

Promoting Greater awareness of SMEs' Governance

Noppawan Sripinich

As businesses fight for survival during the global economic downturn, it is easy to overlook the maintenance of balance between making business profits and preserving business governance as a whole. Governance is important not only to public agencies and large corporations but also to small and medium-sized enterprises.

In general, we tend to be familiar with the recognition of corporate governance of large companies, whereas the recognition of SMEs' governance has been rare. For Thailand, though they are smaller in terms of the size of assets and operations, SMEs account for more than 90 per cent of the head count of business units in the country.

Therefore, to promote greater public awareness of SMEs' governance, the Bank of Thailand has since 2001 supported the Puey Ungpakorn Foundation in conjunction with the Thai Bankers' Association and the Institute for Small and Medium Enterprises Development in holding the Annual Good Governance Award Ceremony for outstanding SMEs.

The awards are based on the principle that SMEs, which adopt the practice of corporate governance to their stakeholders, are those that possess the flexibility and adjustability to cope with volatility and risks that may arise from a changing business environment.

Moreover, these enterprises exhibit frugality of business undertaking, as well as leadership and employees who are willing to follow ethical values consistent with achieving customer satisfaction, and being responsible for the community, environment and society. These values were held dear by Puey Ungpakorn, the longest-serving governor of the Bank of Thailand.

To qualify for the Good Governance Award, SMEs must have fewer than 200 employees, or more than half of their shareholders must be Thai citizens. Each year, eight outstanding SMEs are selected according to three categories of award criteria: best employee management practices, best customer-oriented treatment, and best environment and society practices. Award judges include financial institutions, which make onsite examination of SMEs and select those that meet the criteria.

This year, Advance Packaging won the Good Governance Award for innovating bioplastic bags that attain customer satisfaction, and taking care of employees as if they were family members. Kingsmen CMTI received the prize for employee good governance, while Accurate Technologies was recognised as the best customer-oriented enterprise.

Sangrompo Autopart and DSI Corp were awarded for their environmental and society concern, while four other SMEs were also honoured for their governance practice.

Going forward, the Bank of Thailand will continue to work with the Puey Ungpakorn Foundation, the Thai Bankers' Association and the Institute for Small and Medium Enterprises Development to promote good governance among SMEs.

It will also be beneficial should the past award winners gather regularly to exchange their views and experiences of best practices with other SMEs and help build up the SME good-governance community.

Indeed, the governance practice recognised by financial institutions can also help SMEs deal with drawbacks in terms of the lack of financial support. This is done by increasing SMEs' credibility and trustworthy performance, which in turn builds confidence and accountability to stakeholders, including their lenders.

Views expressed are the author's own.

Source: The Nation