

Governance of SMEs (GoSMEs)

A project funded by the European Union's Horizon 2020 research and innovation programme
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Governance and value-creation in SMEs in a service dominant-logic (GoSMEs)

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Introduction

Small-and Medium-sized Enterprises (SMEs) form the bedrock of the European economy because of their substantial contribution to employment, job creation, and economic value-added. Their specific and diverse needs and conditions make the domain of knowledge about their inner workings important. It is well understood that SMEs differ from their large counterparts in terms of the resources and competences they command but that their flatter organisational structures can favour flexibility and adaptability. Not surprisingly, the EU has made substantial and impactful investments to help SMEs overcome size-related barriers through programmes such as COSME or the Horizon 2020 SME Instrument. Yet, SMEs continually face new challenges arising from changing business practices, global volatility and digitalisation. Combined, these require fresh insights into factors that can enhance the competitiveness of SMEs, which in turn can open the way for novel policy interventions. In this project, we focus on an under-researched domain in SMEs – governance and the board of directors.

The following is a presentation of the results from a survey conducted by the project GoSMEs. The survey was launched in February 2019 in the UK, Sweden and Denmark. The survey focuses on work of SMEs and includes structural aspects of board work as well as processes. The result will be presented at conferences in the UK at the University of Wolverhampton within the Black Country Business Festival programme, in Sweden in collaboration with IoD Sweden (StyrelseAkademien) and PWC Sweden, as well as in Denmark in collaboration with Deloitte Denmark and Board Network in Copenhagen.

Executive Summary

The results from the quantitative analysis of the survey data is presented in graphs in this report. The data will be analyzed interactively live while presented at the conference. Most of the graphs in this presentation are thus interactive in the live presentation at the conference and you will see more nuances therefore. However, in this PFD version you will not be able to interact with the data. The live report shows more queries and some additional features of the rich data material collected.

Please read the brief summary of each page section in conjunction with respective page in the report. The graphs are generally telling the story of the data autonomously, therefore this summary is held very brief for you to build your own interpretation and understanding of the data and graphs presented in this report.

1. Director Age & Gender
 - a. The largest groups are between 50-69
 - b. Number of women director is quite equally distributed with a slightly higher percentage in the 40-49 category (31%)
2. Firm Industry & Size
 - a. Family firms are not the majority, only 36% in our cohort are family firms
 - b. Quite even among industries. However, it seems like many classify their industry as other while it could be included in service
 - c. Firms in service category are generally larger and have higher turn over
3. HighTech, Growth & Profitability
 - a. Around 30% of our firms see themselves as HighTech firms
 - b. HighTech firms seems to be presented among both high growth firms and high growth industry and vice versa, however, there is an over representation of HighTech firms in the high growth industry
4. Firm Age & Export
 - a. The majority of firms are young (less than 20 years old)
 - b. The family firms in the sample are generally older (ca. 30%) than the others
 - c. Manufacturing firms have the largest export and number of employees abroad in comparison to service sector as expected.
5. Board Size & Composition
 - a. Women director are about 25% of overall boards. However, it seems like the family firms are less prone to have women on board. This is definitely the case for Danish companies.
 - b. Danish companies seems do not like to have the same individual in the position of chair and CEO simultaneously
6. Board Development
 - a. The chairs that are also CEO seems to get good rating by their peer directors.
 - b. Almost 45% of the boards are not evaluating their work overall, the number is 50% in Denmark
 - c. Swedish boards are more often evaluated by external evaluator. Danish seems not like to do external evaluation.
 - d. Board development activities are low and away days are around one day a year
7. Board Task
 - a. Board seems to engage differently in different board tasks
8. Board Task Correlations
 - a. While both digitization and sustainability seems to be less in focus than the classic board tasks some correlation exists in sustainability work of the boards and strategy as well as control

- b. Digitization seems on the other hand be a loner and not very much correlated to the others

9. Board Structure

- a. Use of committees seems not to be prevalent
- b. Number of meeting and its length are quite alike among SMEs

10. Cluster Analysis

- a. We use the classic and modern tasks of boards and the number of NED to perform a cluster analysis. The analysis results in four distinct categories of boards with interesting differences and characteristics.
 - i. Developing Boards are clearly in need of further development. They are basically underperforming in all tasks. These boards include NED but may not utilize their contributions. These board employ least number of NEDs (1,8).
 - ii. Boosting Boards are high performing boards with a high level of firm specific knowledge. These boards are characterized by a low number of NEDs and high expectation to serve the society as well as its customers.
 - iii. The Maximiser Boards seems to be focused on the commercial power of the firm while sustainability is not high scored. Effective boards with not many NEDs and focused on strategy and advice.
 - iv. Outward board are larger than the other boards and have a high number of NEDs (5,7)

11. Board Profiles & Composition

- a. CEO and chair as same individual seems to be in some cases in all bard profiles. However, Maximiser Board seems to have the largest number of boards with the same individual as both chair and the CEO
- b. Number of Women Directors seems to be higher in Outward Boards. These are generally larger too as pointed before.

12. Cluster Distribution

- a. The distribution of the four profiles is interestingly enough intensified on the two poles of the spectra when it comes to the family firms. 44% percent of family firms are Boosters and 39% are Developing boards.
- b. Our study shows further that the majority of the boards in SMEs are doing a good job. With or without NEDs the Boosters, Maximisers and Outwards seem to manage their work well although they might be better on some tasks. The Boosters are apparently the best performers with high on everything and better than all others but when it comes to digitization where Maximisers are slightly better fit. Only 13,5 % of the firms are underperforming and are in need of urgent development.
- c. There are some national differences and it seems like the Danes are having more Developing Boards than what is in Sweden.

13. Board Profiles & Task Performance

- a. As mentioned before the Boosters are out performing all other profiles.
- b. Have a look on Developing and Maximisers which both are underperforming on Sustainability.

14. Compare Board Profiles

- a. A different and linear visualization of the differences of the profiles in regard to board tasks.

15. Board Profiles

- a. While the Outwards are generating high EBITDA the profitability of the firms are the same for both Boosters and Maximisers.
- b. We can also see that some board in all categories but the Outwards are running their work without the NEDs

16. Board Profiles & Processes

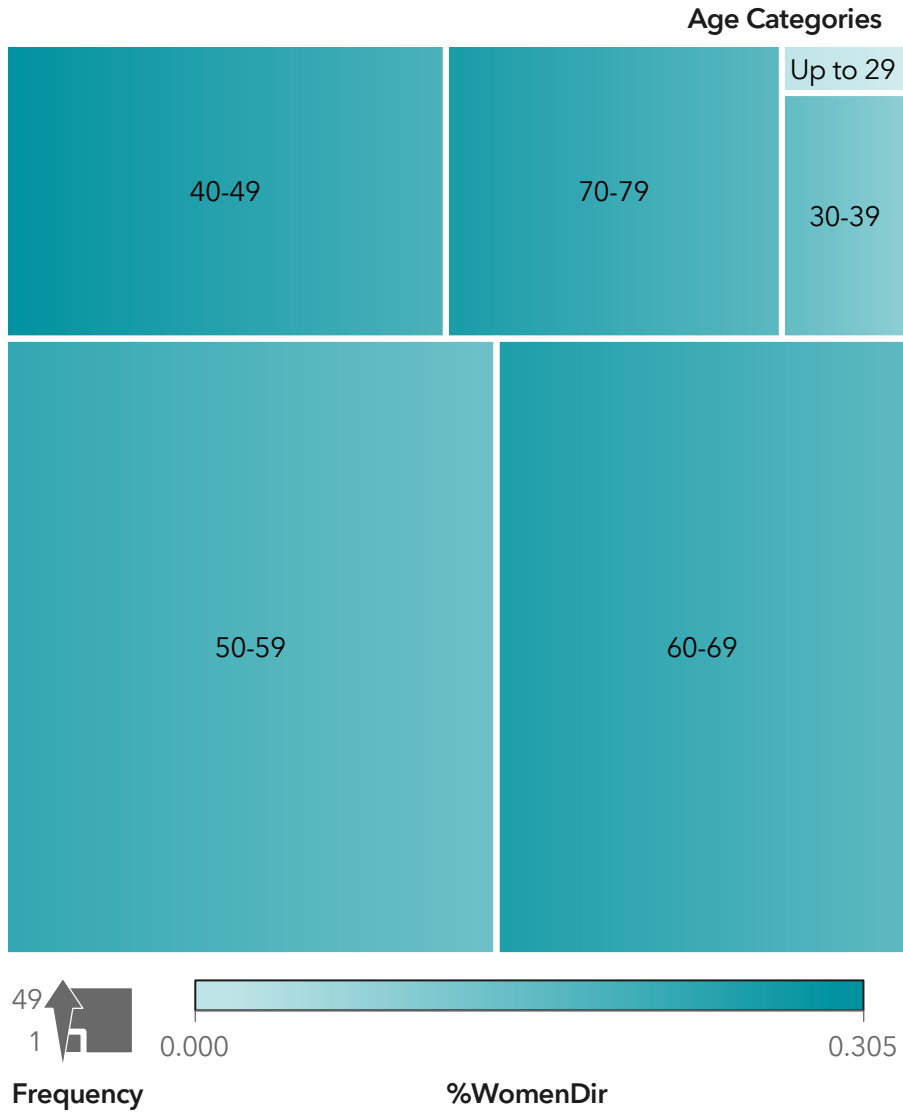
- a. The four aspects of processes that we examine here are
 - i. Chairs performance
 - ii. Cohesiveness (willing to work together, prioritising the meetings)
 - iii. Firm Specific Knowledge
 - iv. Cognitive Conflicts (different views, perspectives, solutions)
- b. The boosters are scoring high on all these

17. Firm Orientation

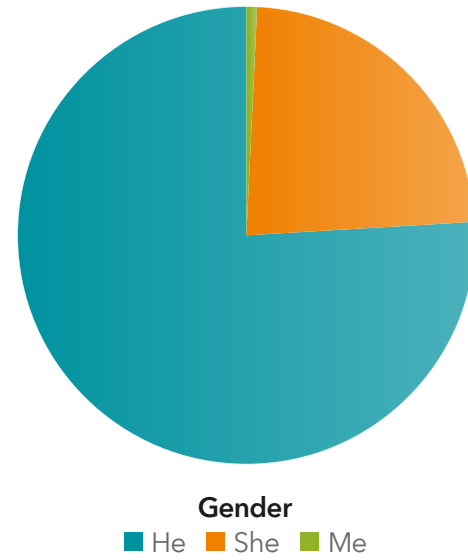
- a. It seems like the Boosters are more prone to caring for society, customers etc.

Director Age & Gender

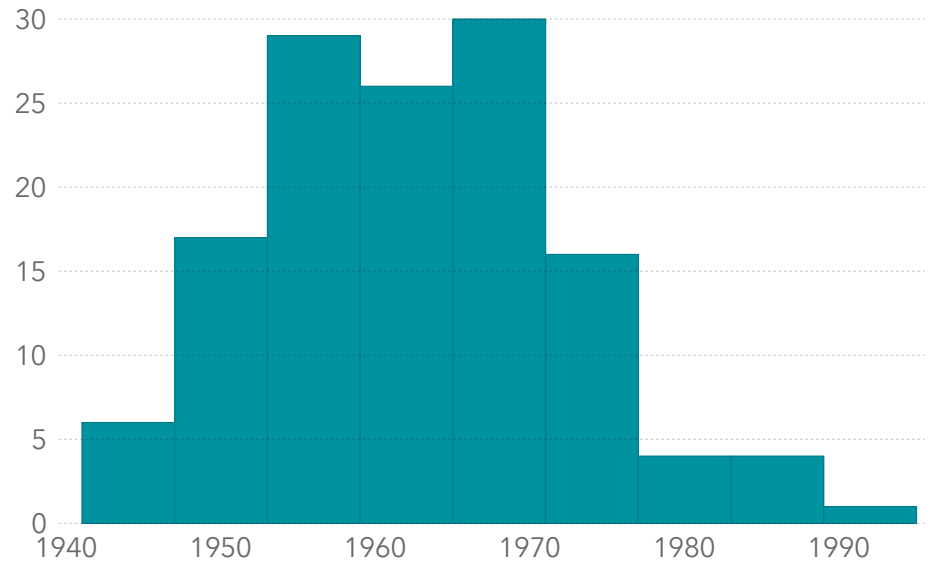
Age Categories and WomenDir



Director Gender



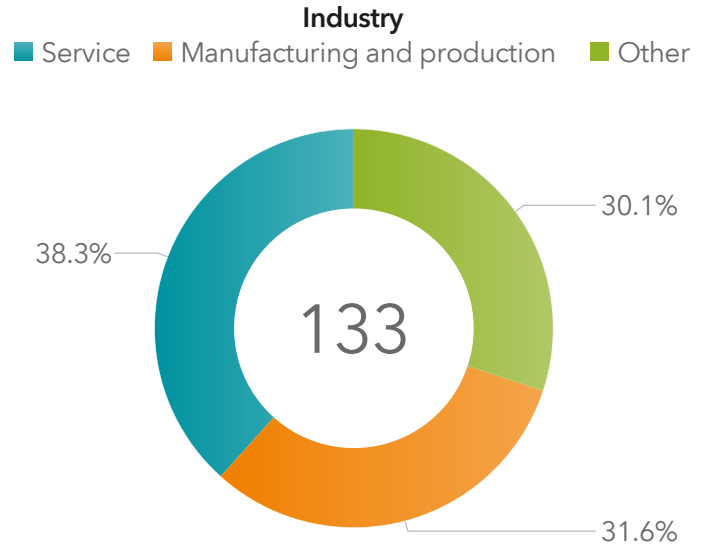
Distribution of Director Birth Year



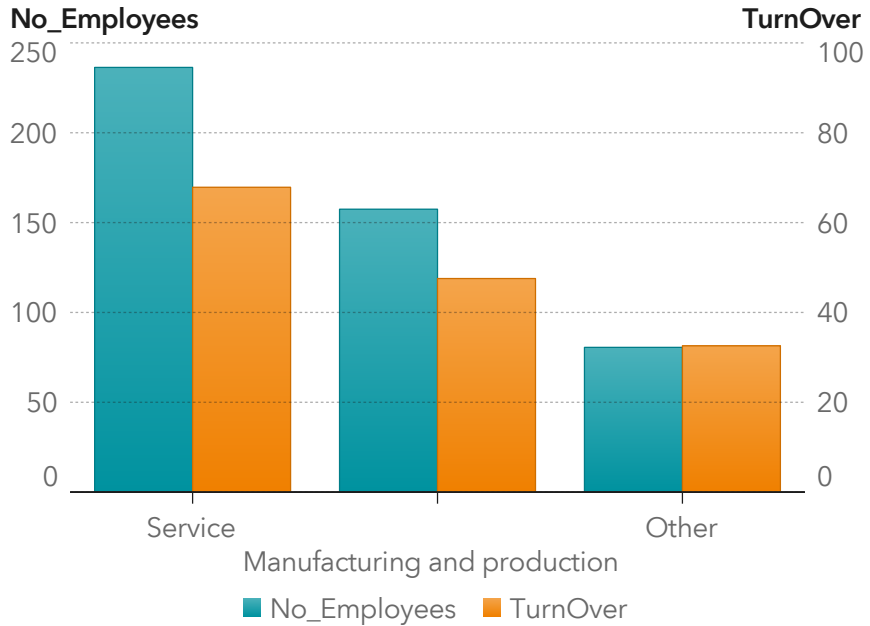
Firm Industry & Size



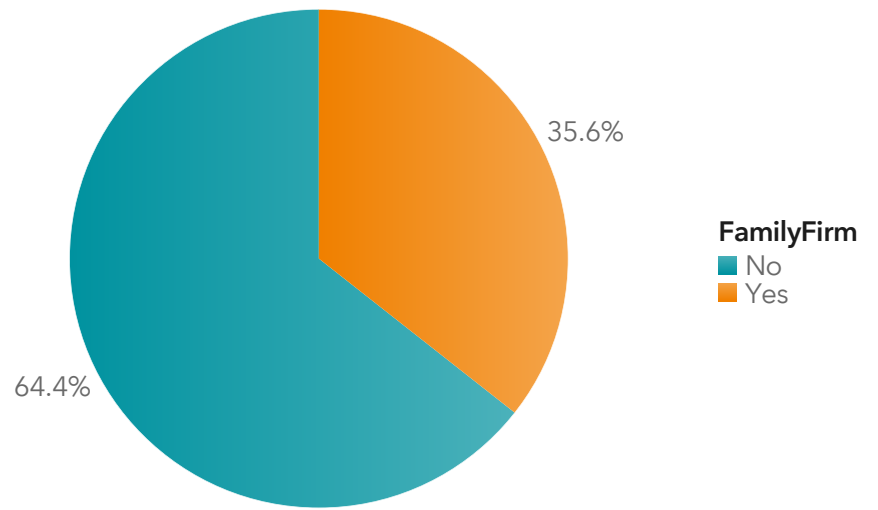
Firm Industry



Firm Size & Industry

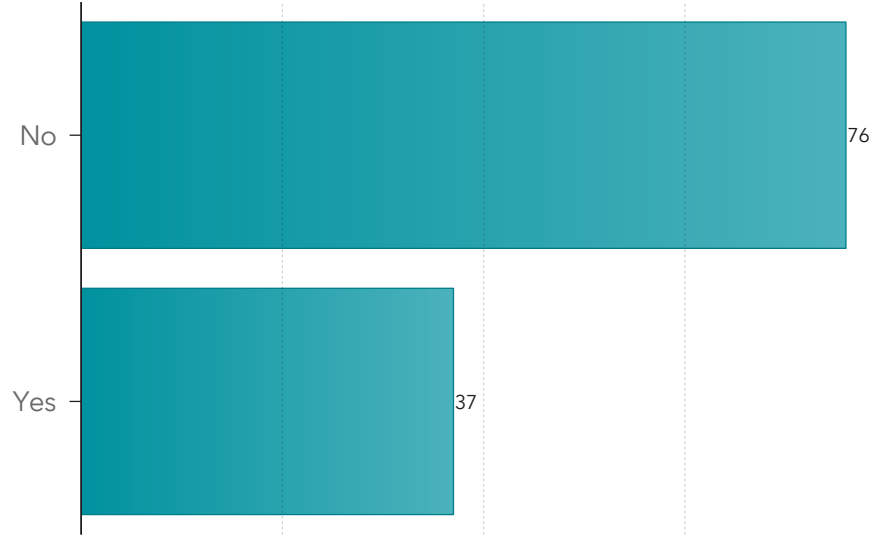


Family Firm



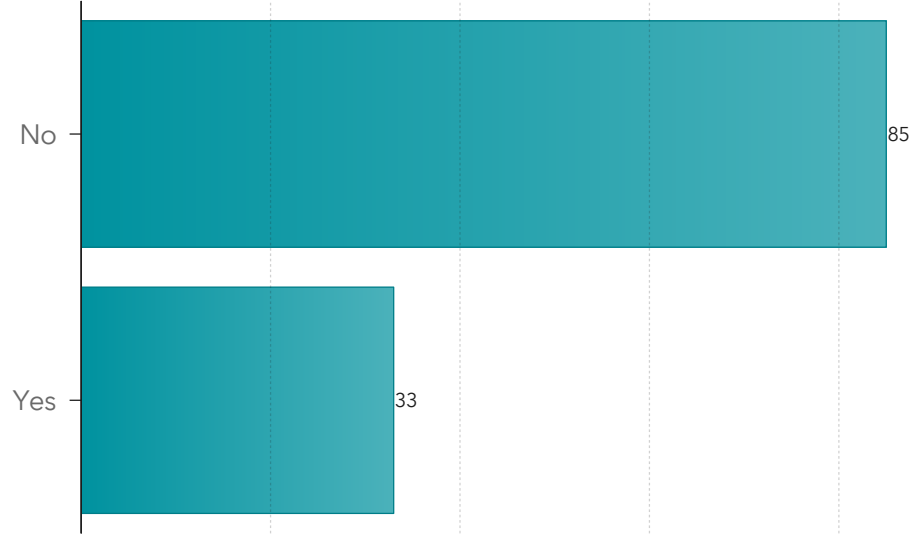
HighTech/Growth & Profitability

Industry is a Growth Industry



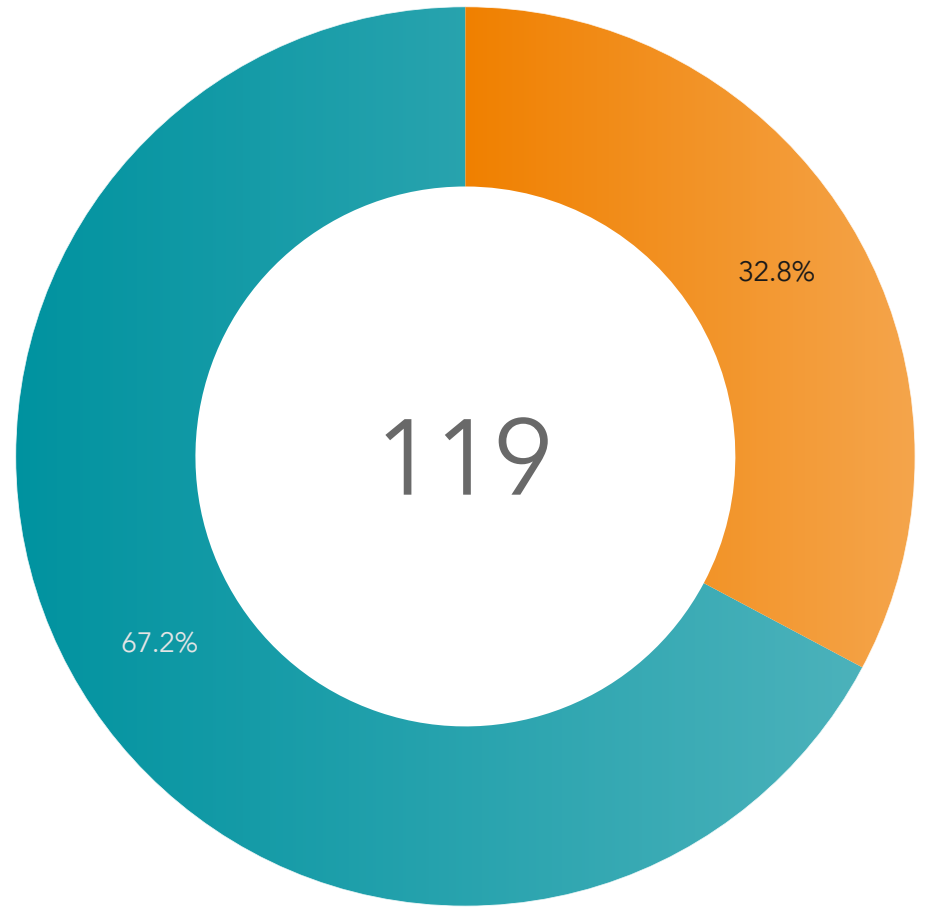
A2.1

High Growth Firm



A2.3

HighTech Firm

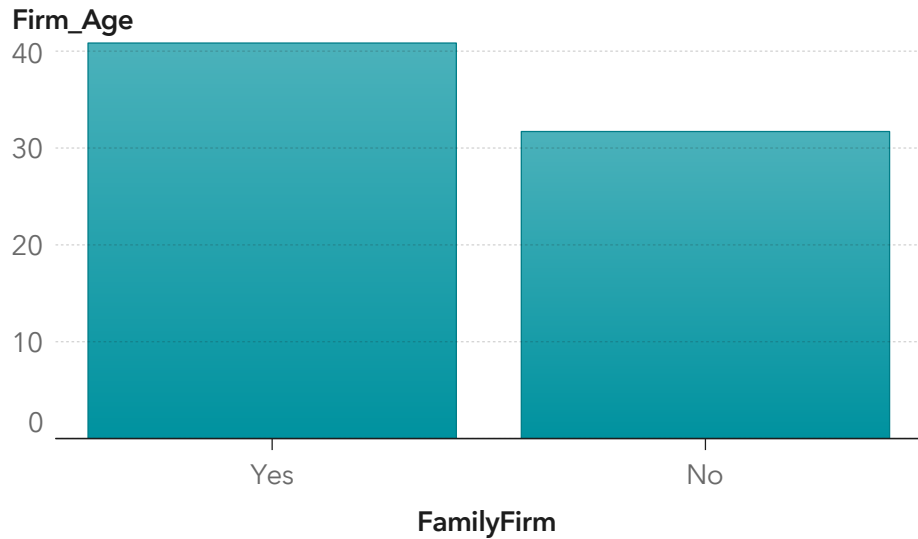


High-Tech
No Yes

A2.2

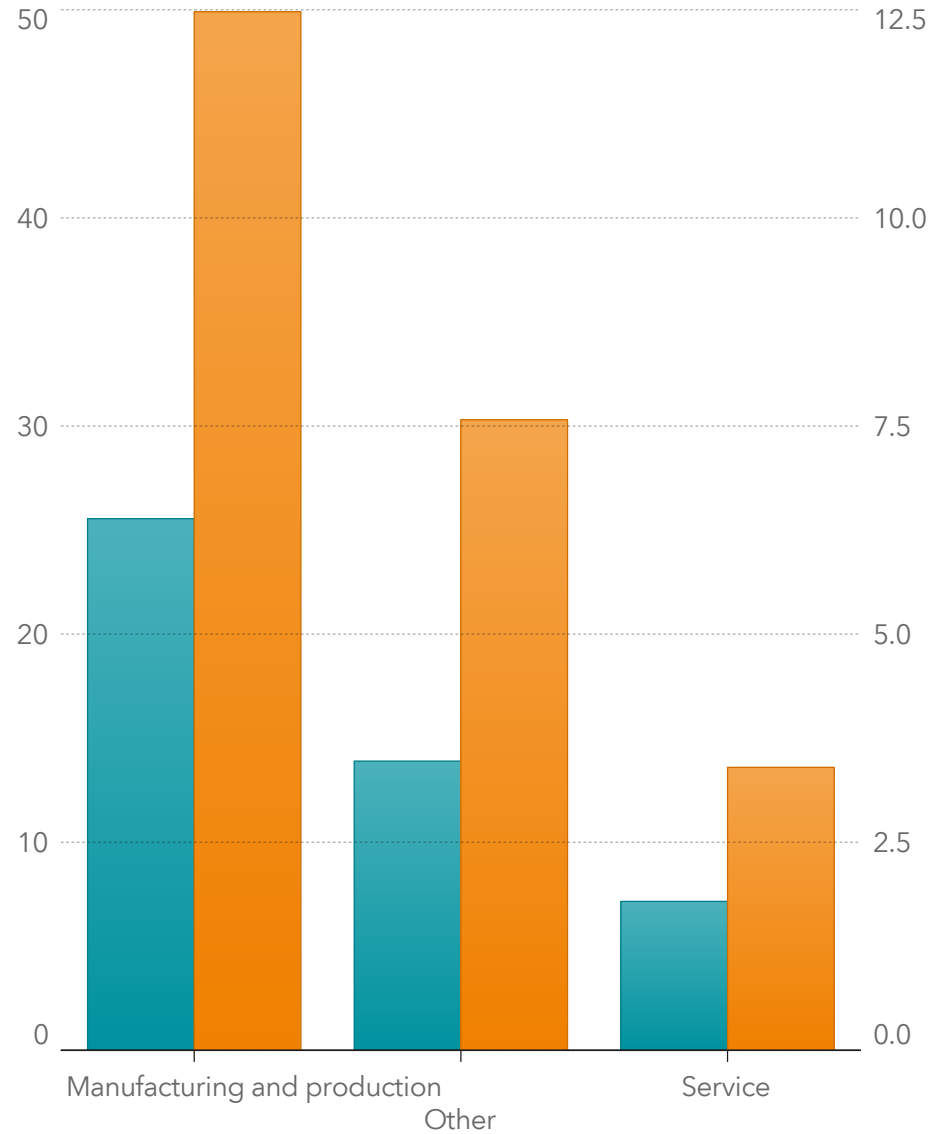
Firm Age & Export

Firm Age by Family Firm



A3.1

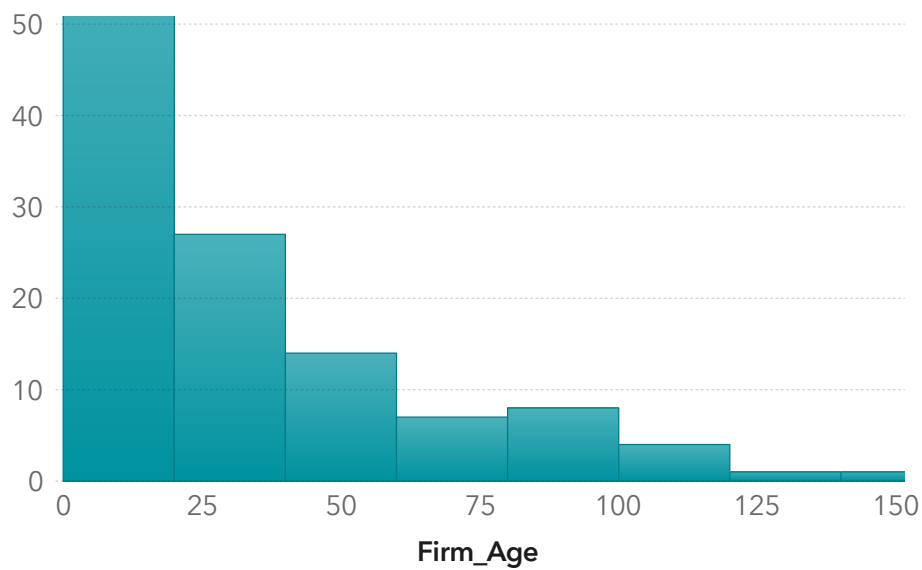
Export & Employees Abroad



68.4.a. What % of the firm's turnover come from export?
 68.5.a. What % of the firm's labour are situated abroad?

A3.2

Distribution of Firm Age



Board Size & Composition

NoOfDirectors

4.9

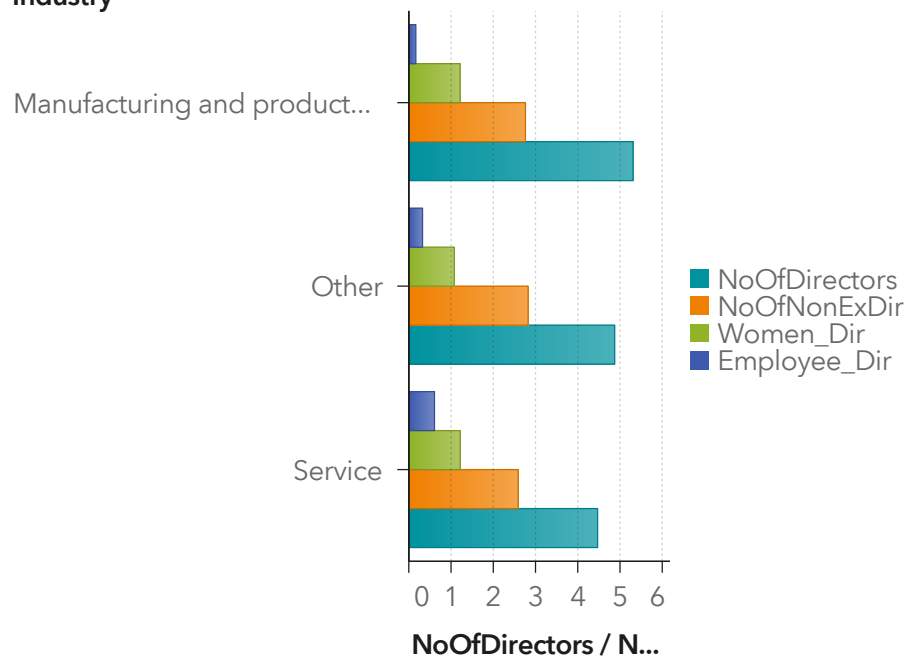
Women_Dir

1.2

NoOfNonExDir

2.7

Board Composition
Industry

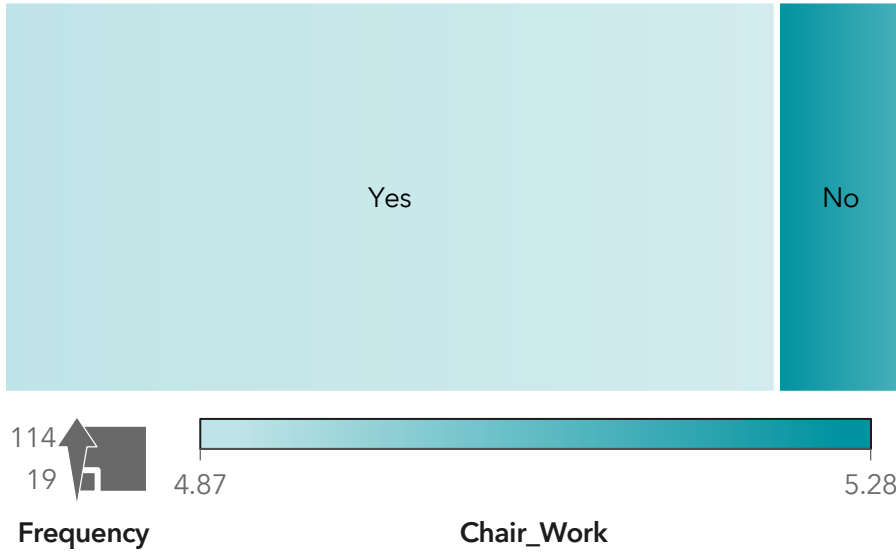


Separate Chair and CEO

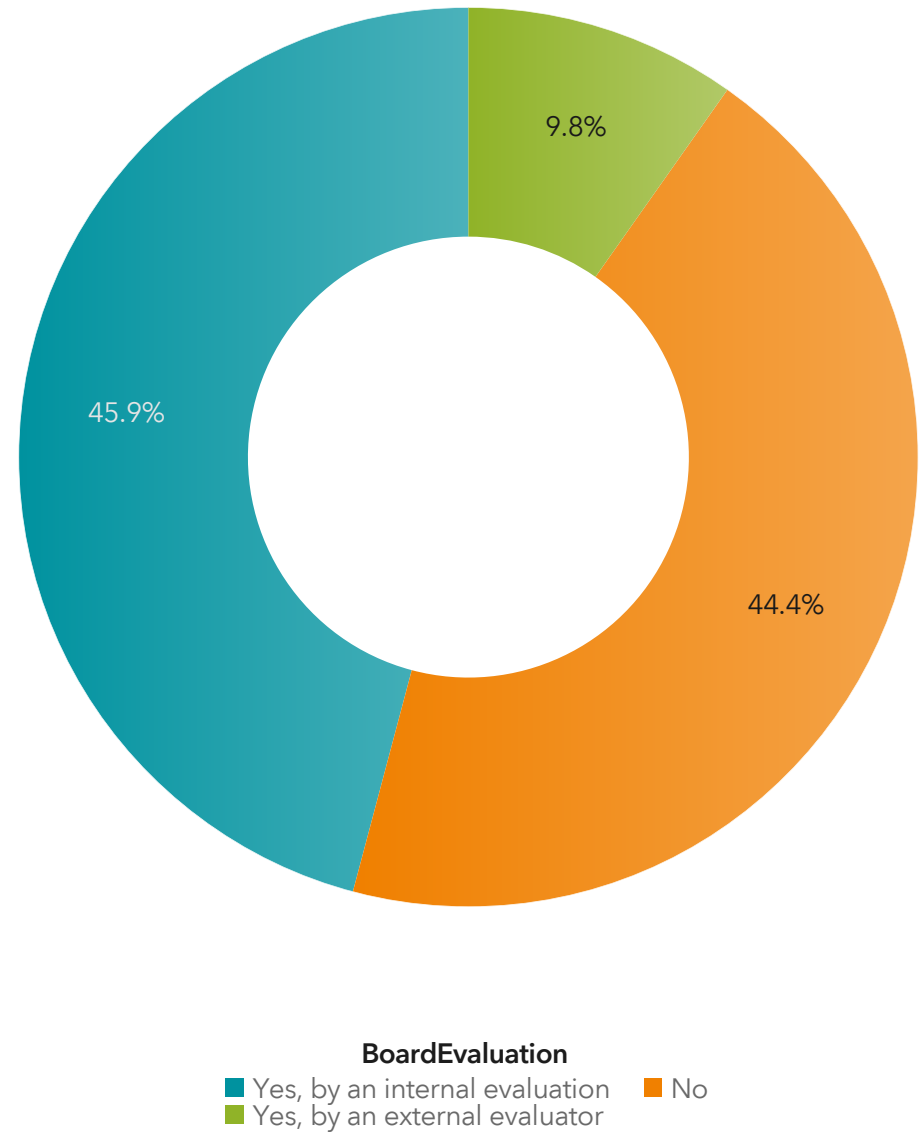


Board Development

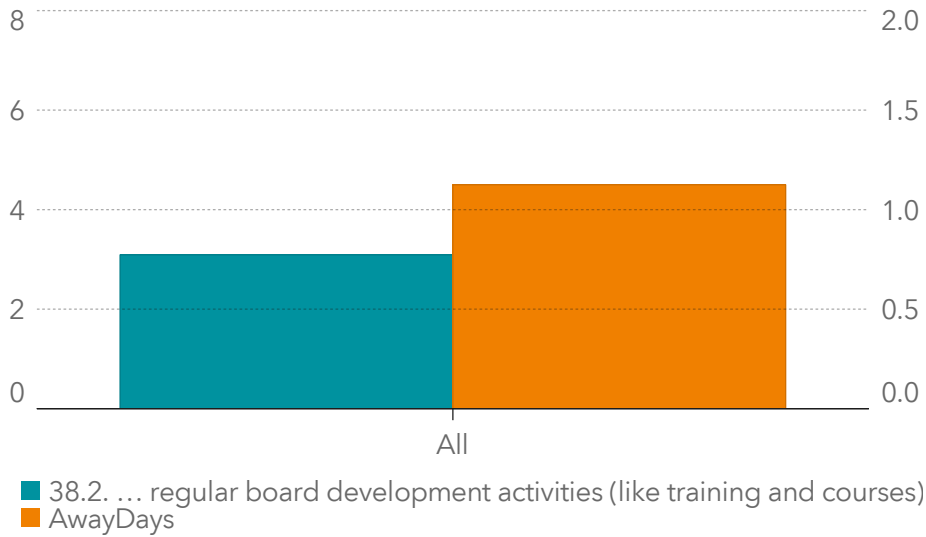
CEO-Duality & Chair Performance



Board Evaluation



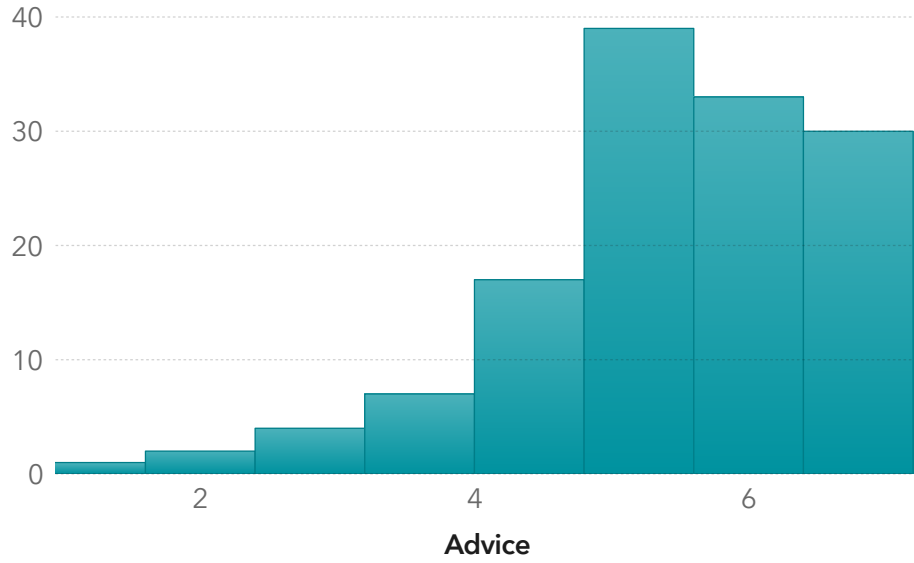
Board Development and Days Away



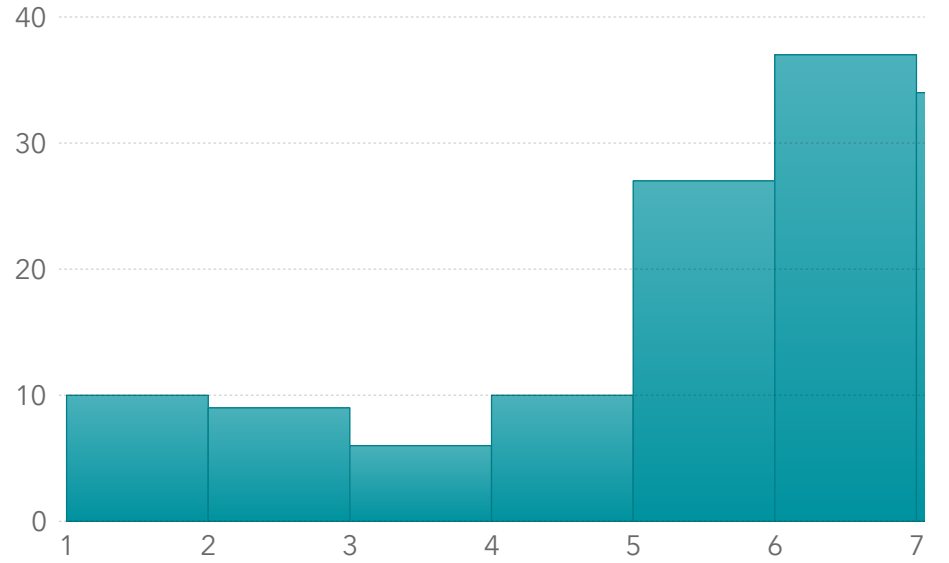
A4.1

Board Tasks

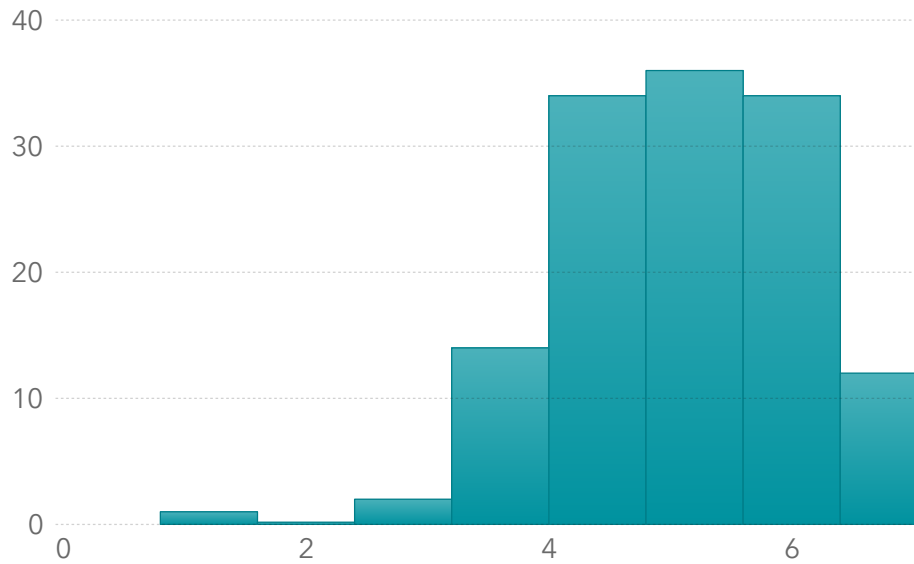
Advice



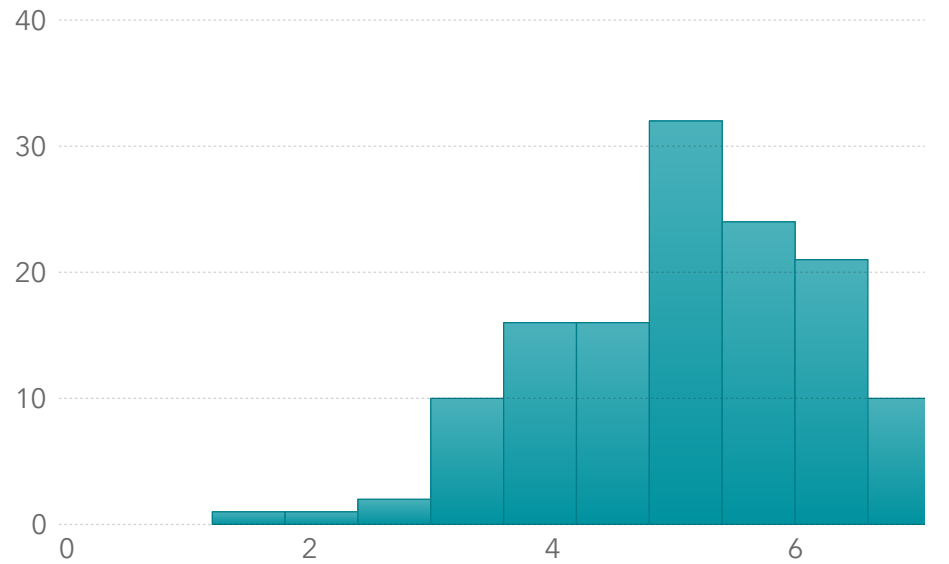
Mentoring



Control

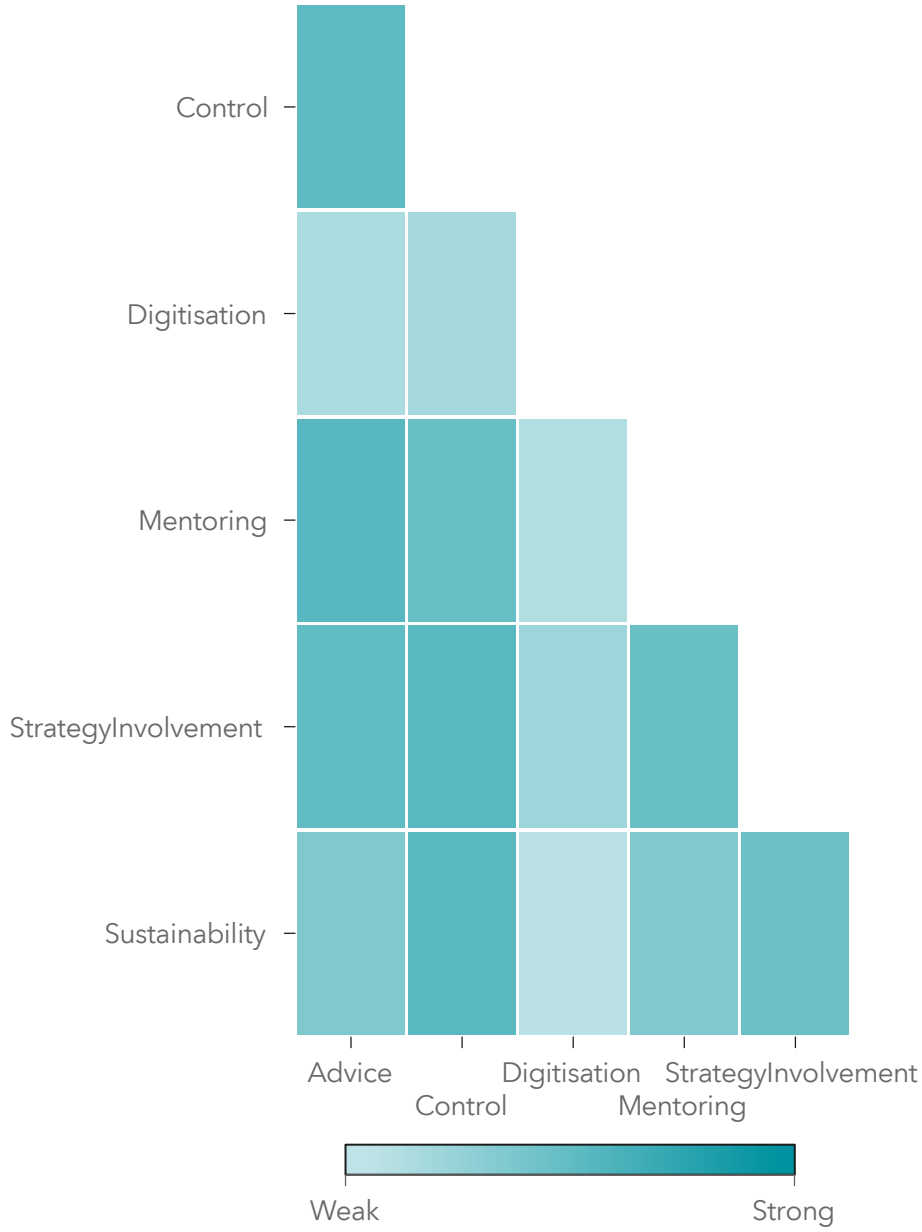


Strategy Involvement

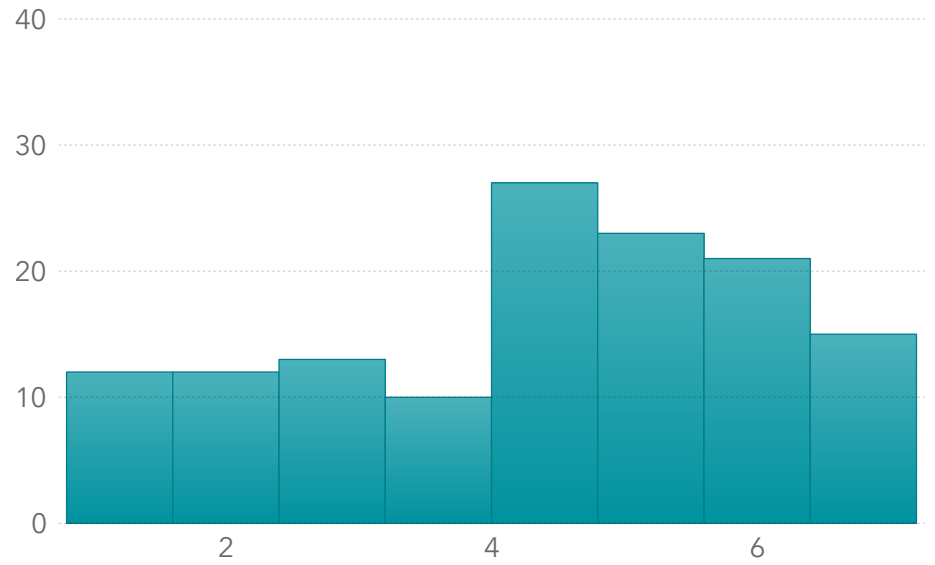


Tasks Correlations

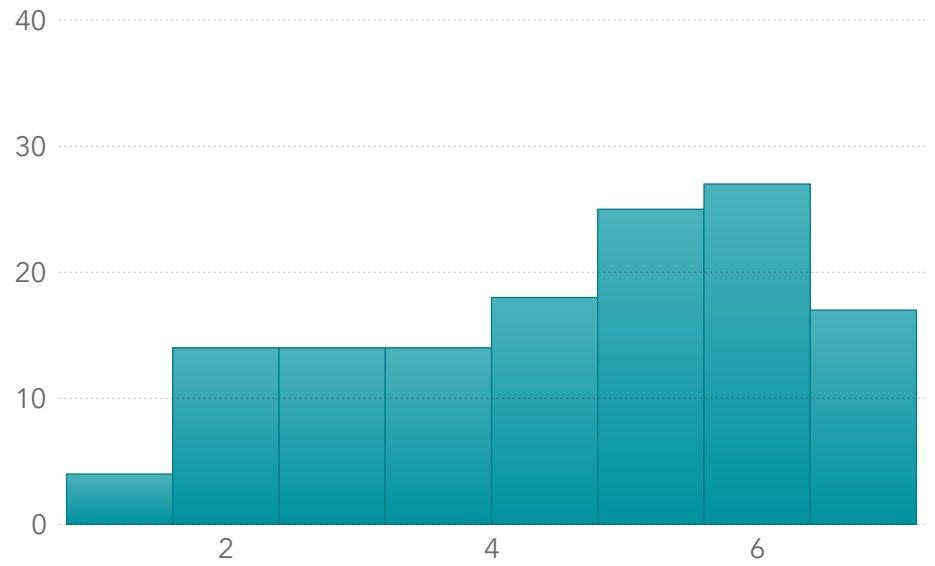
Correlation Board Tasks Measures



Digitisation

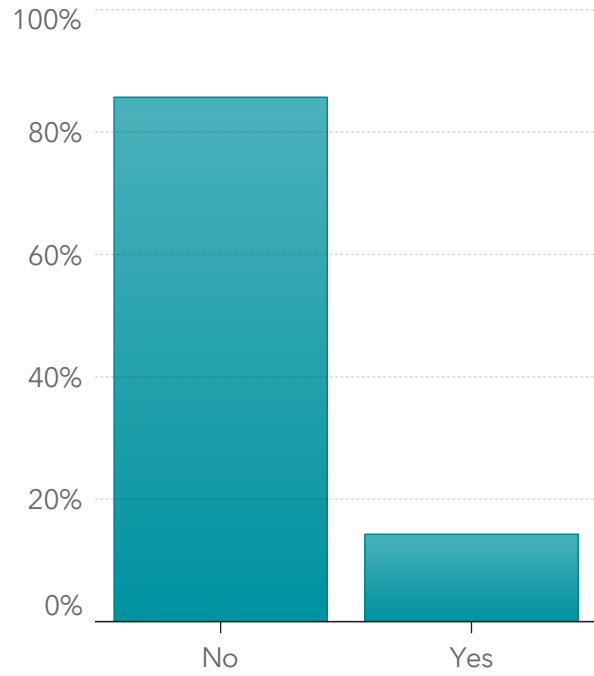


Sustainability

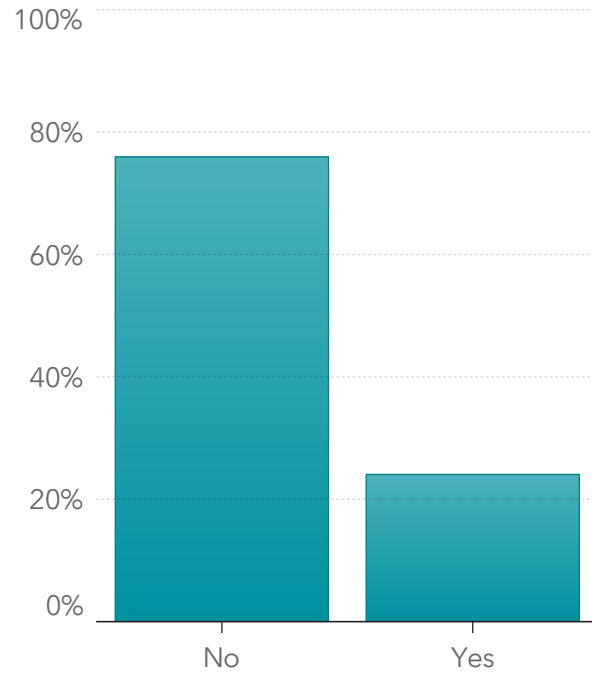


Board Structure

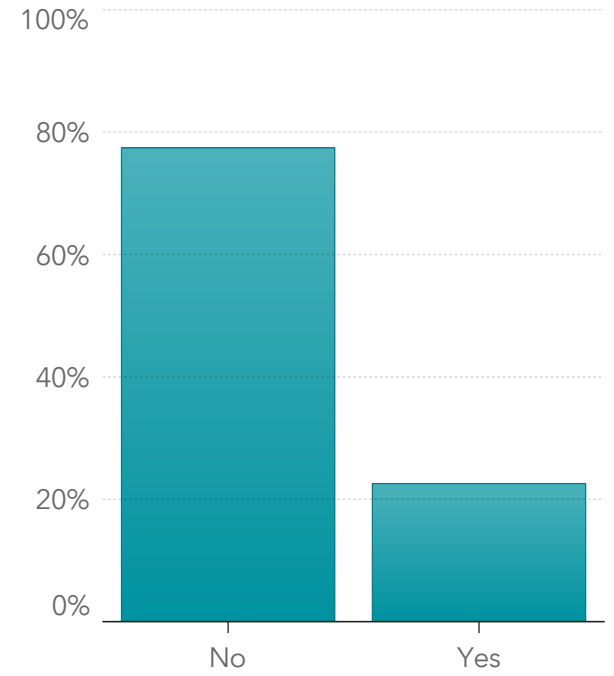
Compensation Committee



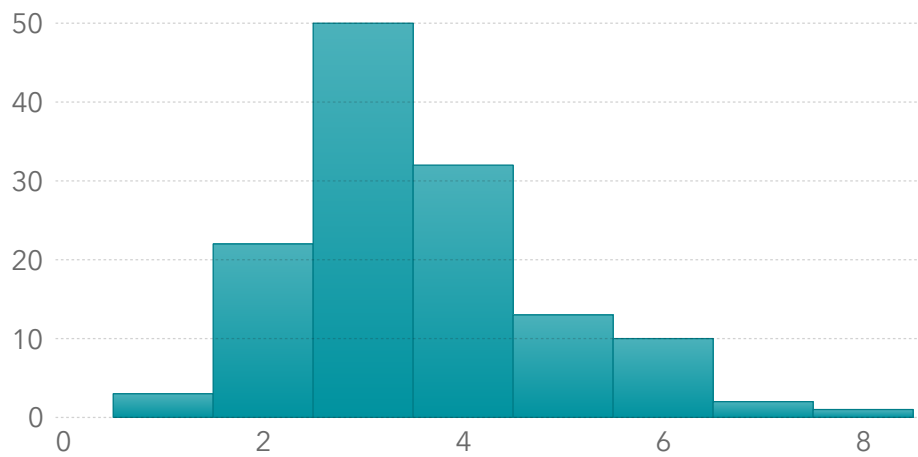
Audit Committee



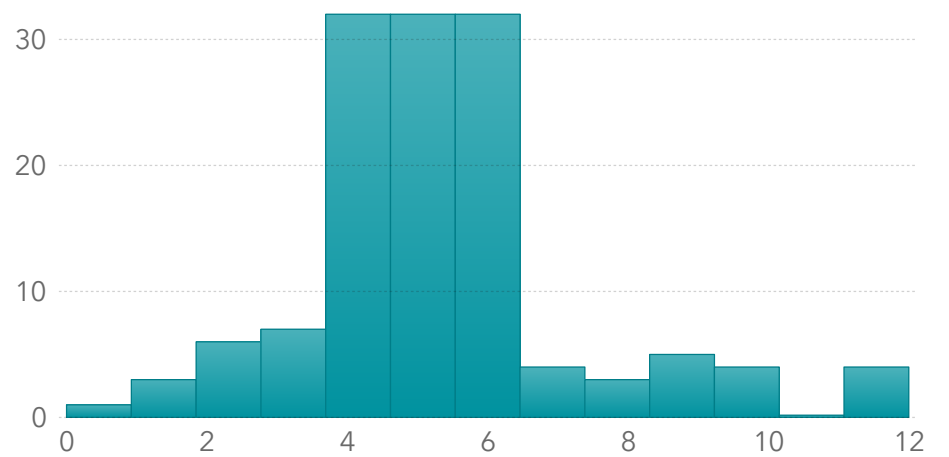
Nomination Committee



Meeting Length

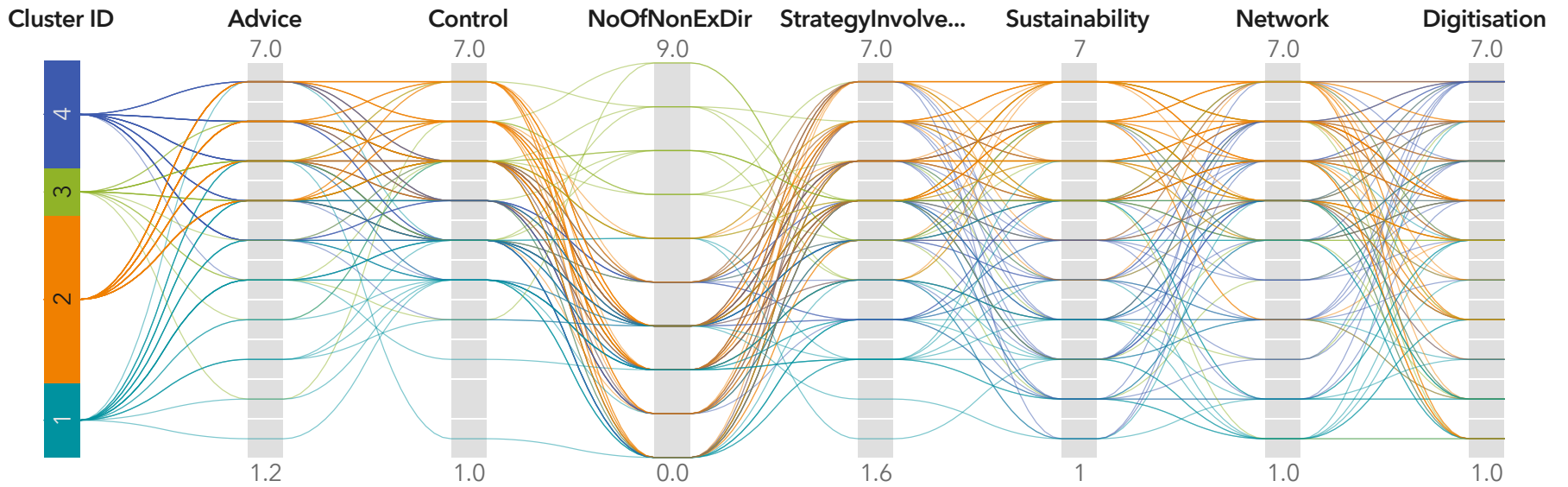
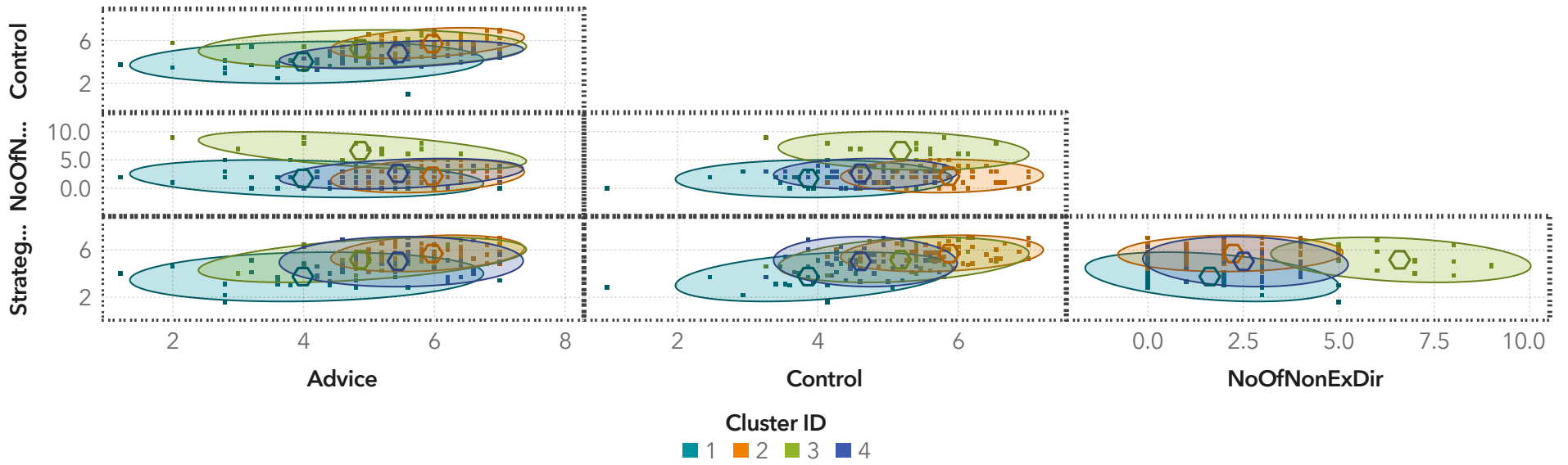


Number of Board Meetings 2018



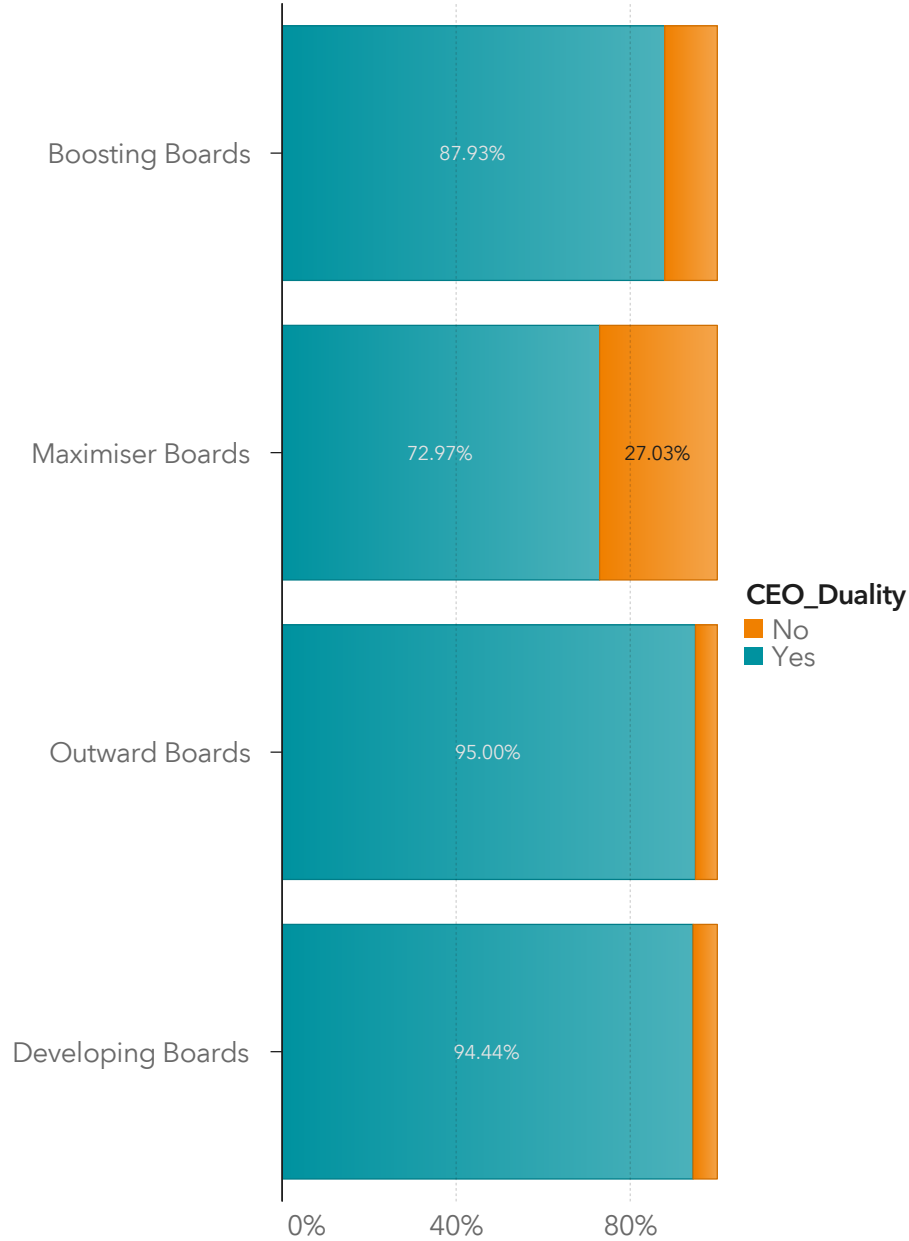
Cluster Analysis

Cluster Observations Used **133** Polylines **133**

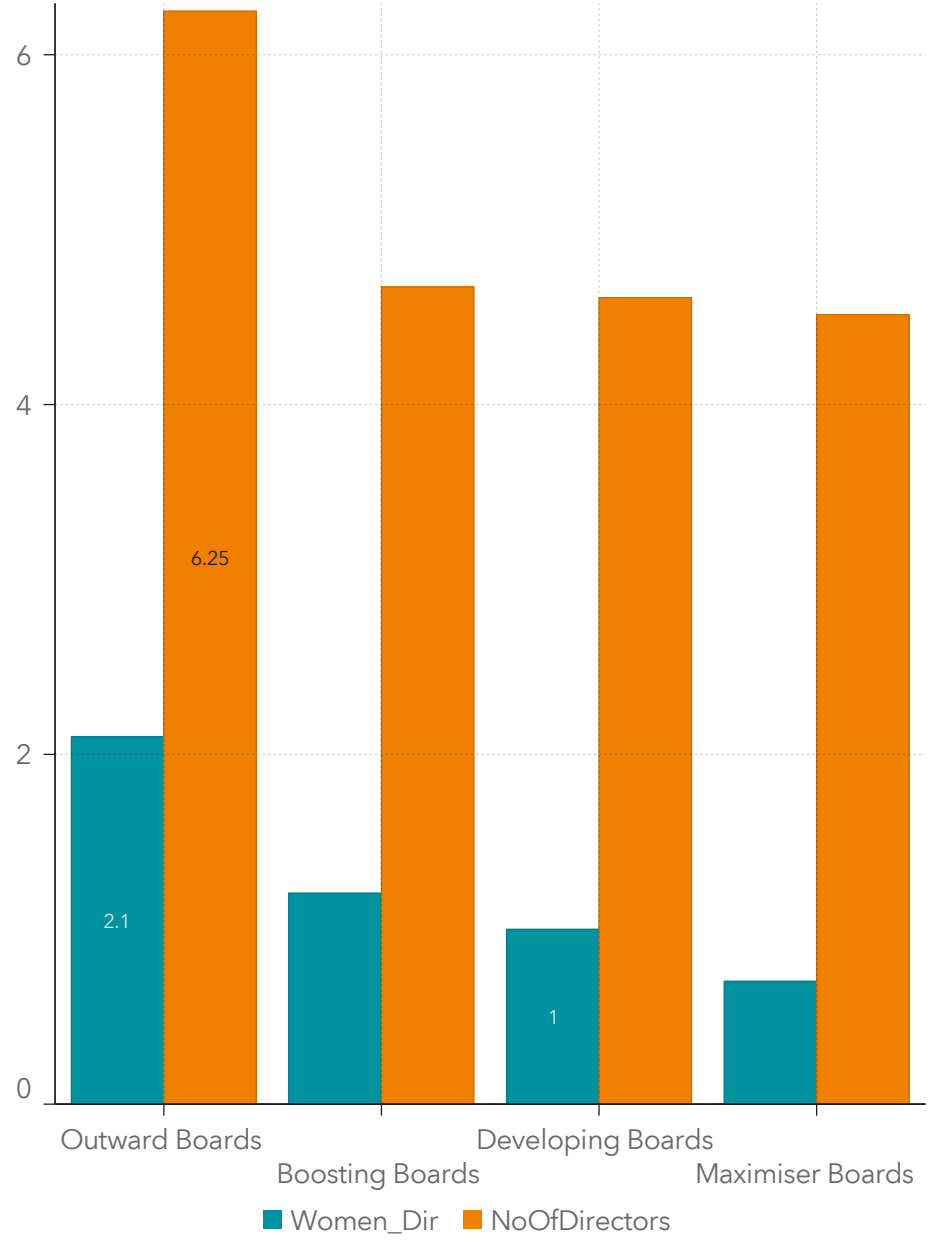


Board Profiles and Composition

Board Profile & CEO_Duality

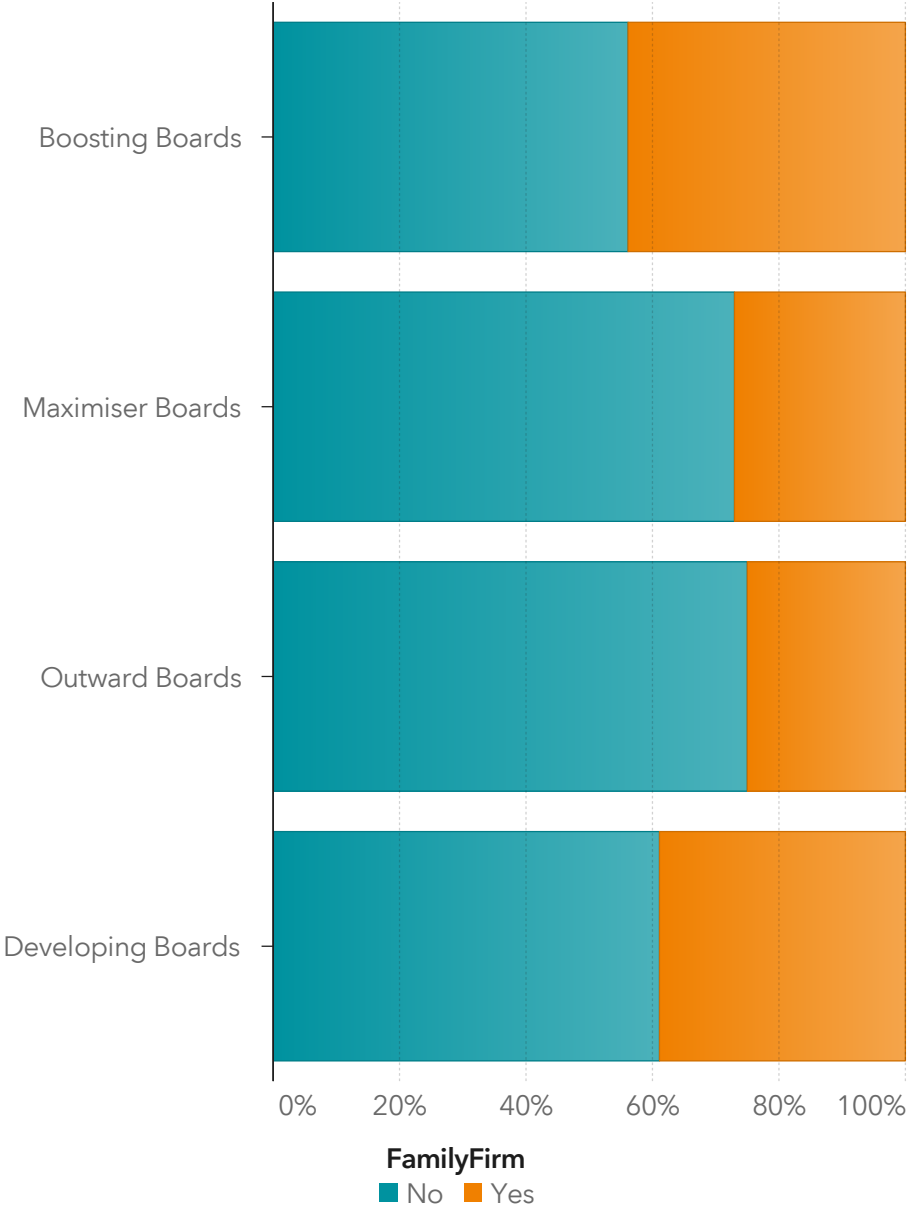


Board Profiles and Women Dir

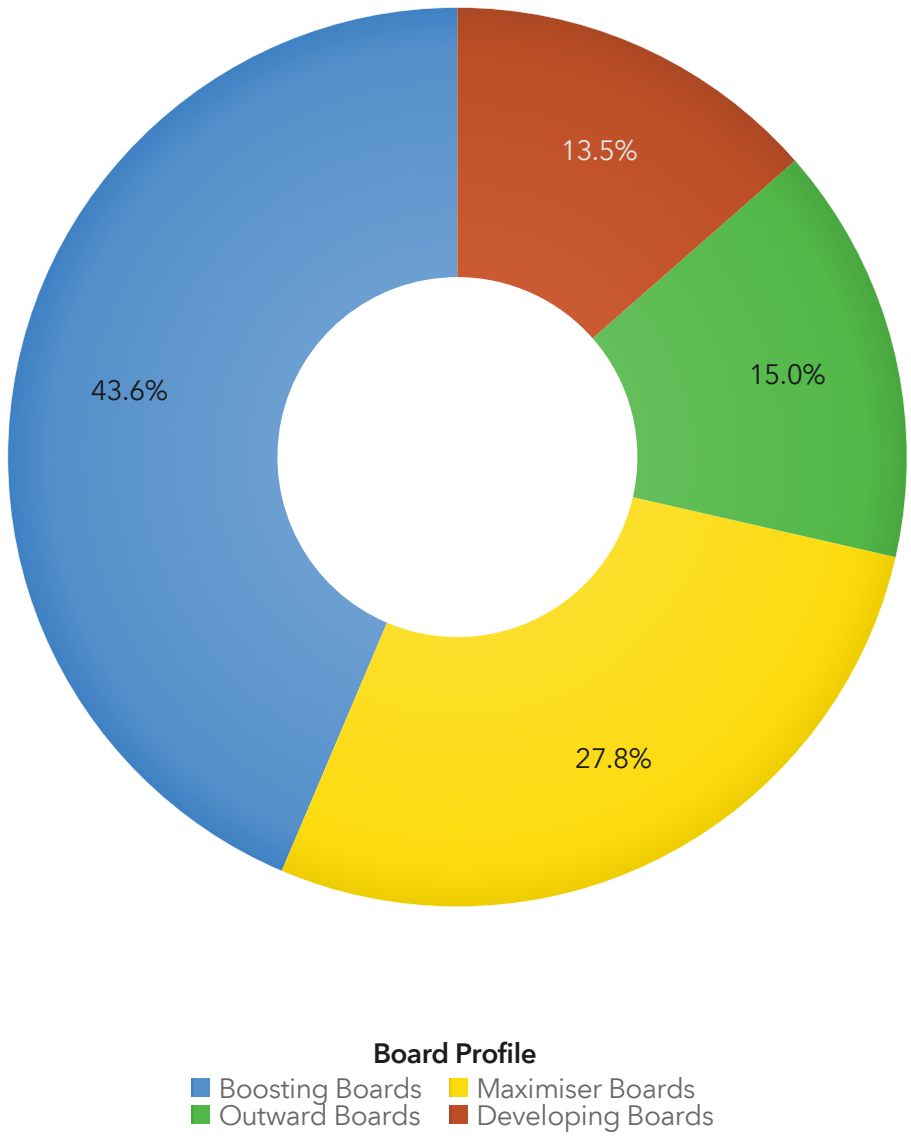


Cluster Distribution

Board Profiles and Family Firm



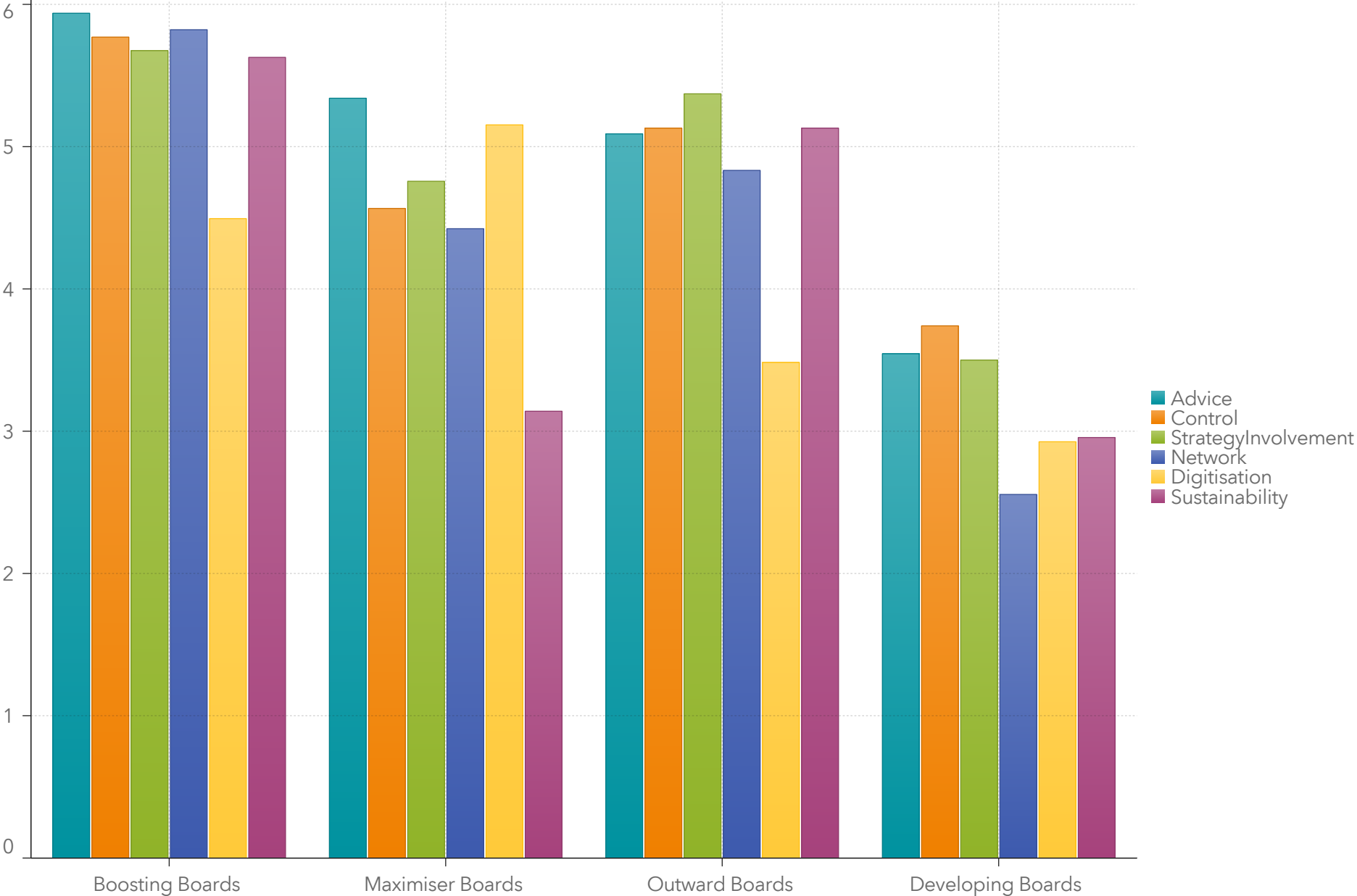
Distribution Board Profiles



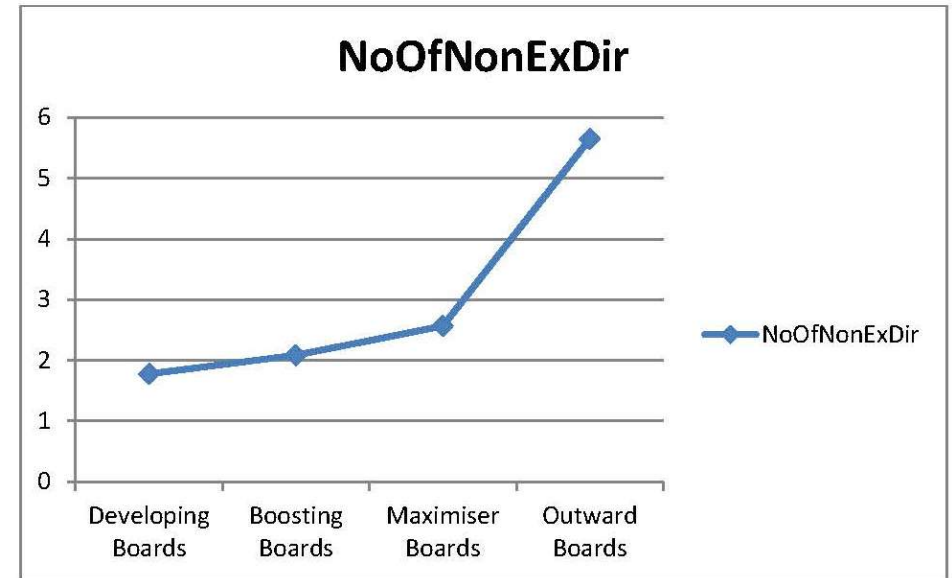
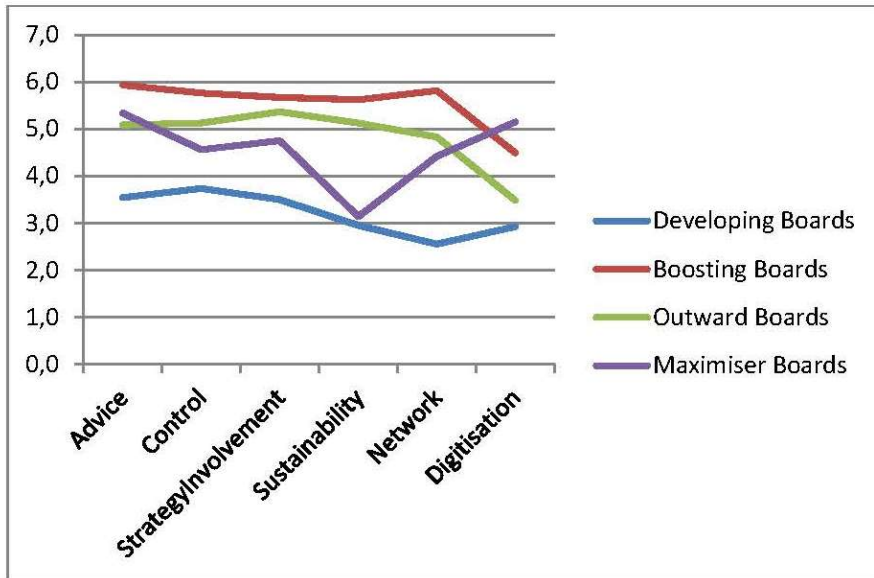
A5.1

Board Profiles & Task Perform.

Board Tasks & Profiles

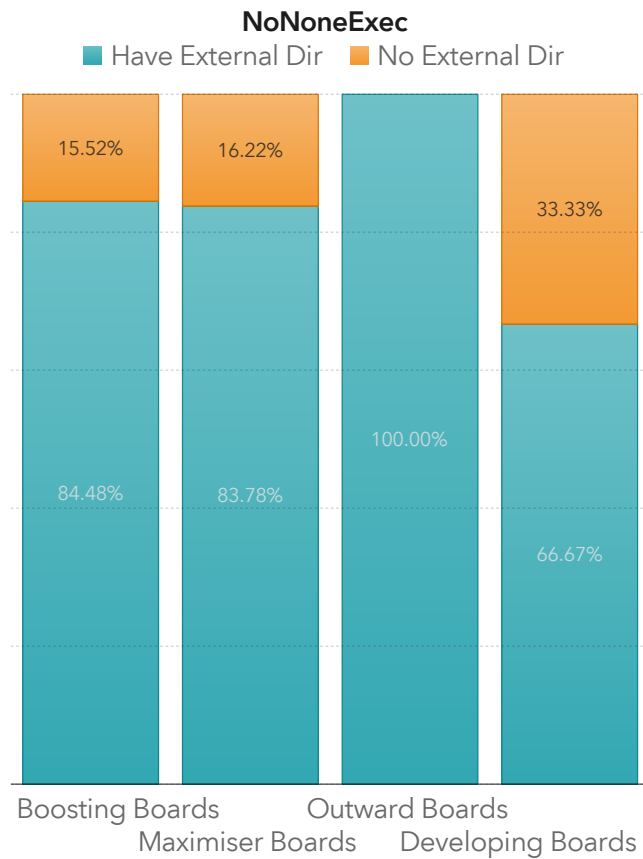


Compare Board Profiles

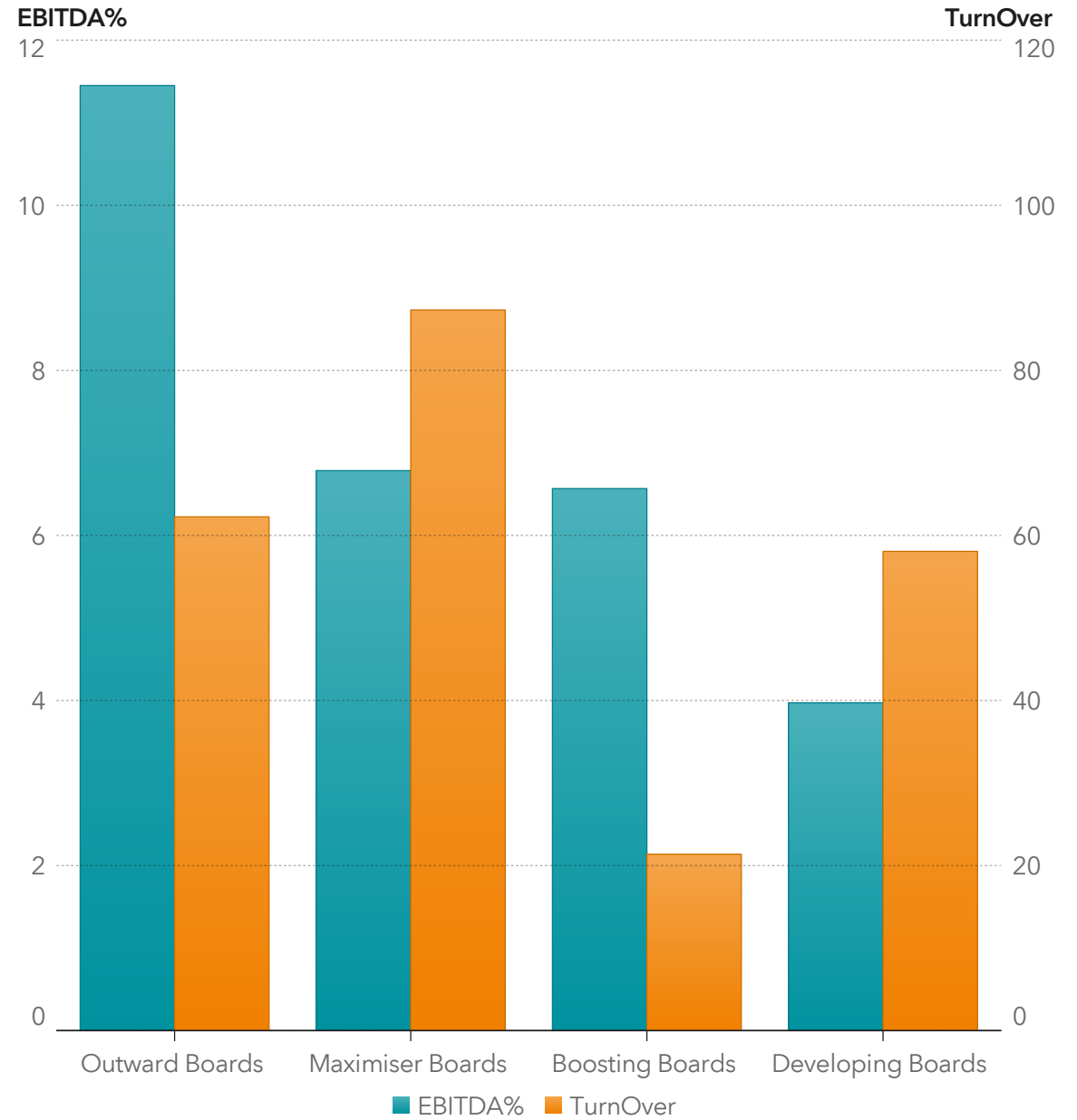


Board Profiles

| Board Profile ▲ | NoOfMeetings | MeetingLength |
|-------------------|--------------|---------------|
| Developing Boards | 4.4 | 3.2 |
| Boosting Boards | 5.1 | 3.2 |
| Maximiser Boards | 5.3 | 3.6 |
| Outward Boards | 6.6 | 4.5 |



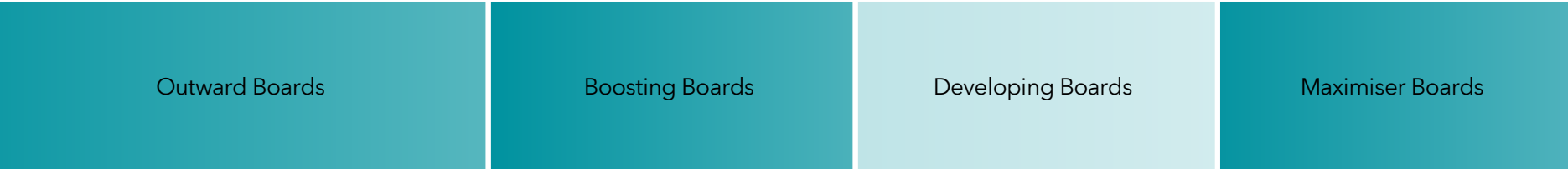
EBITDA & TurnOver by Board Profile



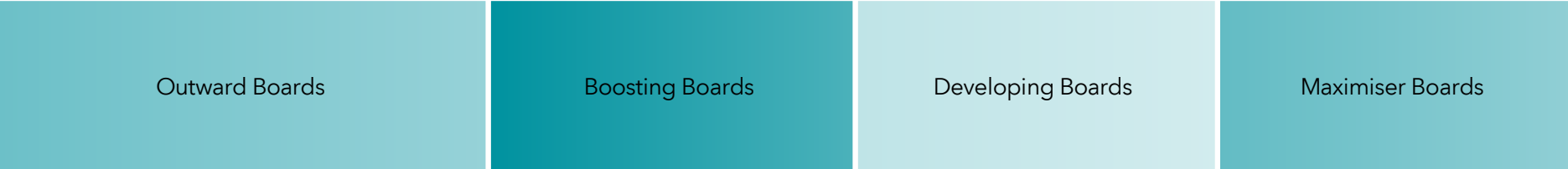
Board Profiles and Processess



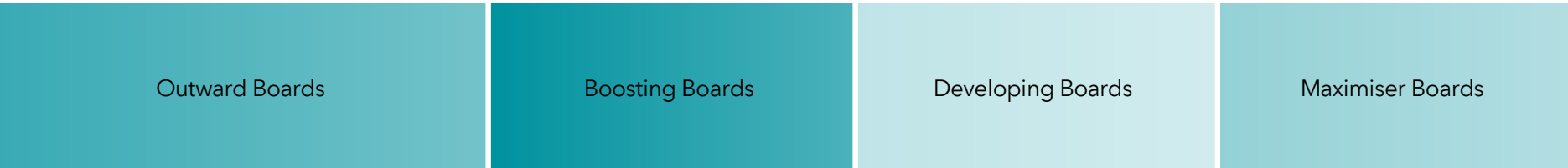
NoOfDirectors Chair_Work



NoOfDirectors Cohisiveness



NoOfDirectors KnowledgeCompetence



NoOfDirectors CognitiveConflicts

Firm Orientation

Firm Orientation

