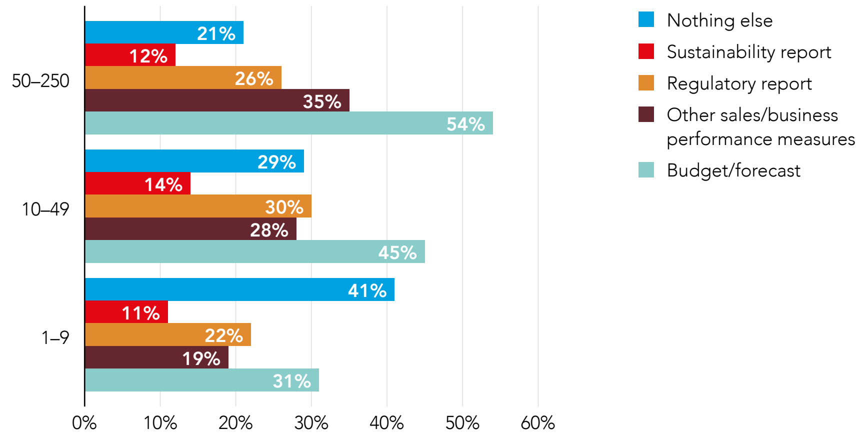
This was followed by other sales and business performance measures. There was no significant difference between the three groups in the proportion that prepared a regulatory report and/or sustainability report: 11% to 14% prepared sustainability reports and 22% to 30% prepared regulatory reports.

'In the younger generation, including the people who are setting up companies, there is a lot more sensitivity around sustainability and, in doing business, you do not want to harm the environment… all this I think is reflected in the fact that sustainability reporting is spreading across all sizes of businesses.'
Tony Ong, CEO, Xtrategize

Recommendations

Many organisations, small or large, for-profit or not-for-profit, would benefit from presenting information about itself to internal or external parties. Nonetheless, leaders should be clear about who matters for the successful realisation of their vision and strategy. In order to gain their commitment and bring them along on the journey that the organisation has embarked on, the leadership needs to communicate. Nobody wants to give their time and resource when they are unconvinced of their effective use. Understanding what information is needed and how to communicate it is something every leader should be considering.

FIGURE 1.12: Organisations' presentation of information other than financial information and prospects



Larger organisations use written communication more frequently, while the use of the annual general meeting (AGM) or formal meeting is very limited among micro entities

IV. CONNECTING WITH THEIR EMPLOYEES

Main findings

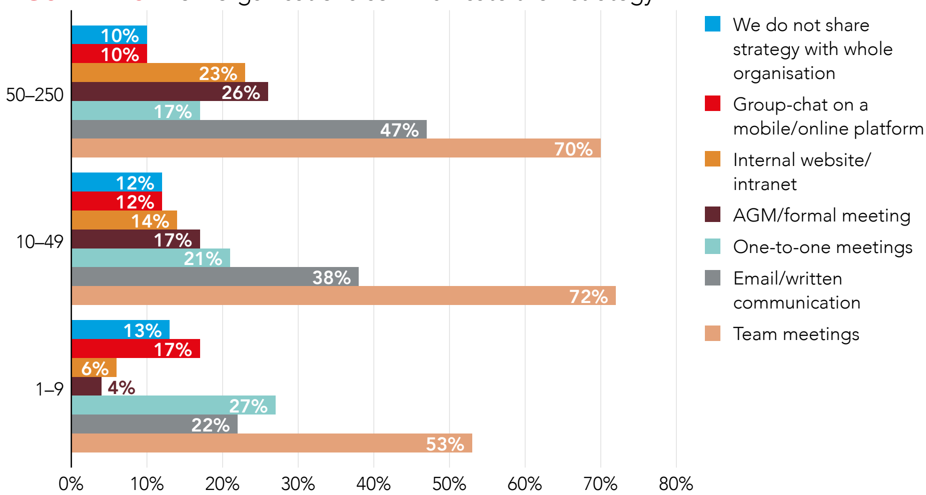
- Well over half of the organisations surveyed communicated their strategy to employees by way of team meetings. The next most frequent methods were email and other written communication.
- Online platforms such as group-chat were not much used for strategy communication, but the use of intranet and internal website rose to nearly a quarter of the medium-sized organisations.
- Organisations typically align, first, financial rewards, and secondly professional development opportunities, with organisational goals[FG1] , to give incentives to employees. Promotion and new responsibilities were relatively popular among medium-sized entities, but the number of micro entities that used these was less than half that among the two larger organisational categories.

Finally, we asked a few questions exploring how organisations connect with their employees. How do organisations communicate their strategy to employees, and how do they use their processes and procedures to engage employees with the organisational strategy? (Multiple choice) (See Figure 1.13.)

Many organisations communicate with their employees in team meetings. This was slightly less common among micro entities which may be indicating that, where everyone is sitting in the same room, a formal 'team meeting' is considered unnecessary because meetings are informally happening regularly. Larger organisations use written communication more frequently, while the use of the annual general meeting (AGM) or formal meeting is predictably very limited among micro entities. Use of online platform/mobile chat is relatively limited across all organisation sizes, being used for instant and spontaneous conversation, rather than for communicating strategy.

As we have seen in section 1.ii.(b) 'Identifying strategic leadership', micro entities' vision and strategy may remain in leaders' minds without being articulated. It is easy to explain tasks and responsibilities verbally to individual employees, but vision and strategy could also usefully be communicated in writing, so that everyone can readily see how day-to-day operations contribute to the achievement of the organisation's long-term vision and strategy.

FIGURE 1.13: How organisations communicate their strategy



> While the use of financial incentives is high across all organisations, this is particularly significant among medium-sized entities.

We also asked about the alignment between organisational strategy and employee incentives. Question 23 asked: Does your organisation align any of following processes and procedures for employees with the business strategy? (Multiple choice)

In the aggregate data, we noted that financial incentives are those most frequently offered to employees. This is followed by opportunities for professional development and promotion/new responsibilities. We noted, on the other hand, that 21% of responding organisations did not align employee incentives with organisational strategy.

Figure 1.14 shows the responses according to organisational size.

While the use of financial incentives is high across all organisations, this is particularly significant among medium-sized entities. Larger organisations also used professional development opportunities and promotion/new responsibilities as incentives for employees to embrace the organisation's strategy.

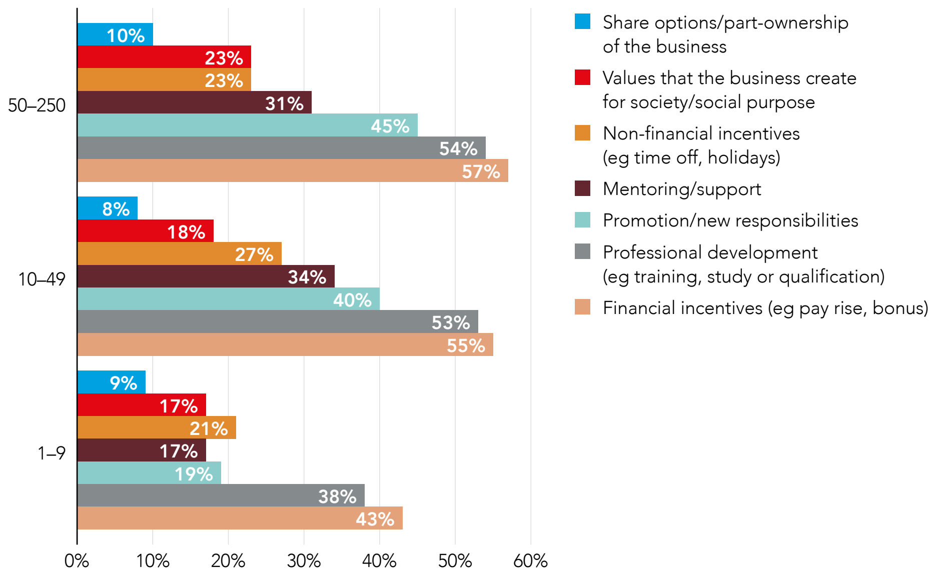
Mentoring and support from senior staff, a popular means of motivating younger generations,[9] was available in about one-third of larger organisations but not in the smallest organisations. About a quarter of organisations used non-financial benefits, such as time off and holidays.

Providing such incentives can be challenging to small businesses: their resources are finite, opportunities for promotion can be limited, and the time available to the leadership for guiding and nurturing employees is often limited by the daily challenges of the business.

There may also be a problem at the top. While aligning incentives with objectives at the staff level can be practicable, if the leadership team were not properly or systematically evaluated to begin with, because there was no process for it, they may not be inclined to create measures aligning strategy and reward for the rest of the organisation.

Nonetheless, it is always possible to create the right incentives. Here are some inspiring ideas from a senior practitioner who developed his practice from a micro business to a large network of firms.

FIGURE 1.14: How use of employee incentives varies between organisations of different size



9 *Professional Accountants – the Future: Generation Next*, 2016, ACCA, https://www.accaglobal.com/content/dam/ACCA_Global/Technical/Future/generation-next-full-report.PDF, accessed on 23 September 2018.

Case study: Advice for leaders on motivating staff

Stephen Chang led his firm, founded in 1894, in developing from a traditional firm of accountants to a professional services business providing a full range of assurance, financial and taxation services, including a business development consultancy. The firm, Morison Stoneham, was a founding member of Morison KSi, a global association of accountants and business advisers, established in 1990.

He recognises the challenges of staff motivation and retention that face small businesses. Here are his insights from his experience as a managing partner.

LEADERSHIP

People value very highly an environment that provides them with a real opportunity to develop and grow to their maximum potential. Therefore, the fundamental role of leadership is to provide such an environment in the workplace.

In small companies the opportunity for career progression is generally limited to the speed of growth of the company. Therefore the retention of ambitious good employees is a real challenge. However, it is a great motivation and retention factor to discuss and agree with ambitious and good employees a 3 to 5 year career plan with annual or 6 monthly reviews. The plan should acknowledge that promotion and progression to higher roles within the company could be limited by the pace of its growth, but the role, the experience gained and training set out in the career plan, which will contribute to the company's success, will also place such employees in a very competitive position when they feel it is time to pursue their ambitious career progression elsewhere. Such career plans are great motivating factor and would also provide a framework for the company to plan for the replacement of ambitious employees within a time frame should the company be unable to provide further career progression towards the end of the 3 to 5 year plan.

SHARING THE OBJECTIVE

One of the most effective ways to motivate employees that would lead to high performance and job satisfaction is to ensure that employees know how their role at every level contributes to the on-going success of the company and the achievement of its objectives.

Excellent customer care is key in retaining and doing more business with customers, and getting customers to refer new customers. Therefore, it is vital that employees at all levels, not only those involved in marketing and sales but also those involved credit control, debt collection, receptionists, administrators etc. are trained to know that when they deal and interact with their counterparts in their customers' organisations, they have a very important marketing role in ensuring everyone in their customers' organisations has an excellent experience and finds it a pleasure to deal with the company. This will minimise the risk of loss of customers to competitors, increase customer retention and higher referrals of new customers from existing customers, resulting in the increased revenue. Excellent customer care by everyone in the company is the cheapest and most effective "advertising", and the employees will see the additional contribution they could make to the company apart from the work they do in their role.

People at every level of the company, in particular the owners/managers, should treat each other with the same "customer care" as they treat their customers. This does not mean that the company should not deal firmly with under-performance and mistakes. But what it means is in instances where the company has to take firm action it is done fairly and professionally. This has huge impact on morale and motivation.

SHARING INFORMATION

Sharing information including financial information is another way to motivate employees and increase retention.

People like to know the results of their efforts. Marketing and sales staff should know the impact on sales from their work; credit control and debt collection staff should know the impact on cash flow from their work; administrators should know their impact on efficiency from their role; and receptionists should know their impact on all visitors, customers and suppliers to the company.

Financial results reflect in financial terms of the results of the activities of the company. Financial results can be really powerful because they are tangible. Appropriate financial results should be shared with employees. Where the financial results are good, employees would be motivated from the results of their work. Where financial results are below expectation, employees should be involved in the analysis as what had gone wrong and take corrective action.

Sharing the company's plan for the next 6 or 12 months or whatever period will relate employees to the expectations of the company, align their role and priorities with the plan and help the employees to be part of the journey.

SHARING SUCCESS AND FACING UNDER PERFORMANCE

Sharing the company's success and plans to remedy the company's under-performance is another tool to engage with, motivate and retain employees.

If the company does well, and information on the financial success is shared, employees will feel proud to be part of it – having contributed to the positive results. Simple methods could be devised to share key information on financial success and where possible to enable employees to relate their efforts to the financial success. This could be done without necessarily disclosing every detail of the company's financial information. A simple reward system could be set up to share the success with employees based on achievement of financial results above a set target.

Where the financial results are below expectation sharing this information and a plan to improve financial results with employees will engage them with a greater sense of purpose.

CROSS LEARNING FROM MISTAKES AND SHARING SUCCESS STORIES

Sharing mistakes and successes and positive experiences can also be a very powerful motivation and learning process. Where mistakes are made, especially by the owners/managers or senior employees, sharing the mistakes and the steps to be taken to remedy and minimise the risks of the mistakes happening again is a powerful learning process. It also helps to create a healthy environment where employees are prepared to talk about their mistakes and learn from them. This needs support and guidance from owners/managers and senior employees because talking about mistakes is not an easy thing to do. Mistakes are different from failures. Failures are a repetition of the same mistakes which are not acceptable.

Where there are successes, achievements and positive experiences, crediting and communicating widely those who contributed to and the actions and activities that brought about the success and achievements and explaining what the success and achievements mean to the company, are great motivating factors.

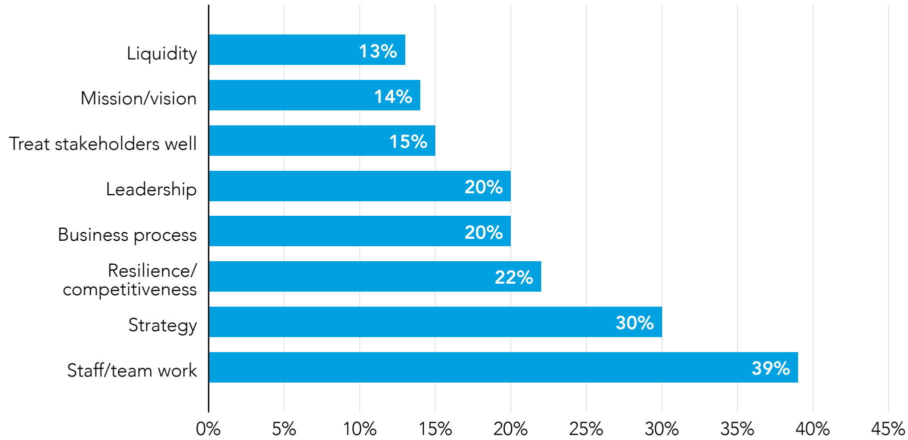
> The most frequently mentioned factor was the importance of attracting, retaining, and investing in people and creating a team within the business.

V. LONG-TERM SUCCESS FOR SMES: IN THEIR OWN WORDS

Main findings

- Organisations recognise the value of attracting, retaining and empowering their employees as the key to long-term success. This was followed in perceived importance by robust strategies and their implementation.
- Many described the need for the business to be able to cope with a changing environment, by exhibiting qualities such as resilience, competitiveness and adaptability. These seem to point to the importance of organisations' awareness of and response to risks and opportunities.
- Leadership is expected to play a key role in all these factors. Respondents linked quality of leadership with the ability to lead via vision and commitment, but also called for the need to delegate tasks and trust employees.

FIGURE 1.15: Critical factors for long-term prosperity



To conclude the survey, we asked what critical factors enable businesses to prosper over the long term, and why. We analysed 368 responses and the following results emerged (see Figure 1.15).

The most frequently mentioned factor was the importance of attracting, retaining, and investing in people and creating a strong team within the business. The second was having a robust strategy, and implementing and monitoring its execution. Then came focusing on how the organisation interacts with the outside world – being sensitive to the changing environment, being agile and adaptable so that the organisation keeps its competitive edge. The next two factors cited were having robust business processes and attracting, retaining and providing incentives for the right type of leadership.

In the following pages, we explore narrative responses to the open ended question factor by factor.

Respondents emphasised the importance of enabling employees to be part of the business and its long-term future.

a) Creating a strong team

Respondents emphasised the importance of enabling employees to be part of the business and its long-term future: 'Businesses that invest in their employees will survive in the future. Employees feel empowered and believe they own a part of the business, hence they will go the extra mile to ensure the business' success'.

Others also recognised the importance of developing people, so that employees are motivated to stay and share the future with the organisation: '…without proper attention to employees there is high turnover and knowledge is lost. Strategy and values should be widely shared through the organisation, so everyone would know what they are working for and where the organisation is going'.

After all, everyone is needed for the enterprise to succeed. Some respondents thought that this is critical for young businesses: '(h)ard work at start-up stage, involvement of each and every person to over-deliver, extending their responsibility area…people produce the goods for sale, people sell them, people communicate with the client, obtain feedback, communicate with each other to make [a] better product, so that we provide [the] best experience for our clients, and so that clients know and feel that the product was made passionately by the team caring about them'.

b) Vision and strategy

Many respondents commented on the importance of strategy and vision. While many respondents differentiated between vision and strategy, the reality is that these two interact in small organisations: '… the business has to keep an eye on short-term (under 12 months) indicators, and be ready to adjust and correct as changes are needed'; '…using strategy as a tactic to achieve the vision – constantly checking progress, reiterating the pillars of the strategy and refining'.

The achievement of vision and strategy is also connected with the people employed and various other aspects of organisations. 'A good leader [is needed], with vision…that is supported by the rest of the company. The ability to recruit and retain the best individuals. A commitment to reinvest[ing] into the company in the short term, to gain in the long term. Whether it be new employees, new IT system, or an acquisition, reinvesting in the company…'. This is because realising the long-term vision and strategy depends on those who responsible for them: '(c)lear offer, vision and purpose for the business that is shared and understood by all stakeholders…' and 'to make the strategy workable, it is advisable to involve all levels in strategy development.'

c) Business and financial functions

These functions cover a number of aspects related to financial viability (eg cash and working capital management, access to funds and finance), financial and business processes (eg planning, execution, monitoring and reporting), and internal controls and business continuity, including succession planning.

A few respondents referred to interactions between these aspects. In small businesses, strategic considerations should never be far away from the day-to-day operation of the business: 'Strategy and planning are the key factors. More time should be… [spent on] personal leadership and then strategic leadership. [The] world is changing at [a] very fast pace so business should embrace that change and there should be a strategy [for] how to tackle …such [a] changing business world.'

While business and financial functions are seen as key to business survival, some emphasised the importance of not focusing too narrowly on financial aspects alone: 'Focus on delivering key objectives not on growth for growth's sake. Focus on quality to ensure [that your] reputation is protected and enhanced.'

> Along with being alert to the changing environment, respondents mentioned the importance of organisational dynamism, strong leadership and the right employees as the enablers of resilience.

d) Resilience, competitiveness and adaptability

Respondents commented on a wide range of issues, from the importance of gaining market intelligence to creating an organisational culture that is adaptable to, or can even initiate, change.

Many commented on the importance of scanning the current market environment and adapting strategy accordingly. They often mentioned the need for regular strategy reviews, while remaining steadfast to the long-term vision. Some noted the importance of having a wide perspective when looking at the market environment: that changes may come from political, social, economic, technological or environmental issues, and that these might affect customer bases as well as the organisation itself.

Such comments were often followed up by the need to be flexible, whether in making changes to the product and service offering to meet customer demand or the trend. This can mean that the organisation may need to take a degree of risk: 'I think the most important [thing] is to be willing to take risks, have [an] open mind and innovate. Only this way a company can remain competitive in the long run'. To do this, management must decide how much and what kind of risk is acceptable.

Gathering information alone does not make organisations competitive. Along with being alert to the changing environment, respondents mentioned the importance of dynamic organisation, strong leadership and having the right employees as the enablers of resilience: 'Communication within the organisation and opting for flatter organisational structures [is necessary] to become dynamic and ready for change.'

e) Leadership

This category includes comments on attracting and retaining personnel for leadership roles, but also those on the quality of leadership. Respondents used various terms to describe good leadership: 'strong', 'competent', 'effective', 'tone-setting', 'visionary', 'diverse', and 'committed'.

Some also talked about the importance of succession planning and ability to delegate control and entrust employees with responsibilities. A small business would benefit from an 'experienced management team who are good at multitasking and working outside their comfort zone', as one respondent put it, but many also commented on the leadership's need to engender loyalty and good work ethics, as the leaders cannot make the business succeed on their own, and a few commented on the need for a diverse and strategically minded board.

Recommendations

Some businesses start with an ambition for growth while others may choose to remain as niche players in the market. Either way, it is important to stay agile, because the changing business environment often does not tolerate anyone being stationary.

Micro entities may find some challenges harder than others, involve time, resource or the perceived loss of autonomy. The results of the survey and discussions with focus groups seem to indicate, however, that organisations overcome some of these challenges as they grow.

Medium-sized organisations more often have formalised mechanisms of vision, accountability and control. In contrast, it may not be easy for an entity with scarce resources to achieve this all in one go. The data suggests that the behaviour of small organisations often lies somewhere between that of micro and medium-sized organisations, indicating that their leaders are making choices in addressing their needs.

After the need for vision, strategy and the people to support them, there is no simple answer as to what should come next. That decision resides with leaders' judgement, which should be critically guided by these factors.

2. Our respondents – demographics

We received 488 completed survey responses globally. The survey ran from 11 June to 31 July 2018. The responses included, beyond ACCA members, those from members and contacts of: Malaysian Institute of Accountants; Hawkamah – the Institute of Corporate Governance; Guberna (the Belgian Institute of Directors); Center for International Private Enterprise; and KPMG Sri Lanka. ACCA is grateful for their support.

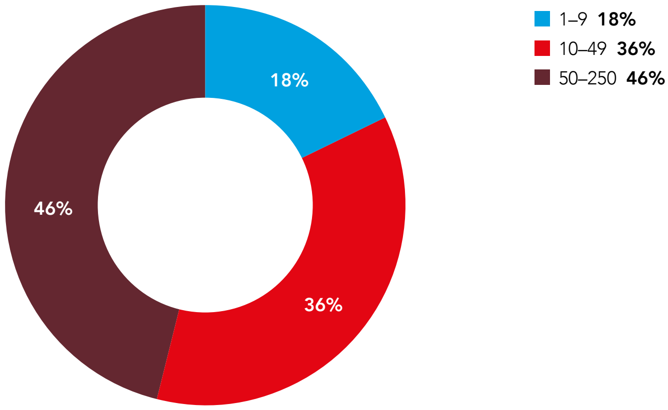
The largest number of responses (223, 46%) came from entities employing from 50 to 250 people (medium-sized businesses as defined for this survey). This was followed by those from entities employing 10–49 people (176, 36%). The number of respondents who worked in micro entities that hired fewer than nine people was 89 (18%), of whom 11 (2% of total respondents) were sole traders/proprietors.

Segmented by sector, 74% of respondents worked in corporate firms, followed by those in financial services (17%) and not-for-profit organisations (9%). The data does not include those working in public practice, as their governance arrangements can vary greatly. For similar reasons, the data excludes public sector entities.

The regional breakdown and other demographics are shown in the box. A large majority of respondents worked in private limited companies, followed by those working in a subsidiary of another company and a charity or not-for-profit organisation.

We noted that the role of technology in the SME sector could be significant.

FIGURE 2.1: Breakdown of respondents by organisational size



Breakdown of respondents:

By region
- Middle East **5%** (26)
- Asia Pac **22%** (109)
- South Asia **5%** (22)
- Europe incl. UK **44%** (217)
- Africa **15%** (73)
- Americas incl. Caribbean **8%** (39)

By type of organisation
- Private limited company (Ltd) **62%**
- Subsidiary of another company **13%**
- Charity/Not for profit **10%**
- Sole trader **6%**
- Partnership **5%**
- Other **4%**

By use of technology (fintech, e-commerce, digital technology, etc.)
- Yes **44%**
- No **56%**

83%

of respondents said that their business was over five years old

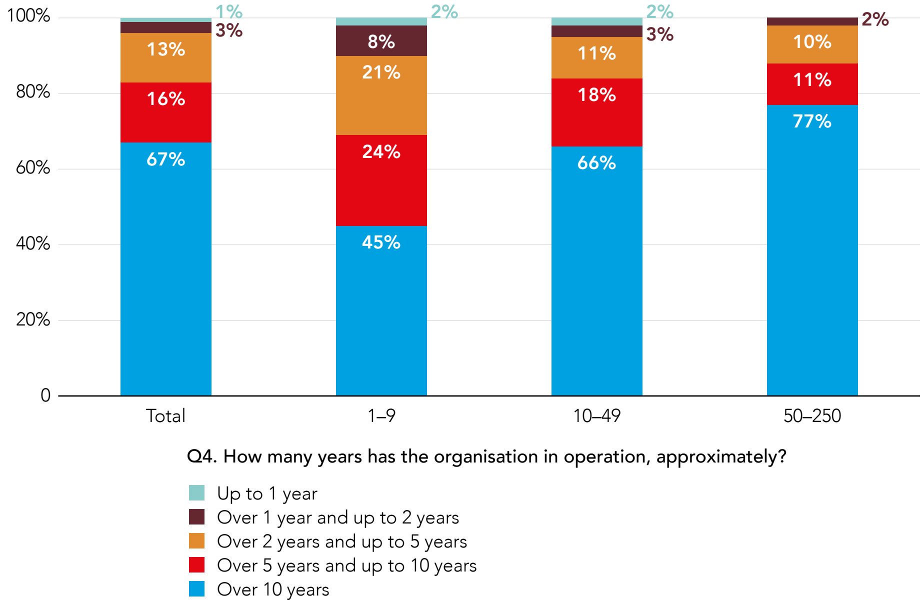
We were therefore interested in understanding how behaviour was affected by the extent of use of technology. Where we noted significant differences among the respondents on this basis, we have provided additional analysis across the report.

Organisations that involve the technology sector exhibited some common characteristics. While they were not statistically significant in terms of the size or growth in terms of turnover, these respondents claimed to have grown over 20% in terms of headcount in the last 12 months.

Since the predominant part of the responses come from the ACCA membership, a large majority (96%) of the respondents were professional accountants or similarly qualified. They may therefore have had certain characteristics in common, affecting their responses.

The majority of respondents who participated in the survey said that their business was over five years old (aggregate 83%); this applied to fewer than 70% of those in organisations with 1–9 employees but nearly 90% of respondents from organisations with 50 or more employees (see Figure 2.4).

FIGURE 2.2: Breakdown of respondents by age and size of organisation



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ORGANISATIONS

Hawkamah – The Institute for Corporate Governance

ecoDa – European Confederation of Directors' Associations

European Issuers

Malaysian Institute of Accountants

KPMG Sri Lanka

Guberna – Instituut voor Bestuurders/Institut des Administrateurs

Center for International Private Enterprise

UEAPME – the European Association of Craft, Small and Medium-sized Enterprises

ACCA GLOBAL FORUMS

Global Forum on Governance, Risk and Performance

Global Forum for SMEs

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