AN EVALUATION OF THE IMPACT OF CORPORATE GOVERNANCE PRINCIPLES ON THE PERFORMANCE OF SMALL TO MEDIUM ENTERPRISES (SMMES) IN LIMPOPO, SOUTH AFRICA

By

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Mini-Dissertation

Submitted in partial fulfilment of the requirements for the degree of

MASTER OF BUSINESS ADMINISTRATION

At the

REGENESYS BUSINESS SCHOOL

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07 April 2022

DECLARATION OF ORIGINAL WORK

"An Evaluation of the Impact of Corporate Governance Principles on the Performance of Small to Medium Enterprises (SMMES) in Limpopo, South Africa," is a mini-dissertation, submitted to the Regenesys Business School, Sandton, Johannesburg. Written by the author, this thesis is an original work, not submitted to any other university - or to any other university, for the award of a degree. Sources cited or used have been acknowledged with references, identifying and citing the sources.

Hopewell Siphephelo Ntuli

07 April 2022

ACKNOWLEDGEMENTS

Above all, I want to thank the Lord, his dear begotten Son, as well as the Holy Spirit for providing me with grace, spiritual direction, and knowledge throughout my life. Throughout this study effort, the following people deserve my gratitude for their counsel, advice, support, and inspiration -

- My supervisor, Mr. Blessing Zvikomborero - for his guidance, motivation, and inspiration, and for the opportunity to conduct this research.
- Everyone who took the time to fill out the survey questionnaire, as well as those who shared it with their personal networks. I could not have completed my study endeavour without their help and contributions.
- My mother, Miss Siduduziwe Ntuli, my darling brother, Siphelele Ntuli, and the rest of my family and friends - for their unfailing support and concern for my education, I thank you.
- My family members, who always stand by me through the thick-and-thin episodes of life, for motivating me to complete this research project in time - although it was appearing to be a *‘hard nut to crack’* in the beginning.
- Finally, I feel indebted to my fellow students and more especially, my friends, Takalo Jeremiah Molefi and Mufambi Gay for their contribution towards this research project. You are such a motivational force in my life - keep the fire burning.

ABSTRACT

Corporate Governance (CG) is a major topic of debate, and a vital tool in strategy, and in successful execution in development. For this study, SMMES were investigated for their performance using CG principles in Limpopo, South Africa. The main goal of this research is to determine the link between corporate governance and SMME success. The research data was gathered from a sample of 100 persons from Limpopo's SMMEs. In order to collect research data, interviews were used. The research employed descriptive statistics to analyse the quantitative data. Regression analysis was also performed to examine the relevance of independent variables on the SMMEs' operational performance.

The study's findings reveal that, with the exception of the formal Board, all of the CG principles studied have a positive impact, and are significant for SMME performance. According to the regression study, an audit committee has the greatest impact on SMME operational performance, followed by board competency, board functions, and a formal board.

According to this study's findings, SMME management should keep an eye on the size of the board to facilitate smooth coordination, board dualism and composition - which are critical for SMME operational effectiveness. Finally, the report suggests that SMMEs hold regular committee meetings, and pay close attention to the audit committee makeup.

The study's key contribution to knowledge is the need to strengthen SMME corporate governance principles - to help the businesses improve their performances. The empirical findings also suggest that CG and performance have a beneficial link.

SMMEs should start using and implementing CG standards, according to the report. The study also suggests that the government should work with the business sector to create a favourable environment for the growth of SMMEs in South Africa.

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CHAPTER ONE - INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

For more than a decade, corporate governance (CG) has ruled the economic policy agenda in developed countries, and it is slowly gaining traction on the African continent. The Asian financial crisis, as well as business inefficiency in Sub-Saharan Africa, have raised the issue of company governance in development discussions (Berglof and von Thadden, 1999).

Because of its propensity to contribute favourably to long-term progress, developing countries - such as South Africa, are more interested in good governance. CG is thought to provide investors trust and confidence. Firms are now building their own CG systems, aware that doing so, boosts pricing and policies. In lay terms, CG refers to the methods and frameworks used to manage and direct an organisation's business affairs, with the purpose of increasing business success and corporate accountability - while addressing the interests of other stakeholders.

Better corporate structures, according to Claessen et al. (2002), provide organisations with more financial viability, reduced capital costs, improved performance, and the efficient governance of all stakeholders. There's also a question about stakeholder theory and its implications for corporate management. To efficiently manage the company, should all stakeholders be represented on the factory board? This study will look into if such reasoning is acceptable in SMMEs.

CG is a hotly discussed topic in management research, especially among large and publicly listed firms. The limited research on SMMEs has largely focused on developed nations (Eisenberg et al., 1998; Bennett and Robson, 2004). It is important to examine governance in the SMME sector, particularly in a developing economy.

The role of sound CG principles in the performance of the SMME sector is examined in this study. Given the importance of the SMME sector in the South African economy, it was deemed necessary to conduct this research project on it.

Small firms are responsible for about 85% of manufacturing employment in South Africa (Steel and Webster, 1991) and make up 92 percent of all businesses. This is true elsewhere in Africa, SMMEs play an important role in promoting economic growth in Ghana and form a large part of the firm fabric of the economy.

The lack of effective governance mechanisms has been blamed for the death of state businesses in South Africa. This issue has disrupted the growth and expansion of

SMMEs in South Africa. Efficient management of this industry is vital to ensure improved performance. Assessing these factors, it is clear that examining governance in South Africa's SMME sector is an appropriate research topic.

1.2 BACKGROUND OF THE STUDY

The term *"corporate"* piques people's interest in the commercial and academic worlds. This is true in light of previous global financial crises, exacerbated in part by inadequate corporate governance (CG) policies at some companies. CG is becoming increasingly important in the developing world, notably in Africa. According to Joshua Abor and Nicholas Biekpe (2007), encouraging strong leadership techniques, while hiring better internal auditors will lead to increased development prospects. Coupled with a fresh strategic approach, and non-executive directors, these steps can significantly benefit the SMME sector.

Many studies have discovered a strong link among good governance and long-term financial and business success. According to Claessens et al. (2002), better governance frameworks benefit firms by increasing access to capital, cutting capital costs, and boosting performance*. "Good governance underpins market trust, honesty, and efficiency, fostering economic growth and financial stability, and thereby improving performance,"* says Bill Witherell, OECD’s Head of Finance and Enterprise Affairs.

Small and medium-sized businesses are critical to economic development. The SMME sector is the main employer of people - even in the most advanced industrial economies, not multinational companies, as many believe (Mullineux, 1997). The Small and Medium Enterprises sector in South Africa is a critical component of the country's economy, accounting for more than 70% of total economic activity. SMMEs play an important role in promoting economic growth in South Africa.

According to the Ministry of Finance, South Africa's SMME sector employs more than 60% of the country's workforce, and accounts for roughly 50% of the country's gross domestic product (2013 National Budget Statement). The SMME industry in South Africa has an estimated turnover of $7.4 billion, with 2.8 million micro, small and medium enterprise (MSME) entrepreneurs managing 3.5 million MSMEs and employing 2.9 million people (Langa V, 2008). 2014).

Few companies do well in Africa - compared to international sectors. Economists claim that most businesses are operating below capacity. SMMEs in South Africa are no exception. Some SMMEs are doing well and expanding - while others are struggling to stay afloat and simplifying workforce operations. Some closed their doors during the pandemic after struggling to stay in business. The performance of SMMEs has an impact on the economy as a whole.

The economy grows, if SMMEs grow - but if SMMEs fail, the economy will sink. A lack of CG is one of the many reasons for SMME failure to operate properly and endure non-growth. Poor performance owing to a lack of CG is a serious concern for small firms around the world, especially in developing countries. As a result, their management style is more intuitive than analytical, centred on daily activities - instead of long-term issues, and theoretically more opportunistic than strategic.

Government and other SMME development agencies in South Africa are working hard to strengthen CG in SMMEs. The King Report III was released in 2009, and the King Report IV was released in 2016, both of which cover company policies and processes for SME compliant enterprises.

The 75 principles in King Report III are reduced to 17 principles in King Report IV, which is one of the key contrasts between the two reports.

King Report IV establishes a clear distinction between principles and procedures for the goal of achieving excellent CG in all policies, regardless of size. Finally, unlike King Report III, which was widely used, King Report IV features sections dedicated to SMMEs and other unregistered entities. King Report III, on the other hand, remains the foundation for corporate ethics - while King IV Report accepts or disapproves the application of business management principles (King Report IV 2016).

As a result, instead of using King Report IV, which focuses more on applying these concepts, the current study employed King Report III, which is seen as the foundation for CG principles.

These values include:

- Honest and effective leadership,
- Business ethics,
- Procedures for risk management,
- Management oversight,
- Involvement of stakeholders,
- Integrating ethical considerations,
- Profile of risk and opportunity,
- Code of Ethics,
- Monitoring,
- Disclosure and reporting,
- The CEO's job and responsibilities,

- Leader performance evaluation,
- Director training (leader),
- Adherence to all applicable codes, laws, regulations, and standards,
- Leadership awareness of the company's compliance implications,
- Managing relationships with stakeholders,
- IT administration,
- Responsibilities for leadership,
- IT investment tracking,
- The use of IT and cost management, as well as
- IT to play a role in manufacturing risk management (Le Roux 2010).

The Global Company School of Entrepreneurship is a training centre that provides training and promotes awareness of business governance among South African SMMEs.

It is one of the initiatives aimed at promoting SMME business governance (CGF Research Institute 2013).

SMMEs in developing countries, especially in South Africa, are the main creators of job and poverty alleviation, so all of these initiatives to strengthen CG and adherence to SMME standards are encouraging. The survival, development, and expansion of SMMEs in unindustrialized countries, are critical parts of social and political life (Hove & Chikungwa 2013).

Despite government efforts to foster growth, many SMMEs have been reported to fail often in South Africa, notably during first two years of existence (Olawale & Garwe 2010). *"The rate of failure of Small and medium enterprises in South Africa was 75% in 2011,"* as per Neneh and Van Zyl (2012).

Many SMME failures have been connected to their incapacity to operate or lack sound CG, which makes it difficult for them to get the financial resources they need to expand (Le Roux 2010).

According to the Global Entrepreneurship Monitor (GEM) (2015/16), due to a lack of finance, South African SMMEs, which account for 98 percent of enterprises in the country and contributed roughly 45 percent of GDP in 2014, scored very low among the greatest SMME outflow rates worldwide. This raises the question of whether these SMMEs follow strong CG concepts and practices. How does their compliance effect their competitive performance and performance - if they adopt these principles? Why is the SMME exit rate so high, according to the GEM report for 2015/16?

In South African SMMEs, adherence to business management is still a minor concern, with significant research on compliance issues still being undertaken (Flowers et al. 2013). There is little or no consideration given to the impact of company management on competition and SMME performance, particularly in Gauteng.

Because of the misunderstanding that business management is vital for high-profile company challenges, numerous books have concentrated on ruling corporations (Kim & Lu 2013; Mangena & Chamisa 2008; Molokwu, Barreria & Urban 2013; Muniandy & Hillier 2015; Ntim, Lindop & Thomas 2013).

However, for sub-SMMEs with a single owner or owner, who also works as a manager and director - business governance may be crucial (Ansong, 2015). Promoting effective CG in small and medium-sized businesses will assist South Africa improve its low CG (16 points) and low anti-corruption index (40 points) in 2013. (Claessens & Yurtoglu, 2013).

In light of this, the researcher believes that the effectiveness of a company's leadership - as the governing factor of any organization - is critical to its success. One crucial enabling aspect for SMME development is corporate governance. According to Abdul Basset Al Janahi, strong governance will assist SMMEs in establishing sound business procedures and prepare them for future expansion.

Governance establishes the groundwork for SMMEs to become responsible and translucent in their processes, increasing their bankability and investability. Given the positive impact that excellent CG is supposed to have on businesses, a compelling case has been made for SMMEs to embrace these principles. The researcher wants to see how CG principles affect the performance of Small and Medium Enterprises (SMMEs) in South Africa's Limpopo area.

1.3 JUSTIFICATION OF THE STUDY

On the African continent, governance issues have garnered attention in recent years. Understanding the structure of governance would provide essential insight to top policymakers, and aid in corporate Africa's ongoing reorganisation.

Within today's dynamic economic environment, the corporate sector must tackle globalisation issues, where firms' failure to change to contemporary organisation's culture may hamper their ability to survive. Finding excellent business practices from elsewhere in the world, and determining if these could be incorporated into African company culture to increase performance is crucial for our corporate sector.

Despite the importance of governance, relatively little research has been done on the topic, and a cross-country study is underway.

As a result, it is hoped that the current study would bridge this information gap by adding substance to previous valuable studies on this topic.

The study's findings are expected to be extremely beneficial to policymakers, investors, researchers, corporate executives, and other stakeholders interested in reshaping corporate Africa - particularly in South Africa.

1.4 STATEMENT OF THE PROBLEM

According to many economists, most businesses in South Africa are underutilised. The majority of SMMEs in South Africa do not grow into giant corporations, and many appear to crumble - rather than grow. Is it a case of poor management or something else? Assuming that good CG is able to influence company performance - can the adoption of good CG best practices help SMMEs to enhance their financial performance?

This study aims to assess the amount of adherence to corporate governance (CG) best practices, and how it influences the success or failure of SMMEs in South Africa, with a focus on those in the Limpopo Province.

SMMEs and CG are the two issues that emerge from a review of the literature and empirical investigations. CG may considerably benefit the SMME sector by instilling improved management practices and expanding growth chances. Secondly, SMMEs are severely limited by a consistent lack of good performance.

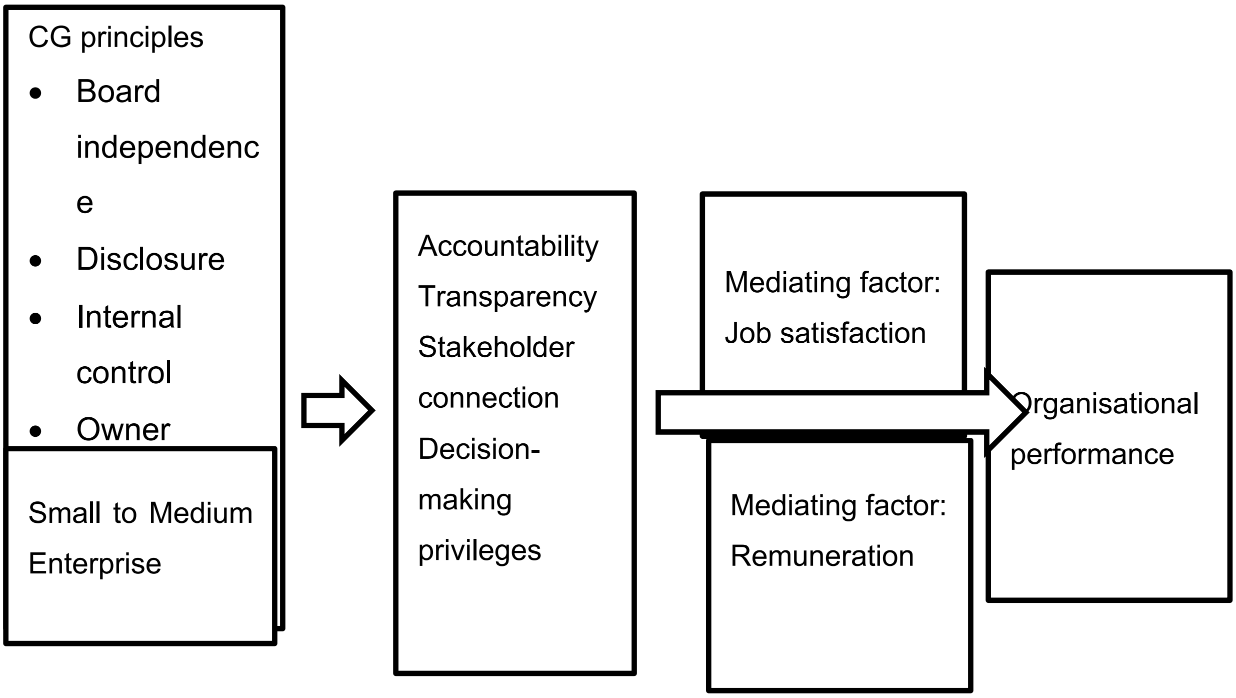
Could adopting solid CG concepts assist South African SMMEs in overcoming their performance issues? The majority of empirical research in this field focuses on the impact of CG on credit line availability, or the impact of ownership structure on business value (Claessens, 2002).

1.5 CONTEXTUAL FRAMEWORK

Figure 1 depicts the relationship between corporate governance (CG) qualities and organisational success. Board independence, disclosure, internal control, and owner-manager separation are CG principles, while performance and risk are independent variables that lead to responsibility, transparency, stakeholder connection, and decision-making rights.

There are mediating elements, such as salary and job satisfaction, to have a link with organisational performance, which is a dependent variable.

Figure 1: **CG Variables and their Relationship on Organisational Performance**



1.6 AIM OF THE STUDY

The aim of this research is to see in how CG principles affect the performance of SMMEs in the Limpopo province of South Africa.

1.7 RESEARCH OBJECTIVES

The ultimate purpose is to determine if there really is a connection between governance and firm success in small and medium-sized businesses in South Africa.

Sub-objectives include:

i. To examine if board independence has an impact on SMME profitability.
ii. To determine whether the separation of the owner and the manager has an influence on the firm's performance.
iii. To see if the presence of in-house controls has a favourable impact on firm performance.
iv. To determine if disclosure improves corporate performance.

1.8 RESEARCH QUESTIONS

Is there a relationship between business governance and company performance in South African Small and Medium-Sized Enterprises?

- Does board independence affect the profitability of small and medium-sized businesses?
- Does the separation of the owner and the manager affect the success of the company?
- What effect does the introduction of internal controls have on business performance?
- Does an SMME's disclosure have a positive impact on its financial performance?

1.9 STATEMENT OF HYPOTHESIS

Small and medium-sized businesses' CG frameworks have a positive association with their financial performance.

In respect to the study's objectives, four sub-hypotheses have emerged from the main hypothesis:

Null (Ho): There is no link between owner-manager split and company performance.

Ha: In SMMEs, there is a link between board independence and business performan ce.

The numbers of outside or non-executive directors on a firm board, according to John and Senbet (1998), defines the board's independence. The more independent a board is - the more non-executive directors it has.

This is despite numerous studies that have shown that non-executive board members boost business performance (Brickley & James, 1987; Weisbach, 1988; Byrd & Hickman, 1992; Brickley et al., 1994).

The separation of owner and management has a good impact on business performance

The structure is seen to be an agent problem, minimizing due to the combination of ownership or control, and effective shareholder supervision.

The owner-manager arrangement, according to Chu (2009), has a number of benefits for the company:

- Technology is used to create value,
- Entrepreneurial and innovative activity,
- Knowledge advantage,
- Effectiveness of investment,
- Agency charges are low, and
- A consistent presence that leads to the development of long-term connections with the firm's stakeholders.

The owner-manager structure alleviates many of the burdens that investors and other auditing agents may place on the organisation, in terms of accountability and transparency (Carney, 2005).

Internal controls help small and medium-sized organizations function better.

Internal controls have been found to influence the financial performance of the company. These include procedures, physical permission, and approval, maths and accounting, personnel, monitoring, leadership, performance acknowledgement, and budgeting.

Poor internal controls in SMMEs are responsible for over 30% of small business failure in the United States - resulting in theft, embezzlement, frauds, and fraudulent schemes, among other workplace crimes (Osseifuah and Gyekye, 2013).

Disclosure and corporate performance have a positive association

Financial and non-financial data is equally made public. Corporations use financial reports to provide disclosure, which is comprised of accounting information, annotations, and management reports. Volunteers can help by using the web, media releases, and conferencing (Healy and Palepu, 2001).

Financial information includes income statements, balance sheets, cash flow statements, statements of variation in stock status, and comments about financial statements.

Significant executive compensation strategies must also be made public. Companies are required to provide information on the company's mission, vision, and goals, and also a policy of good governance, reporting on how governance processes are implemented, and the board of directors' qualifications (Gomez).

Disclosure brings about openness and transparency in a company, which is important for stakeholders to relate to, and evaluate the organisation as they interact with it (Parum, 2005).

This demonstrates that there is a correlation between transparency and corporate performance.

1.10 SIGNIFICANCE OF THE STUDY

1.10.1 Personal Benefits

The review will make a critical commitment to how we might interpret how research on this area is led. The examination will likewise help the analyst as it will provide information on great management ideas and practices, which are the underpinnings of powerful CG. The research will assist the researcher to satisfy one of the requirements of Regenesys Business School's Master of Business Administration programme, which is to finish an exploration project within a four-year time frame.

1.10.2 Benefits to SMMEs

They will use the findings to create an SMME governance charter. It would also assist SMME management in assessing their performance against CG norms. This research will add to the body of knowledge on how small and medium enterprises should be governed and run. Small and medium-sized enterprises will benefit from the study, as it will highlight areas where governance standards are lacking and have to be improved.

1.10.3 Benefits to the University

The study will add to Regenesys' growing corpus of research, bringing a fresh viewpoint to a widely explored academic topic. It will aid students in their further research on the topic. Future researchers will be able to build existing understanding and knowledge of governance concepts on this foundation. It will assist students with internships and CG assignments.

1.10.4 Benefits to the Government

The findings will assist the South African government in drafting a small-business-friendly CG rule. The success of small and medium-sized businesses has been shown to contribute significantly to economic growth, creating jobs, and the nation's GDP. As a result, everyone interested about long-term economic growth and lowering high levels of unemployment should take this study seriously. It will also aid the government in decision-making and policy formulation.

1.10.5 Benefits to the Investors

The research will help protect investors' interests and identify new investments for Small and Medium Enterprises in South Africa. SMME CG is valued by investors as it reflects the firm's purpose and economic integrity.

CG contributes to the development of public and investor trust. As a consequence, governance contributes to financial viability by allowing market participants to invest for the long term.

Investors value CG, and strong governance conceptions provide rights and expectations to shareholders. Their participation in corporate ownership safeguards their investments from systemic risk.

CG ensures that small and medium-sized businesses follow the proper rules, regulations, and processes to maximise long-term shareholder value. When SMMEs perform poorly, shareholders have the right to worry. They typically start by asking questions to see if the SMME is adhering to good governance procedures. They may be satisfied that their money is in safe hands, if they receive proper answers to these questions.

1.11 ASSUMPTIONS OF THE STUDY

The information provided by representatives will be used to portray the SMME sector in Limpopo in this study. It also implies that the researcher would have access to accurate and complete data from respondents.

The time available for the researcher to do the investigation is adequate. The respondents will gain a thorough understanding of the topic under investigation. It is also expected that the researcher's resources are sufficient.

1.12 DELIMITATION OF THE STUDY

The research focuses solely on assessing the impact of CG standards on Limpopo's SMMEs. The research took place between 2015 and 2021.

The research was limited to a small number of SMMEs in Limpopo - mostly in the retail, service, and manufacturing sectors. Because numerous SMMEs are clustered in Limpopo province, this geographic area was chosen.

1.13 LIMITATIONS OF THE STUDY

1. Time - The researcher needed to find a balance between social issues, industrial attachment, and school issues, as well as limit the sample size, textbooks used, and internet time.
2. Financial resources - These may be insufficient for data collecting and compilation.
3. Data accessibility - Some data that is crucial to the research may be considered sensitive, and the researcher may be denied access.

1.14 DEFINITION OF TERMS

Corporate Governance (CG)

The term *"CG"* was already defined. Mayer (1997) defines CG as *"measures for aligning the investors' interests and administration, and also ensuring that enterprises are administered for the benefit of investors."*

Corporate governance comprises *"the structures, processes, cultures, and facilitating the successful operation of the organizations,"* according to Keasey et al. (1997).

The Cadbury Committee (Cadbury, 1992, p. 15) defines CG as *"the structure by which enterprises are directed and managed."*

Performance

Profitability, growth, solid market pricing, labour turnover, and market share are all indicators of an organisation's capacity to achieve its goals. (Oxford Business Dictionary Online).

Small to Medium Enterprises

An SMME in South Africa is defined as a company having less than 200 employees, a yearly output lesser than R64 million, capital assets lesser than R10 million, and the owners' direct managerial involvement.

1.15 ORGANISATION OF THE STUDY

The goal of this research is to see how CG principles affect firm performance.
The first chapter describes the study's background, research questions, and research aims. The second chapter examines the available literature on CG principles.
The methods utilized in this study is discussed in Chapter Three. The research design, research tools, sample processes employed in the study, and data gathering and analysis procedures are all included.
Chapter Four presents the results of the data acquired through questionnaires and interviews, and gives an analysis of the data.
The fifth chapter summarizes and provides conclusions about the study's principal findings. Recommendations based on the findings are also offered, as well as suggestions for future research.

1.16 CHAPTER SUMMARY

This section focused on the background of the study, including information about the relevant topic and scope, statement of the problem, purpose of the study, research questions and objectives.
This section also looked at the characteristics of the research effort - such as the importance of research, assumptions, limitations, and definitions of key terminology.
The following section will be a review of the literature on the subject under review.

CHAPTER TWO – LITERATURE REVIEW

2.1 INTRODUCTION

This chapter aims to critically evaluate other people's research on corporate governance, as it pertains to the SMME sector and to developing economies, such as South Africa. Reviewing relevant material from a variety of writers will provide a theoretical framework for research.

According to Donaldson, the phrase, *"small to medium enterprise"* (SMME) does not lend itself to a universally acknowledged formal definition (Scherer, Andreas Georg, and Christian Voegtlin. 2020). The definition is determined by who is defining SMMEs and where they are defining the sector. The capitalisation, sales, and employment levels of companies differ.

When applied to one sector - definitions that use measurements of size (such as number of employees, turnover, profitability, net worth, and so on) can classify all enterprises as small, yet definitions that lead to different outcomes - when used to another area - can lead to different conclusions (Lamichhane, Pitambar. (2018).

Over 50 classifications have been identified in 75 different nations, according to a study undertaken by the International Labour Organization (ILO), with significant uncertainty in the terminology employed.

The different factors that apply are labour force or capital size, management or ownership structure, manufacturing technology, sales volume, client numbers, and energy consumption levels, among others.

The United Nations Industrial Development Organization defines SMMEs in poor nations, according to the World Bank (2015) as, *" firms that operate at a low profit margin or employ a large number of people."* According to the World Bank (2015), identifying an SMME in the United States is difficult because companies compete in different industries.

2.2 THEORETICAL FRAMEWORK OF CORPORATE GOVERNANCE

Lamichhane, Pitambar. (2018) define Corporate Governance (CG) as an umbrella word that encompasses a wide range of concepts, principles, and practices relating to the Board of Directors and its executive and non-executive directors. The theories of agency, stewardship, and stakeholder theory are utilized to analyse the crucial components of CG between SMMEs, ultimately leading to the study's hypothesis. Many perspectives on CG are supported by available literature. Only the three most important theories are presented here - agency theory, management theory, and shareholder theory.

2.2.1 Agency Theory

Corporate Governance (CG), according to proponents of the Agency Theory, originates from the need to safeguard those who give external funding to the corporation that governs the organisation. They believe that the shareholder and management interests are not always aligned. An agency problem is defined as a conflict of interest between an organisation's administrators and owners. Corporations are described as businesses that are subject to the interests of their shareholders (Handriani, Eka, and Robiyanto Robiyanto. 2019). Corporate boards are viewed as internal mechanisms to align both interests, because the interests of managers (who are deemed trustworthy) may not always be aligned with the interests of shareholders.

2.2.2 Management Theory

CG is examined through the lens of management theory. Management's goal is to maximise the organisation's performance in a way that reflects the success and success of management (Black, Bernard S., Hasung Jang, and Woochan Kim. 2016).

2.2.3 Shareholder Theory

The core concepts in the shareholder viewpoint of CG differ from those CG from the standpoint of shareholders. Corporations are seen as super-coordinated entities with legitimate interests in various parties from this perspective. Additional than the shareholders to be safeguarded, this approach recognizes the interests of other shareholders (Bebchuk, Lucian, Alma Cohen, and Allen Ferrell. 2009).
According to Massen, these groups have an interest in the company's operations and should be reflected on the management board - for CG to be successful (Bhattrai, Himal. 2017).
CG is concerned with defending the interests of all stakeholders in a company - including shareholders, managers, and other shareholders, according to a thorough analysis of all of the above principles.

A successful CG system uses the right tools, regulations, and/or methods to keep all shareholders pleased, while keeping the company afloat.

2.3 CG AND IMPACT ON CORPORATE PERFORMANCE

Improved CG, according to the International Finance Corporation [IFC] and the International Centre for Private Enterprises [CIPE], attracts more investment at lower costs, strengthens company strategy and execution, clarifies accountability, protects shareholders, and retains quality employees. It clarifies CG's function in controlling shareholders (typically the founding family), allowing senior leaders to continue commercialization, while maintaining accountability, and increasing firm value. It benefits society by reducing corruption, reducing the likelihood of systemic crises, and increasing productivity.

The hypothesis offered by Deidman & Galloi (2009) shows that financial markets function significantly better in more developed nations in industries that demand relatively substantial quantities of external capital (Umrani, A.I., Johl, S.K. & Ibrahim, M.Y. 2015). Healy and Palepu (2012) and Holander and Roulofsen (2010) have reported that only a fraction of the capital expenditure is used by all construction enterprises in the compost industry in the United States. The quantity of external financing is estimated, as they discovered that pharmaceuticals and pharmaceutical firms, after the plastics and computing sectors, employ the most external financing.

When analysing if CG influences performance, one question that arises is if owner-controlled enterprises are more profitable than manager-controlled firms. (Hollander and Rulofsen, 2010). *"It is not obvious whether centralized ownership and control will boost performance,"* they explained (as quoted by Abadi et al., 2012). It can provide stronger monitoring incentives, as focused ownership leads to higher performance. On the other hand, "*it allows dominant block holders to reap private profits at the expense of minority shareholders,"* says P.W. Njagi (2016). These issues have dominated discussions about CG standards - particularly consolidated holdings as important regulatory tools - in many nations across the world.

Managers are less likely to engage in profit-making behaviour when shareholders are not strictly supervised, according to the Principle-Agent Model. If owner-controlled businesses are more successful than manager-controlled businesses, internal processes have the advantage of providing better monitoring, which leads to better results (Zingless, 2008). Increasing ownership concentrations favours the favourable impacts of enhanced oversight, according to most empirical investigations.

Although the conclusions are uncertain, most research has concluded that *"owner-controlled"* enterprises outperform *"manager-controlled"* firms, based mostly on US and UK studies. When a company's equity exceeds five or ten percent, it is classified as an owner. These studies' dependent variables are proxies for overall firm performance, as evaluated by net income/net worth, return on equity, or Tobin's Q or Risk of Risk. Although much research has revealed no significant differences between the two - there are a small number of studies that show manager-controlled enterprises outperform owner-controlled firms (Arora, Punit. 2018).

As active supervisors, large institutional investors or shareholders are widely trusted. Better corporate performance has resulted in increased productivity. According to Konzelmann, Conway, and Wilkinson (2010), significant shareholders have the largest director turnover, showing that large shareholders are active monitors. Most owners tend to be less inclined to diversify the benefits of direct monitoring, and a better match between cash flow and control rights, than rent clearance expenses.

Employers, for example, had considerably poorer returns than manager-controlled German public enterprises, according to Thonet and Poensgen, reported by Lehmann et al (2007). Using French firm data, Jacqueline and Gelink, as represented by Maher & Anderson (2008), did not discriminate between family and non-family-controlled entities.

Increased managerial control does not improve corporate performance, according to various studies, (McConnell & Serve Analysis in the United States). Various owners have different goals, as Maher and Anderson (1999) (Enquist, 2005) demonstrate, and the data is gathered by identifying owners as a function of the business (Kallamu, B. S., & N. A. M. Saat. 2015). Managers of government or semi-government-controlled firms behave differently than their private-sector counterparts - a factor that has a direct impact on the organisation's performance, due to strategic direction or incentives.

The performance of owner-controlled enterprises versus manager-controlled companies is dependent on the industry, and the level of ownership concentration at the start (Maher & Anderson, 1999). Because the owner oversees the organisation's future expansion and strategy, owner-controlled businesses perform better than manager-controlled companies (Spyler & Murray, 2008).

Because its owner is responsible at this period, a company in its development stage rarely experiences CG failure (Spiler and Murray, 2008). Over time, trusts between owners and management is formed. As businesses grow and thrive, their supervisory hold over owners decreases, allowing management to take advantage of that trust and misappropriate assets (Herdjiono, I., & I. M. Sari. 2017).

As the company grows and matures, it transitions from a growth phase to a stable phase, and its owners become more risk-averse, then CG frameworks must be improved. Hada and Yu back this up (2013: 16) *"The dilution and expansion of the stock portion in this case illustrates that as the company evolves, good CG processes will be critical in deciding the organization's effectiveness."*

Managers are motivated to do a good job by a range of incentives. Salary, bonuses, vacation package perks, scholarships, and a variety of other types of incentives are common. General managers who are dissatisfied with their pay do not do their job in the best interests of the company (Herdjiono, I., & I. M. Sari. 2017).

Qian (2007) investigates the connection between board creation, board structure, various boards, sovereign executives and their functions, conflicts of interest, and governance practices - such as information disclosure and performance. The discoveries reveal that governance measures bear a minor impact on company share prices and financial success. The board of directors' presence and composition (along with the multitude of directors), i.e. the number of independent directors and associated / nominated directors) should be paid to the board members, according to Ackerman (2004) and Adeen (Laws, 2011). Some of the factors that can be used to gauge governance -include relationships with stakeholders (including participation in AGMs), accountability and frequent audits, and committees set up to supervise essential procedures.

2.4 IMPORTANCE OF SMMES

In emerging countries, SMME CG is rapidly gaining prominence on the corporate governance agenda. SMMEs contribute to economic growth by increasing GDP value. SMMEs are projected to contribute more that 70% of the entire value generated by the private firms in Egypt.

SMMEs are critical since they assist to create jobs. As the number of people employed in this sector grows, SMMEs give solutions to South Africa's employment concerns (RBZ, 2009).

This is because large corporations close down others and reduce their activities, according to Zindiye et al (2008). In Egypt, more than 13% of people say they have started an organisation or own a youth firm. Maseko et al (2011) mentions that, if encouraged, the SMME sector can assist to restore the nation by boosting employment, a variety of goods, services, and knowhow, employing a growing figure of school dropouts and university graduates.

2.5 CORPORATE GOVERNANCE CG DEFINITIONS

The phrase, *"business governance"* is defined in many ways. From various angles, many authors have characterized it differently. The market economy is defined by IBGC (2010) as a set of rules that control the relationship between corporate managers and entrepreneurs (*"corporate insiders"*) in terms of private and public entities, including regulatory laws and approved business practices.

Corporations, on the other hand, define CG as, *"the method with which financiers guarantee returns on their investments to corporations,"* according to Schleifer and Vishney (1997).

CG is defined by the OECD Principles (2004) as the collection of connections between a company's board of directors, its shareholders, and other shareholders. According to the OECD, it also offers the structure that establishes the organisation's goals and the methods for achieving and monitoring those goals. CG is defined by the Cadbury Report of 1992, as a comprehensive system of financial and other legislation that governs and regulates a firm. CG, according to Donaldson (1997), is an umbrella word for specific challenges originating from interactions among senior management, shareholders, the board of directors, and other corporate shareholders.

CG, according to Eisenhardt (1989), is "*an internal system of regulations, procedures, and persons who fulfil the needs of shareholders and other shareholders, and manage, direct, and regulate operations with sound business judgment."* External market commitment and regulation, and a good health board culture that safeguards policies and policies, are the foundations of CG. CG, he says can affect the price of a company's stock and the cost of borrowing capital.

CG, according to Fernando (2009), is the mechanism by which shareholders' creditors establish, manage, and control a firm to satisfy employees and achieve long-term strategic goals - while adhering to legal and regulatory obligations. It is for environmental and local community needs to be met by legal regulatory regulations.

The King Committee on CG (2002) refers to this process as the command and guidance, visible and invisible, financial and non-financial — used to detect and

distribute a company's assets in South Africa. The primary purpose of creation is to maintain constant value. CG is defined by the SEBI Committee Report on CG (India) as the exercise of non-transferable rights by the company's legitimate owners and trustees - on behalf of its shareholders.
Canella, on the other hand, provides the most applicable concept of CG that is more applicable to smaller businesses companies (SMMEs) (2003). It is a system of guidelines, norms, and structures designed at attaining the best possible results. Corporate governance provides successful strategies for achieving company objectives. CG refers to the internal divisions or systems that manage the connections between the *'important players'* or organisations that control the organisation - the execution and establishment of accountability and accountability.

2.6 IMPORTANCE OF CORPORATE GOVERNANCE (CG)

CG is a significant economic aspect. A healthy economy is the result of effective CG's favourable influence on diverse stakeholders, and good CG is a tool for socio-economic growth. Following the late 20^{th} century collapse of East Asian economies, World Bank President Jim Yong Kim warned these countries that CG must be addressed for good development. A country's economic health is primarily determined by how decent and ethical its businesses are (Black, Bernard S., Hasung Jang, and Woochan Kim. 2016).
According to IBGC (2010), these businesses must be competent corporate managers, taking into account the amount of investment, and the economy's interconnectedness. The same committee claims that senior management's acceptance of governance practices, and the organisation's adoption of governance practices, makes the organisation responsible and accountable in its business operations. They state that excellent corporate governance is vital for unlisted company shareholders. Such shareholders, in most situations, have limited flexibility to sell their ownership stake, and are committed to sticking with the company for the medium- and long-term. This will make them more reliant on effective governance (Hatani, L, & Farhan, 2014).
CG has an economic growth impact, especially in developing nations, and helps to promote the flow of capital to enterprises, according to Bhagat, S., and Bolton, B. (2008). Developing countries require well-run businesses that can remain robust, productive, and survive in a competitive marketplace, encourage investment, and

generate jobs and wealth. CG is vital in organisations because it improves the quality of life with proper application.

(Maguto (2013), in the study, *Effective CG Reduces Corruption in the Business Sector*) states that good CG ensures that businesses run smoothly. Strong CG systems, according to Maguto, can not only prevent corruption, but also make it more difficult for corrupt practices to emerge and get a foothold in the organisation, as they are more likely to be caught in advance.

CG is a key idea of excellent business, according to Ongore VO and K'Obonyo P.O. (2011), with strong governance supporting greater profitability, and broader potential access to capital to promote success.

Magutu (2013) argues that CG promotes critical strategic thinking and conscious strategy management, which helps managers make better decisions about what they want to do and how to accomplish it at important periods. *"It makes you more aware of the changing breezes."* At the same time, it gives management a reason to consider investment capital and competitive budget demands for new personnel (Hatani, L., & Farhan, M.) (2014). Assistants to strategy should make a solid case for transferring resources to areas that create results.

It aids in the coordination of many strategic decisions made by management throughout the organisation, as well as the creation of a more active management posture and a counterbalance to the tendency to make judgments - that are reactive and suitably defensive (Gokkaya, O. & Ozbag, 2004). (2015).

According to Schliefer and Vishney (1997), good CG is critical to shareholders because it ensures that the company's operation is managed in a way that creates value to shareholders, while also protecting its assets. CG is critical in protecting shareholders - while also methodically considering the organisation's interests without jeopardizing employee rights (Fatoki, 2010). (2014).

To do business, executive management must have the proper level of authority. However, CG must ensure that such powers are limited to a feasible scale to prevent abuse of power in the pursuit of shareholder objectives. It serves as a foundation for maximizing revenues, promoting investment opportunities, and ultimately creating more jobs. According to Maseko et al. (2011), SMMEs are typically run by owners-managers, with no external equity owners, resulting in a lack of ownership and control division. Accountability, according to Olsson et al (2004), can give and develop information about an organisation's borders or margins.

External board members bring substantial expertise and information on financing options and methods that can be used as a foundation for such financing - so resolving the SMME credit limit issue. They can vigorously question management tactics (Ongor & K'Obonyo, 2011) and introduce improved management approaches to attract resources. CG has an impact on economic growth - particularly in developing nations, by assisting enterprises in attracting more financial resources. Good CG, when fully implemented, allows SMMEs to work well with others, and earn the trust of investors and lenders. This procedure protects against abuse (OECD, 2004). (2004).

Improved CG of SMMEs is positively associated to their growth and long-term stability, according to Bhagat and Bolton (2008). Better governance is not a cure for all of SMME's difficulties, but it is critical to their success. Better governance increases SMMEs' access to capital, increases their stability, and boosts their performance.

Many SMMEs, according to Bhimani (2008), feel that CG applies to large companies, despite knowing that effective governance benefits all companies, particularly when raising finance or selling a business. He states that most businesses in Australia are small and medium-sized, and that they are often sceptical of corporate governance. In this scenario, according to official norms and regulations, governance isn't particularly important. Instead, it is used to create a framework of firm processes and rules that will help the organisation improve its reputation - by adding value, while also ensuring its long-term viability and success.

According to Mino (2004), there are at least three reasons why small and medium-sized businesses are more interested in CG enforcement:

1. It has cleared the path for developing or attracting additional investors, and it comes at a high cost.
2. Strong governance processes result in improved internal control systems, which leads to increased responsibility and profitability.
3. Increased controls, which minimise the risk of fraudulent losses, are responsible for the latter.

According to him, the CG system aims to free shareholders of managerial and administrative responsibilities (Contessotto, Moroney, et al). (2014).

As a result, conflict between business owners who also serve as managers in the organisation is considerably minimised - however, the border between ownership and management efficiency is sometimes blurred in businesses, managed by a few shareholders.

The lack of solid CG standards in SMMEs, according to the authors, makes it difficult for them to secure financial resources from banks or investors (Ontario Abernathy, J. L., B. Beyer, A. Masli, & C. M. Stefaniak (2015). Most developing countries have implemented a CG structure.

2.7 CG BEST PRACTICES

Various codes recommend the most suitable CG methods. Its goal is to increase the board's independence, openness, and accountability to corporate shareholders, and its efficacy in managing both compliance and performance functions. According to Lamichhane, Pitambar. (2018), these principles should be followed:

- Separate the duties of CEO and chairman;
- Balance the Board - in terms of efficiency and experience;
- Define the director's independence standard;
- Establishment of audit and other committees;
- Establish clear and transparent procedures for appointing directors;
- Continue to do successful performance evaluations; and
- Create performance-based awards.

Garrett's CG policies are supported by Fernando (2009). He outlines the following best practices for CG.

2.7.1 Establish a Well-Qualified Board of Directors and Assess Performance

Companies must appoint a board of directors that is knowledgeable, independent, qualified, and competent, with the required experience, strong ethics, integrity, a broad background and skill set, and sufficient time to carry out their responsibilities.
When joining the board, all directors should get induction training and routinely improve and refresh their knowledge and skills. The Board ought to be able to confront administration and ask questions. in addition to rubber-stamping management proposals, the Board of Directors should be well-versed in business practices and employ experienced personnel. Shareholders must sign over their business to managers and the board of directors, and have no capacity to instruct the board of directors or executive management, and their rights to information and oversight are legally limited.

According to Jack (2010), it is critical to have a successful board of directors that is jointly responsible for the organisation's long-term performance. All boards should have directors who have the necessary skills and expertise. Communication between the board of directors and shareholders on the organisation's strategic goals should be promoted. All shareholders must be treated equitably by the board of directors.

The focus of the board of directors in most corporations is board decision-making. Putting people with goodwill abilities at the boardroom table, on the other hand - does not make the board function effectively. Board members must devote time and effort to building an effective board, and the boardroom process benefits from a professional approach.

Family members' directors and family member managers should have the same personal, professional, social, and managerial abilities - as external candidates in small and medium-sized family businesses.

Family organisations should build family governance structures that encourage family member coordination and streamline the family-business relationship. The research will ask - Do these characteristics factor into the formation of SMME boards of directors in South Africa, and do they have an impact on their overall performance?

2.7.2 Define Responsibilities and Roles

CEO Duality

There are two types of board structures - one where a CEO acts as chairman, and another in which two CEOs serve as board members. and the second in which two CEOs and chairman duties are shared. According to the World Bank (1999), systems in which the CEO is simultaneously the chairman of the Board of Directors will create leadership conflicts and exacerbate agency problems (Clarke, T. (2004). As a result, one system is preferable (Mino, 2004). Performance separating functions from the organisation and the CEO and Chairman have a positive relationship.

However, several empirical research projects have come to a different result. According to Dolly and Dalton (1992), there is no link between CEO dualism and founding company performance. CEO duality, according to Murthy (2004), is not about poor performance. The aforementioned resolution, according to Keller (2004), provides a compelling foundation for the separation of CEOs and Board Chairmen. In contrast to the Board Chairman CEO, SMMEs with twice the CEO as Board Chairman are deemed poor - in terms of CG practice.

The board's, chairman's, CEO's, and executive officers' functions should all be clearly stated in writing, with clear accountability and accountability established between them. At the top of the organisation, there should be a clear distinction between the conduct of the board and the conduct of the firm's operations.

Nobody should be given the authority to make decisions. Apart from the practical problems of making all of the decisions by one person, the organisation is vulnerable to human error, due to a lack of adequate checks and balances. Even the most talented people make mistakes or fail to comprehend things objectively. To reduce these risks, it is critical to set up governance mechanisms that are open to third-party review, such as all decision-making (Jack, 2010).

In signing an agreement or making critical agreements on the company's behalf, the *"four eyes"* principle and the participation of independent directors on the board is required to separate the executive management role from the board chairmanship. The board chairman and CEO should have separate duties, with the chair leading the board and ensuring that it works in the organisation's long-term best interests, while the CEO leads management, develops and implements the business plan, and reports to the board. According to Jack, the chair has a unique role in melding a collection of capable individuals into an effective board team.

The chair should find a way to bring together diverse opinions on the organisation's future. It is critical to promote an open debate culture. Views and perspectives should be documented, allowing for dissenting voices to be heard. A clear representation of findings is also essential - such that the judgement call process is followed by action.

Board Composition

Many definitions of CG include boards of directors as crucial components. They highlight the formal relationship that exists between SMME owners and their managers, who are in charge of the day-to-day operations. Many studies think that corporate boards are critical to corporate accountability, and the way companies adhere to modern ethical and financial norms (Schliefer & Vishny, 1997). According to Ongore and K'Obonyo (2011), the board of directors blends accountability with leadership, power and influence, and the board's ability to fundamentally determine how effectively corporations satisfy societal expectations.

Strong and efficient boards, according to the ASX Company Governance Council (2003), are significant corporate assets. A key goal, according to these authors, is to raise corporate accountability and reduce worry over the role of government in corporate decision-making. They also claim that the major purpose of both management and directors is to create a board that can deliver the best, most informative, and objective counsel possible (OECD, 2004).

The board's relevance for SMMEs cannot be overemphasized. Most SMMEs, on the other hand, are tightly organized and owner-managed, and employers typically have a more direct and detailed understanding of the organization's internal processes (Cowling, 2003).

As a result, most SMME boards are valid only on paper, and there are no board control features. On the other hand, there are examples of SMMEs with active boards - that include external members and can be used as a strategic development tool (Padilla, 2000).

Outsiders regard the board's roles as distinct from management, whereas insiders see the board's work as an extension of their managerial responsibilities (Clarke, T.) (2004). There are no external members on the board. It is feasible to consider options more freely (Murithi, 2004).

The discussion over board structure appears to be leaning toward an effective board with more outside directors than inside directors. According to Padilla (2000), as the proportion of non-executive directors increases, the boards of directors are handled more autonomously. Market rewards for the selection of non-executive directors have been demonstrated by Beijinger and Butler (1985), Dolly, C., Dalton, D., and Kennella, A. (2003). In other words, market and financial institutions regard an SMME with more external directors to be more favourable, than one with more internal directors.

Board Size

SMMEs have very small board sizes by definition. Large boards, according to Schurman and Donaldson (1997), are less effective and can be readily managed by the CEO. Coordination gets difficult and frequently causes problems - when the board becomes too large. Smaller boards also decrease the possibility of freeloading and boost individual director accountability.

Despite this, there is still a compelling justification for SMMEs to expand their board of directors from two to four members. One of the most crucial improvements an SMME may do is to transition from owner-manager to broad-based corporation.

This collaborative approach enables for the clear growth and delineation of the company's alternatives. It also allows for a more open and less restrictive internal human relations framework to emerge. The board's size and structure should reflect the company's level and complexity of operations. According to Maguto (2013), the size of the board of directors should be determined by individual circumstances. Binder suggests three directors for small businesses with up to 50 employees, and five directors for medium-sized businesses with up to 500 employees.

Some researchers have discovered a strong link between enhanced SMME performance boards (Daley, Dalton, and Canella) (2003). According to Shurman (1997), the majority of non-executive directors provide more outstanding results. SMMEs with larger boards are thus more likely than smaller ones, to have a better CG environment.

Board Committees

One of the Cadbury Committee's primary requests was for firms to form main board committees to oversee audits (consisting of non-executive directors responsible for the board). However, the cost argument is used to form a board in the case of SMMEs. A committee of specialists will not exist on a board of non-expert size and composition.

Because their firms are small and the board or these divisions are considered expensive, SMMEs typically see the jobs of CEO and chairman as unnecessary. Some people don't want to be on board for the same reason, while others don't understand why these roles are needed (World Bank, 1999). This research will ask: How do South African SMMEs cope with this issue, and how does it affect their performance?

2.7.3 Emphasise Integrity and Ethical Dealing

Companies must foster a culture of integrity in their commercial interactions, as well as a willingness to respect and follow laws and policies without fear. They should employ someone to oversee and manage the policies for conflicts of interest, commercial ethics, and whistleblowing. The robust governance structure must establish reliable processes for managing or resolving possible conflicts of interest. Potential conflicts should always be disclosed to the rest of the board, and directors should never influence such decisions. The participants will be asked: Is business ethics and integrity important for SMMEs in South Africa, particularly in Limpopo? Can emphasizing integrity and ethics improve SMME financial performance?

2.7.4 Evaluate Performance and Make Compensation Decisions Based on Principles

The board of directors and each director should be evaluated on a regular basis. Managers (including CEOs) should set measurable performance goals, and regularly evaluate their progress against them. They should establish a Compensation Committee to formulate and oversee all executive compensation plans (such as equity-based options), make principled reward decisions, and link pay to performance. Salary levels are critical to attracting, retaining and motivating senior executives and non-managers, needed to run a successful business. Managers' remuneration should be set at a level that attracts qualified candidates - without jeopardizing the independence of managers.

The pay policy of SMMEs is primarily used to promote managers and employees. SMMEs are not subject to public scrutiny and payment transparency is not required as in publically traded firms. SMMEs, on the other hand, should ensure that their wage policy encourages managers, managers and employees to act in the long-term interests of the organisation. A reliable and transparent payroll system can help win shareholder support and commitment to the company's goals.

2.7.5 Engage in Effective Risk Management

Jack (2010) says that the board is accountable for managing and maintaining a solid internal control system to protect the money and assets of shareholders. Businesses should establish a method for identifying and quantifying loss, encompassing monetary, administrative, reputation, environment, business, and legal damages - on a regular basis. The Board is in charge of determining the organisation's risk tolerance and for designing the risk management strategy and responsibility. Directors are accountable for understanding the company's existing and potential short- and long-term losses, and how their occurrence affects performance. The researcher will ask: Is there any kind of risk management in South African SMMEs, and if so, how effective is it?

According to the literature examined, CG concepts are necessary for SMMEs to operate effectively. At this point, the question must be asked if there is a difference in performance between organisations who adopt these CG principles, and companies that do not. The researcher will ask if SMMEs in South Africa follow these CG standards, and whether they have any impact on the organisation's overall performance? Any corporation may create solid CG rules, according to Swab Attorney. Understanding the fundamentals of good governance, and how they apply to the firm is critical.

2.8 SMMES AND THEIR OWNERS

The source of the right in any organisation is ownership. However, the company may soon reach a point in its development where the principal stakeholder can no longer serve as shareholder, executive director, and manager all at the same time.

A systematic method for delegating authority to the employer and/or board of directors should be devised and documented (Afande, 2015). Establishing a schedule of items reserved for the Board and executive management is critical. Representative powers should be examined on a regular basis to ensure that they are still suitable, taking into account the organisation's structure, size, scope, and complexity.

It is important to remember that most businesses, especially small ones, are not extensions of the owner's personal assets (Ontario Abernathy, Beyer, Masli, & Stefaniak, 2015). For SMME owner-managers or major shareholders, this principle may be difficult to accept or understand. They can see the benefits of the enterprise as their own. This may cause them to make decisions with a selfish slant.

The company's assets would be taken in the worst-case scenario, at the expense of minority shareholders or stockholders. Large publically traded firms are not the only ones with good CG. A strong governance system may benefit all firms - regardless of their size or scope of operations.

2.9 CG LEADS TO BETTER PERFORMANCE

According to Maguto, effective governance refers to a set of institutions and methods that align the interests of all parties (Agency Principle), while also ensuring that shareholders' views are heard and information is correctly shared (2013). All parties require their institutions and methods to collaborate, to achieve a common goal (principle of action).

Through CG, we investigate which governance characteristics have the strongest empirically demonstrated association with company performance to assist boards and directors, in determining the correct structures and methods.

A favourable association between measurable performance - both in governance factors and financial indicators, and non-financial metrics - has been established by dozens of empirical research projects.

2.10 BUSINESS PERFORMANCE CONCEPT

Academics and professional managers in all aspects of business science, particularly strategic management studies, have adopted the concept of business performance as a tool. After reviewing the published research, it is clear that the relevance of the notion of business performance is well recognised, but determining the presence of a widely agreed definition and metric is difficult (Afande, 2015).

When it comes to measurement and evaluation, the question arises if corporate performance can be assessed using any criteria or measures (usually, performance is defined as a notion that is quantified or qualitatively established - as a result of intended and planned activity) (Abedin, 2015).

Evaluation can be done on a regular basis for the entire company, or it can be done on an as-needed basis for a single project.

Each company has its own motivations for measuring performance. Businesses frequently assess their performance based on their operations, to determine if they are successful. They don't know how to determine because decisions aren't based on emotions in order to detect problematic or developing areas (Contessotto & Moroney, 2014).

2.11 MEASUREMENT OF BUSINESS PERFORMANCE

There are several ways to evaluate a company's performance.

- The first involves objective (quantified) and subjective (judgment) approaches,
- The second includes monetary (revenue, profits) and operational (client satisfaction, quality) criteria, and
- The third involves fundamental (from organisation) and secondary (from the database) ways (Hatani & Farhan, 2014).

Quantitative data is measured in objective measurement, while subjective measurement is the subjective perception of performance based on rivals' or business estimates (Contessotto & Moroney, 2014). The objective and subjective performance standards are the same.

Setting those criteria is critical. Customer happiness, overall business performance, and so on are examples of qualitative criteria (e.g. profit, sales). A quantitative criterion might be assessed objectively or subjectively.

Qualitative criteria, on the other hand, can be assessed subjectively. The correlation between objective and subjective measurements has been well demonstrated in the literature review, and both methods are ideal for use in conjunction with performance measurement (Venkataraman and Ramanujam, 1986).

Because of a lack of appropriate objective data, and the difficulty in getting objective data to measure business success, objective criteria in financial statements may be inaccurate (Hatani & Farhan, 2014). Companies often do not want to release objective performance data - making it difficult to collect such information.

Business managers use a subjective evaluation method to assess qualitative and quantitative performance - by asking how successful their companies are, in comparison to other organisations in the area, showing various performance requirements. (2015) (Gokkaya & Ozbag).

Subjective (perceptual) assessments might change - depending on personality traits or organisational position, and the researcher used business performance data to argue that such mesmerism breeds instability and scepticism, when compared to competitors. The researcher likes a method that is objective (Afande, 2015).

Venkataraman v Ramanujam (1986) employed non-financial market share to gauge corporate success, new product launches, product quality, marketing efforts, technical activities, and other qualitatively stated standards in the research evaluated. Financial metrics based on accounting - such as sale profitability and growth (investment return, sales return, equity return and earnings per share).

According to Umrani, Johl, and Ibrahim (2015), there is a link between objective and subjective data about business performance, and their research shows that subjective performance data (asset-revenue and sales growth) was employed, instead of objective data in their investigations. When objective performance data is unavailable, this subjective data might be used instead.

This result, however, does not imply that objective data should be favoured above subjective data, according to the authors. Subjective business performance is especially beneficial in performance appraisal - when compared to related industrial vocations. Emperor (1986) demonstrates that examining financial indicators - such as investment returns, profitability, and productivity is insufficient to assess business performance, financial performance is fleeting, and that the company is solely concerned with the well-being of partners and shareholders.

According to Kallamu & Saat. (2015), business performance is measured by top executives' subjective assessments of business performance and accounting-based criteria (objective).

They employed net asset-refund accounting after tax as a norm. Top executives, on the other hand, were asked to score profitability, employee purchases, and their image in comparison to their competitors in their evaluations. Professional performance is measured subjectively and objectively in the Miller Study (1987).

Top-level managers are requested to grade profitability criteria on a subjective scale - in comparison to the industry average, while financial statements are used to determine desired revenue growth and investment returns.

Deuce (1987) used quantitative and subjective performance measures to evaluate corporate performance. Objective criteria included sales growth and asset return, while subjective criteria included sales growth, asset return, and overall performance.

2.12 EMPIRICAL LITERATURE

In a study titled, *"A study of CG quality standards for improved financial performance of public listed corporations in Malaysia,"* Francis discovered a correlation between CG best practices and financial performance (2010). However, because the link was statistically insignificant, it had no impact on financial performance.

This is in line with Alhaji's findings in his paper, *"CG and Firm Performance of Malaysian Listed Companies"* (2012). He discovered that good company governance had little impact on financial performance. In his study, *"The impact of CG organizational performance,"* Loizos Heracleous (2001) found no clear link between best practices and organisational performance.

However, not all empirical evidence suggests that there is no correlation across CG guiding principles and company performance. In their study, *"CG and the Small and Medium Businesses Sector: Theory and Implications,"* Abor and Adjasi (2007) found that CG has a positive and significant relationship with SMME performance. They go on to add that having external independent directors improves corporate entrepreneurship and efficiency, while offering a unique perspective.

The study, *"CG requirements for SMEs"* by Dr. Dube (2011) of India confirms that CG has a good link with SMMEs' performance. He goes on to say that companies that use CG procedures have seen an increase in earnings and share price.

These studies found that CG had little impact on best practices on company performance. However, the researcher found several inconsistencies in the current scenario in South African SMMEs, necessitating knowledge gap closure. The study was conducted for publically traded companies that are also huge corporations. Now the researcher wants to learn more about how these principles affect SMME performance. Loizos Heracleous' research was conducted in a developed country, but this researcher is currently conducting his research in an underdeveloped country, South Africa.

On the contrary, some research has found a link between CG and business performance, but these findings are not applicable to South African SMMEs. Karoui focused his research on the mechanisms and practices of CG practices in industrial SMMEs. Other SMME sectors, however, were left out. Abor's study did not focus on the principles, but rather on the general element of corporate governance - albeit it does include some of the best practices, necessitating future research. The same may be said of Dr. Dube's study, which focused on SMME norms. These are broader than CG principles, while they do include these activities, necessitating a more focused investigation, which may provide a more accurate outcome.

2.13 GAP IN LITERATURE

"The impact of CG Organizational Performance," study by Loizos Heracleous (2001) found no clear link between best practices and organisational performance. Other SMME sectors, however, were left out.

Abor's study did not focus on the principles, but rather on the general elements of corporate governance, necessitating future research. The same may be said of Dr. Dube's study, which focused on SMME norms.

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2.14 CHAPTER SUMMARY

The literature on global CG practices and their applicability to the South African scenario was evaluated in this chapter. Much of the existing literature and approaches are more relevant to large scale firms than to SMMEs, it has been discovered. The definitions of SMMEs and CG are examined in this chapter, as well as the relationship between CG and SMME importance. It also examines additional literature on CG in small and medium-sized businesses. The study's methodology is presented in the following chapter.

CHAPTER THREE - RESEARCH METHODOLOGY

3.1 INTRODUCTION

This section describes the research approach used by the researcher. The purpose of this research was to see how CG principles impacted SMMEs in Limpopo, South Africa. This section covers the research strategy, design of the study, populace, sample, and sampling procedure. It also looks at the data collection instruments, data collection, data processing, and ethical concerns.

3.2 RESEARCH APPROACH

The research methodology outlines the study's structure and the conceptual framework within which the research will be conducted (Kothari, 2013). The researcher used a mixed research technique for this study, which is a combination of qualitative and quantitative research methods.

Instead of using a specific research methodology, he chose the mixing method approach to studying the research problem. To use both research methods will ensure that results of the study are corroborated, and correct results are shared.

A mixed method research, according to Creswell et al. (2003) and other proponents, represents a new *"third alternative"* epistemological paradigm that stands between positivism and interpretivism, rather than merely merging qualitative and quantitative methodologies. To ensure monitoring and controlling variables, and to improve the study's validity and reliability, both qualitative and quantitative data were combined.

The qualitative research design is appropriate for this study. This study design is characterized as a fact-finding examination focused at identifying the features of individuals, situations, or groups, and explaining the current situation (Shuttleworth, 2000). The process entails documenting, recording, analysing, and interpreting the effects of CG principles on the performance of Limpopo's Small and Medium Enterprises (SMMEs). Questionnaires and interviews were used to gather the qualitative data.

In analysing and identifying the information from the respondents for data purposes, a quantitative approach was also selected. The goal of quantitative research, according to Marshall (1996), is to test pre-determined hypotheses and provide generalizable results. Quantitative research will help researchers better understand the magnitude and scope of the influence of CG principles on the performance of SMMEs in Limpopo. It raises issues - such as how many and how much.

Quantitative research will be used to quantify the problem by creating numerical data or data that may be turned into statistically useful information. This strategy quantifies and generalises results from a wider sample group. Questionnaires and interview surveys were used to collect quantitative data in the designated study region. Secondary data on the impact of CG principles on the performance of Small to Medium Enterprises was used to produce the necessary quantitative data

3. 3 RESEARCH DESIGN

According to Kothari (2013), a research design is the conceptual framework within which research is carried out. It serves as a plan for data gathering, measurement, and analysis. Cooper and Schindler (2014) go on to say that a research design helps researchers to allocate limited resources by confronting critical methodology options.

Research designs can be classified into two categories – positivist and interpretive – depending how their goal in scientific research. Positivist designs are meant for theory testing, while interpretive designs are meant for theory building. Positivist designs seek generalized patterns - based on an objective view of reality, while interpretive designs seek subjective interpretations of social phenomena, from the perspectives of the subjects involved.

Some popular examples of positivist designs - include laboratory experiments, field experiments, field surveys, secondary data analysis, and case research, while examples of interpretive designs - include case research, phenomenology, and ethnography.

Note that case research can be used for theory building or theory testing, though not at the same time. Not all techniques are suited for all kinds of scientific research.

Some techniques - such as focus groups are best suited for exploratory research, while others - such as ethnography are best for descriptive research, and still others - such as laboratory experiments are ideal for explanatory research.

The researcher used a case study research design for this investigation.

3.3.1 Case Study Research Design

A case study, as described by Kothari (2013), is an inquiry and analysis of a single or collective case, with the goal of capturing the complexity of the object of research. A case, according to Cooper and Schindler (2014), is a chance to connect facts and concepts, reality and theories. Case research is an in-depth investigation of a problem in one or more real-life settings (case sites) over an extended period of time.
Data may be collected using a combination of interviews, personal observations, and internal or external documents. Case studies can be positivist in nature (for hypotheses testing) or interpretive (for theory building).

3.3.2 Justification of Case Study Research Design

The case study was chosen by the researcher, because it focuses on current events or those that have occurred in the past (Cooper & Schindler, 2014). The strength of this research method is its ability to discover a wide variety of social, cultural, and political factors - potentially related to the phenomenon of interest that may not be known in advance. Analysis tends to be qualitative in nature, but heavily contextualized and nuanced.
The case study technique is useful, because it explores a current phenomenon in depth and within its real-life context, which is especially important when the lines between phenomenon and context are blurred (Cresswell, 2013). It was appropriate for the study as it allowed the researcher to collect a large amount of data in a short amount of time, saving the researcher time and money.
It also permits the researcher to keep the holistic aspects of real-life occurrences, while looking into empirical happenings (Kothari, 2013). However, an interpretation of findings may depend on the observational and integrative ability of the researcher. A lack of control may make it difficult to establish causality, and findings from a single case site may not be readily generalized to other case sites. Generalisability can be improved by replicating and comparing the analysis in other case sites in a multiple case design.

3.4 TARGET POPULATION

According to Orodho (2011), a target population is defined as all members of a given group to whom the study is connected. An accessible population is defined as those elements of a target group within the study's reach. Employees of Limpopo's Small to Medium Enterprises (SMEs) were the target audience. The target group included 41 SMME owners, or 12.3% of the entire population, plus 215 supervisors and general employees, representing 75.3 percent of the total population.

3.4.1 SAMPLE SIZE DETERMINATION AND SELECTION OF PARTICIPANTS

The study used examples of randomised planning because it enabled the study to find a sample of people, who were well-represented of all subjects.

Bennett et al (2018) defines cluster sampling as a type of sampling method where the population is divided into small groups or a line to complete the process of making samples for the research topic under review.

The study divided the participants in the homogeneity lines by their departments, working mainly in the SMME owners, SMME managers, supervisors and general staff as shown in Table1.

Table 1 - Target Population and Sample Size

Target group	Population	Selected sample	Sampling technique
SMME owners	41	10	Purposive
SMME managers	41	10	Random
Supervisors and general staff	251	80	Purposive
Total	333	100	Purposive

Saunders’ (2010) sample determination procedure was used by the researcher.

According to Saunders (2010), for conclusions to be generalizable to the full population, a total sample of 30% of the community is required.

30/100*333=99.9, which equals 100 people.

As a result, the researcher used a sample of 100 participants, which was 30 percent of 333 individuals, or 30 percent of the population in this example.

A sample size, according to Zamboni (2018), in almost any statistical case, or by a science experiment or a public opinion survey, is the count of individual samples or observations.

Sims (2016) defines a sample size as the number of observations collected from a population in order to make quantitative predictions on data.
The intended sample included 10 SMME owners, representing 10% of the whole population, 10 SMME managers, representing 10% of the entire population, and 80 supervisors and general employees, representing 80% of the total population. As seen in Table 1, the total sample size was 100.

3.5 DATA SOURCES

Cooper and Schindler (2014) list a variety of data collection methods. The instrument and apparatus selection is influenced by the individuals' qualities, the study topic, the problem question, the goals, the design, the expected data, and the findings. This is because each instrument gathers data that is unique.

3.5.1 Secondary Data

According to Zohradi (2013), the data included in the study may include information gathered for purposes, other than the current study. Secondary data will be gathered from a survey of relevant literature in journals, periodicals, and on the internet.

3.5.2 Primary Data

Primary data is information gathered by a researcher with the intent of solving a specific problem (Kothari, 2013). Questionnaires and interviews will be used to gather primary data. To gather information from the respondents, the researcher employed a questionnaire and interview guides as data collection techniques. Information was received directly from SMMEs.

3.6 DATA COLLECTION METHOD

In general, data gathering methods can be divided into two categories - positivist and interpretive (Creswell and Creswell, 2014). Theory (or hypothesis) testing is the goal of positivist approaches - like laboratory experimentation and survey research. The goal of interpretive methods - like action research and ethnography is to construct theories.

Starting with a theory and evaluating theoretical postulates with empirical facts, positivist approaches use a deductive approach to research (Creswell and Creswell, 2014). Inductive approaches to interpretation begin with evidence and try to develop a hypothesis about the phenomenon being studied.

The types of data obtained are referred to as quantitative and qualitative approaches. Quantitative data consists of numerical scores, metrics, and the like, whereas qualitative data consists of interviews and observations, which are analysed. 2014 (Creswell and Creswell).

This research uses quantitative methods - such as regression. The study also includes both qualitative and quantitative data, which help to provide unique insight into a complex social phenomenon, that could not be obtained from either form of data alone. As a result, mixed-mode designs that integrate qualitative and quantitative data are frequently preferred.

3.7 DATA COLLECTION INSTRUMENTS

According to Kothari (2013), there are numerous methods for gathering relevant data, each of which differs significantly in terms of money, costs, time, and other resources available to the researcher. In essence, the researcher must ensure that the research equipment is accurate and reliable. This is mostly determined by the instruments' suitability. Each research process and item of equipment was thoroughly assessed to see if it was likely to produce the desired findings.

This study collected data in the following ways:

3.7.1 Interview

An interview, according to Kothari (2013), is a data-gathering method, in which an interviewer receives replies from individuals in a face-to-face contact, over the phone, or via electronic means. The key informants, ten SMMEs managers and ten SMMEs owners from the Limpopo CBD, were interviewed.

When utilized as a research strategy, interviews can help to establish a solid connection between the researcher and the participants, and provide additional data from the studied topics. Interviews, according to Orodho (2012), provide a very quick turnaround when used effectively. Interviews are thought to have a high response rate that can be achieved (Kothari, 2013).

Interviews were undertaken for this research study to obtain in-depth information from respondents, and to allow for a more thorough analysis of the benefits and operational issues (Mugenda, 2012). As Cresswell (2013) points out, conducting interviews is not expensive, because only a small number of respondents should be addressed in qualitative research. The researcher was able to record the participants' emotions and behaviours - while conducting interviews (Kothari, 2013). The researcher was able to screen essential information through face-to-face interviews. The researcher was also able to record both verbal and nonverbal answers during the interviews (Cooper & Schindler, 2014).

3.7.2 Questionnaires

To acquire data, the researcher employed self-completion questionnaires. According to De Vaus (2002), the term *"questionnaire"* is used as a catch-all term for any data gathering methodologies in which each respondent is asked to answer the same set of questions in a present order.

Standardised questions that can be simply interpreted in the same way by all study participants, work best in questionnaires (Robson, 2002).

This allowed the researcher to obtain sufficient data from a large number of respondents, while maintaining their anonymity. As a result, respondents felt more at ease expressing their true feelings on delicate topics that would have been difficult to discuss in face-to-face interviews.

The researcher was able to collect a big amount of data from Limpopo's SMMEs in a short length of time. Eighty respondents were given a questionnaire by the researcher. Using a questionnaire allowed for more consistency in the presentation of the questions, and ensured that the responses from the respondents were more comparable.

The potential of respondents misinterpreting the questions was one of the surveys' weaknesses.

Several respondents were unaware of the depth of information provided on several of the questions, to the point where they were unable to reply to the questionnaire on their own, without assistance.

As a result, the researcher needed to clarify a few of the questions to them. However, the researcher was unable to successfully explain the questions to all of the respondents, resulting in several surveys being left unanswered.

Furthermore, because no face-to-face contact with the respondents was made, it was difficult to recognize non-verbal cues.
There was also no control over who filled-out the questionnaires because they were completed in their own time, resulting in skewed results. It was also contingent on the respondents' ability and willingness to provide the necessary information. Because several respondents did not return the questionnaires on time, the response rates were low.
A cover letter from the university assured respondents that the information they submitted on the questionnaires was confidential, in response to problems encountered in the administration of the questionnaires. To ensure that participants understood and could answer the questions, the questionnaire was pre-tested and piloted. This confirmed the research instrument's validity and reliability.

3.8 SAMPLING TECHNIQUES

Many methods of sampling are feasible while conducting research, though qualitative researchers normally focus on very small samples (Kothari, 2013). Participants in studies are typically chosen because they can provide detailed descriptions of their experiences. They are willing to share their experiences and provide crucial information that will challenge and expand the researchers' expertise (Easterby Smith et al, 2011). Non-probability samples were used in this study.

3.8.1 Non-probability Sampling Technique

The probabilities of any member being selected cannot be computed in a non-probability sampling technique. Non-probability sampling was chosen by the researcher because it was both cost- and time-effective (Kothari 2013). Non-probability sampling was also chosen by the researcher, since it is simple to use. It can be employed when probability sampling is impossible, such as when there is a tiny research population (Kothari, 2013). Purposive sampling was employed as a non-probability sampling technique.

3.8.1.1 Purposive Sampling

Judgmental or purposive sampling were the non-probability sample procedures utilized to pick the participants for this investigation. Purposive sampling selects samples solely on the basis of the researcher's knowledge and credibility (Kothari 2013). Purposive sampling was chosen for this study because, according to Kothari (2013), it saves time and money while collecting data. Because of the short research period due to the Covid-19 outbreak and the respondents' hectic schedules at work, the respondents used a purposeful sampling strategy.

3.9 VALIDITY AND RELIABILITY

Any data-gathering procedure's efficacy depends on its reliability and validity. Validity is defined by Mugenda (2012) as the degree to which results are derived from data analysis, and how it represents the phenomenon under research. Validity is defined by Bryman and Bell (2011) - as the degree to which an instrument measures what it claims to measure.

The study's general validity was ensured by carefully arranging the sampling process and scrutinizing each of the constructs to ensure they were measuring what they claimed to be measuring. The degree to which a test or method gives smaller outcomes under identical conditions or on multiple times, is referred to as reliability (Mugenda, 2012).

A recognition survey and pilot study were undertaken to guarantee the data acquired during the research was reliable. Before the questionnaire, corrections were made, and the survey's interviews were finally conducted. The pilot study also helped the researcher become more familiar with the target region, making data gathering easier.

3.9.1 Pilot Study

A pilot test is conducted to identify design and instrumentation flaws, and to give proxy data for a probability sample selection (Kothari, 2013; Cooper and Schindler, 2014). The procedures used to pilot-test the questionnaire were the same, as those used to gather the data. The pilot-test sample size should be minimal, at 10% of the total sample size (Mugenda, 2011). The research instrument was evaluated on 10% of the total sample size in this study. This resulted in ten people responding.

3.10 DATA PRESENTATION AND ANALYSIS

Data analysis is the use of logic to decipher the data that has been gathered with the goal of identifying consistent patterns and summarising the key findings of the study (Zohadri, 2013). Data processing entails editing, categorising, and tabulating collected data - so that it may be analysed (Cooper and Schindler, 2014).

The researcher looked over the finished study instruments and the document analysis recording sheets. Discourse analysis was used to examine the qualitative data. The data acquired from the qualitative open-ended questions with the interviews was analysed by using discourse analysis.

This strategy entails analysing spontaneously occurring speech and other sorts of written material (Kothari, 2013). This provides a thorough and qualitative description of the study's aims.

Data was analysed quantitatively in this study utilizing descriptions, charts, diagrams, tables, and graphs. The researcher employed descriptive or prose forms under each of the findings when diagrams were not applicable, and percentages were used to understand and compare data.

The process of transforming raw data into forms that display relevant summary information is known as data processing. According to Kitchen and Tate, as quoted by Dirwai and Gwimbi (2003), analysis is the key to understanding the issues under investigation. The information was analysed to make it more valuable and relevant. Graphs, tables, and charts were used to represent statistical data. The research findings were presented using a detailed narration of information shown in tables, graphs, and pie charts. Manual analysis was used to further analyse the data.

3.11 ETHICAL CONSIDERATION

Ethics, according to Cooper and Schindler (2014), is the discipline that deals with the distinction between good and bad, right and wrong. The following ethical concerns were used in this study. This study's ethical considerations included the following:

3.11.1 Permission

Regenesys Business School provided the researcher with a formal document authorising the study. After that, the researcher used the document to negotiate for authorisation. The researcher requests authorisation to conduct the study with the principals of the secondary schools under investigation. This is backed up by Orodho (2011), who claims that before beginning a study, the researcher should first get authorisation. He believes it is critical to obtain permission to conduct research in order to prevent disrupting an interview.

Before beginning the investigation, the researcher requested permission from the respondents to do it. The participants were informed that the study would only be used for academic purposes. According to Creswell (2013), respondents are more comfortable answering questions when they are aware that the research is only for academic purposes.

3.11.2 Informed Consent

To obtain informed consent, the researcher paid a visit to the respondents. Before beginning a study, Orodho (2011) believes that the researcher should obtain informed consent from the respondents, and that with consent, the respondents will happily participate.

The participants agreed to participate in the study - when the researcher approached them and described the objective and process of the investigation.

Participants in the study were well-informed on what it meant to participate in gathering data for the study. To fulfil ethical rules for conducting research, all participants verbally agreed to be interviewed and participate in the study.

While gaining written consent is standard procedure, Orodho feels that too rigid techniques of collecting consent should be avoided - in favour of developing relationships in which respondents are addressed ethically. In this investigation, verbal consent was judged to be appropriate. According to Orodho, the power of qualitative research lies in the casualness of interaction, and the cooperative nature of the research process.

3.11.3 Privacy, Confidentiality, and Anonymity

The participants were promised that the information they provided would be kept private and not be disclosed. According to Orodho (2011), respondents are more inclined to participate in a confidential and private interview.

Before the material was widely disseminated, the researcher assured that the participants' confidentiality and anonymity would be maintained by deleting any identifying traits.

As essential to ensuring privacy and secrecy, Orodho encourages the removal of identifying traits. The investigator made it apparent that the volunteers' names would never be used for any reason, and that no information revealing their identities would be released.

3.12 CHAPTER SUMMARY

This chapter has discussed various field research options, as well as the framework for how the study was done. It detailed the research plan, methodology, and sample population.

The sample strategies and procedures used, and the overview of the data collection methods that will be used, has been examined, including the benefits and drawbacks of each of the recommended approaches. A pilot research was done to assess the interviews' reliability and validity, together with ethical considerations.

The results of the evaluation of the impact of CG principles on the performance of Small to Medium Enterprises (SMMEs) in Limpopo, South Africa, will be discussed in Chapter Four.

CHAPTER 4 - PRESENTATION OF RESULTS

4.1 INTRODUCTION

The outcomes of the investigation are presented in this chapter. The response rate is examined first, followed by demographic data, which is summarised, organised, graphed, and reported using the appropriate frequencies or percentages. Following that, the findings will be reviewed in reference to the literature review. This chapter served as the foundation for the analysis and discussion of the findings.

4.2 RESPONSE RATE

A total of 100 people were surveyed. Eighty of them including SMMEs supervisors and general employees were gathered and interviewed by questionnaires. A further 10 interviews were performed with SMME owners and managers, chosen at random from those given questionnaires. Only 71 of the 80 surveys sent electronically to SMME supervisors and general employees were completed and returned, resulting in an 89 percent response rate. There were 64 men and 7 women among the 71 people who responded. Twenty of the twenty interviews (targeting 10 SMME managers and 10 SMME owners) were completed successfully.

4.3 QUESTIONNAIRE ANALYSIS AND PRESENTATION OF RESPONSES

4.3.1 Gender

The survey asks respondents to confirm their gender identity. This was done to investigate the respondents' gendered dynamics. According to the gender data, male respondents outnumber female respondents. 64 men and 9 women answered to and returned the 80 questionnaires, accounting for 12 percent and 88 percent of the target population, respectively.
As seen in Figure 2, this represents 12 percent and 88 percent of the targeted population, respectively.

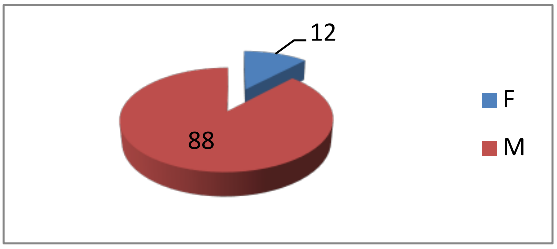

Figure 2 - Respondents' Gender Response Rate

4.3.2 Age

A question was posed on the questionnaires to determine the respondents' age. This meant determining the age categories of SMME managers, owners, supervisors, and general employees. This helped determine the degree of dependability of the data gathered from respondents. The data shows that the number of respondents under the age of 20 is quite small. This indicates that the study has the potential to produce credible and accurate data based on the experiences of SMMEs in the area in the past. As shown in Figure 3, 40 of the 100 respondents are SMME managers, SMME owners, and SMME supervisors. The average age of general employees was from 20 to 30, with 25 between the ages of 31 and 40, 15 between the ages of 41 and 50, and the remaining 20 between the ages of 51 and above.

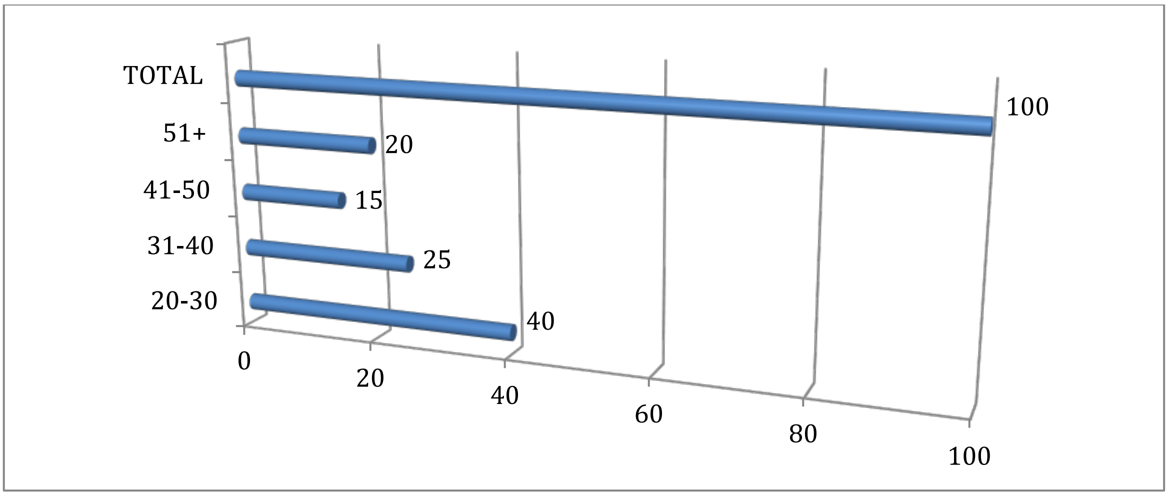

Figure 3 - Age Response Distribution

4.3.3 Literacy

The questionnaires asked a question about the literacy level in the area under investigation. The data gathered indicates that the literacy rate among those working for SMMEs is higher.

This is because, of the SMME managers, SMME owners, SMME supervisors, and general staff who replied to the surveys, 88 claimed they had completed secondary education, while the remaining 12 said they had completed primary education. This corresponds to 88% and 12% of the administered targeted population, respectively. A high literacy rate indicates that responders are grasping the essential information. This provided excellent ground for gathering meaningful and trustworthy data. This is illustrated in the Figure 4 below.

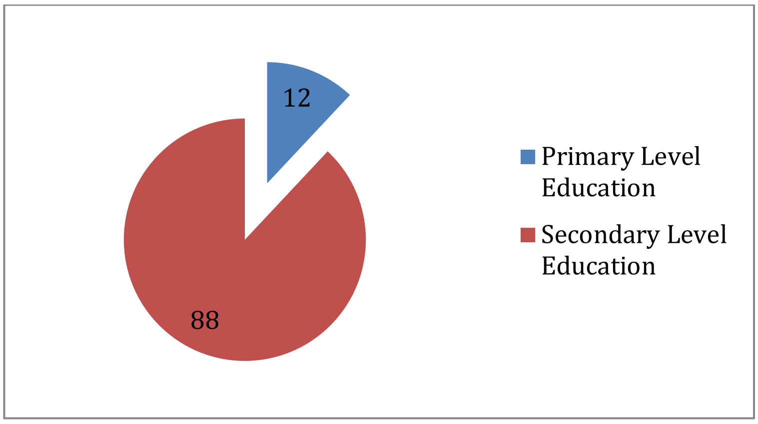

Figure 4 - Respondents' Literacy Rate

4.4 BUSINESS SECTORS

The retail sector had the most responses (51.8%), followed by services (31.8%) and manufacturing (7.3%). The transportation industry ranked third (4.5 percent), followed by construction (3.6 percent) and other industries (0.9 percent), as seen in Figure 5's pie chart. The retail and services sectors account for the majority of SMMEs, owing to the capital-intensive nature of other industries - such as manufacturing, transportation, and construction.

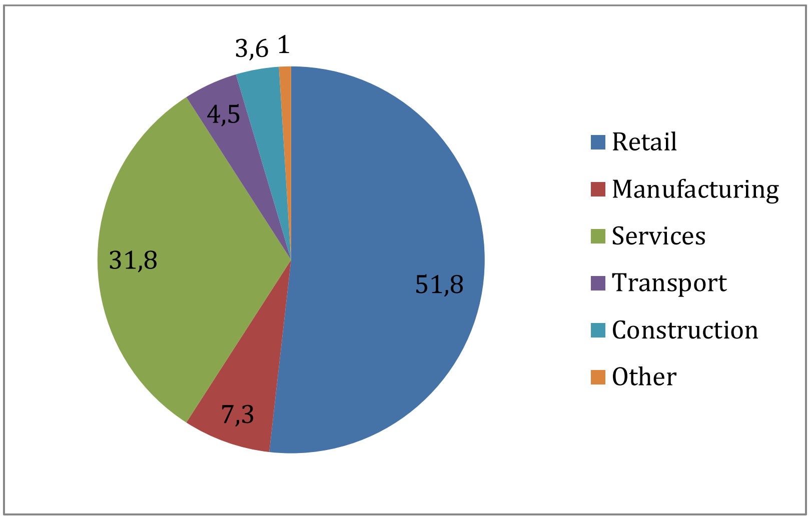

Figure 5 - Distribution Of Respondents By Business Sector

4.5 KNOWLEDGE OF CORPORATE GOVERNANCE (CG)

If one knows nothing or too little about the subject matter, it will prove difficult to follow certain rules and regulations. The respondents were asked if they had ever heard of corporate governance and how much they knew about it.

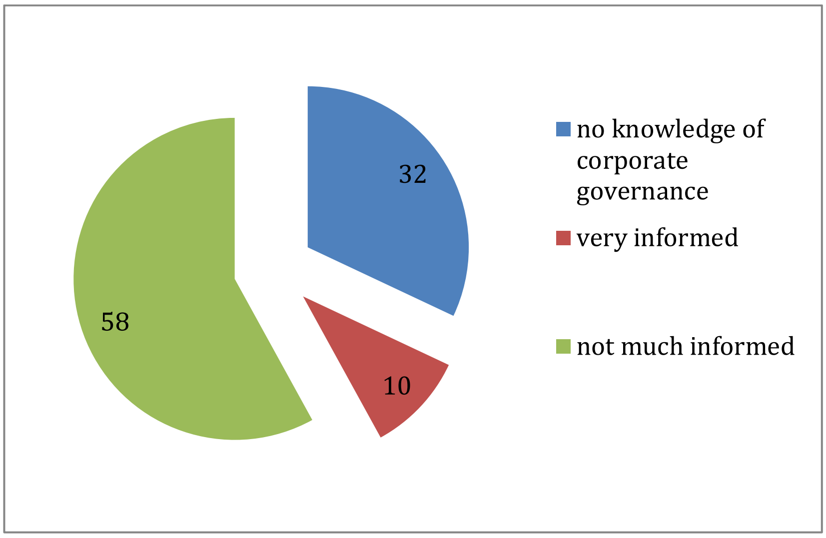

Figure 6 - Knowledge of CG

Figure 6 shows whether respondents are aware of CG. The majority of 58 percent of respondents said they were not well-informed on CG issues. The vast majority of respondents are knowledgeable about CG.

4.6 SMME SIZE

The number of employees was used to determine if the company was a micro, small, or medium-sized business.

47.3 percent of the SMMEs investigated were classified as small businesses, while 38.2 percent were classified as micro businesses. This means that the majority of SMMEs fall into the micro and small categories.

The study began with a focus on small and medium firms, only to discover that some organisations that would ordinarily fall into those categories have reduced their workforce due to the recession. Medium-sized businesses made up 11.8 percent of the respondents.

4.7 COMPANY CHARACTERISTICS

The purpose of this study was to determine the size of SMMEs and SMMEs in terms of staff count. Table 2 shows that most SMME business activity occurs between 1 and 10 years of being in existence, with a cumulative rate of 92 percent. Businesses that have been in operation for more than ten years, account for only 8% of the total. According to the findings, 80 percent of businesses have fewer than 50 employees, while 20 percent have 51 and 100. Most businesses employ less than 50 people.

Table 2 - Demographic Characteristics of SMMEs

Duration of operation			
No of Years		**Frequency**	**Percent**
Valid	Less than 1 year	13	13
	1-5 Years	51	51
	6-10 Years	28	28
	Above 10 Years	8	8
	Total	100	100.0
Size of the Company			
No of Employees		**Frequency**	**Percent**
Valid	1-10	10	10
	11-20	12	12

	21-30	18	18
	31-40	20	20
	41-50	20	20
	51-100	20	20
	Total	100	100.0

4.8 CHAPTER SUMMARY

This chapter provided the findings of a corporate governance impact survey conducted with Limpopo's SMMEs. Bar charts, tables, and pie charts were used to illustrate the findings. The CG methods and principles of the SMMEs studied were investigated.

By combining the research findings and analysis in this section with the literature reviewed in Part Two of the study, the researcher was able to identify areas that need to be addressed. Analysis and discussion of the findings of the study are presented in the following section.

CHAPTER 5 - ANALYSIS AND DISCUSSION OF THE RESULTS

5.1 INTRODUCTION

This section covers the descriptive statistics for the data utilised in this study's analysis. Some of the data's most important features will be quantified.

5.2 FIRM PERFORMANCE

The descriptive statistics for the dependent variables are shown in Table 3. The ROEranged from -8.33 percent to 4.60 percent in the table, with an average of -4.4 percent for the entire sample.

For the combined sample, the ROA varies between 91.38 percent and 88 percent, with an average of 60 percent.

Table 3 - Descriptive Statistics Of Firm Performance Measurement

	N	Minimum	Maximum	Mean	Std. Deviation
ROE (%)	936	-8.33	4.60	-4.38	5.19
ROA (%)	948	-91.38	87.75	0.59	14.31

5.3 CONTROL VARIABLES

Table 4 shows the control variables' descriptive statistics. The total assets range from \$160,000 to \$75,193,260 million, with a median of 6413311 million.
The average debt-to-liquidity (leverage) ratio is 36 percent, and the average leverage is 3.44 percent.
The average age of the businesses is 29.3 years, which is comparable to Claessens et al. (2000)'s figure of 28.8 years, and lower than Andres' figure of 82 years for German businesses (2008).

Table 4 - Descriptive Statistics Of Control Variables

	N	Minimum	Maximum	Mean	Std. Deviation
TA ($ Millions)	956	1160000	75193260	6413311	329268
Leverage (%)	956	0	5.75	0.36	0.37
Liquidity Ratio (%)	956	0.01	65.48	3.44	5.99
Age (Years)	956	5	83	29.31	15.82

5.4 DESCRIPTIVE STATISTICS FOR CORPORATE GOVERNANCE (CG)

The purpose of the research was to determine the effect of CG standards on the performance of SMMEs in Limpopo, South Africa. The participants were asked to evaluate the degree to which CG had an impact on their companies' performance. The measurement scale comprised of 34 items that were scored on a five-point Likert scale, with 1 equalling not at all and 5 equalling to a great extent.

Four (4) constructs were used to define CG:

1. The existence of a formalised Board of Directors
2. Board roles and responsibilities
3. Audit Committee, as well as
4. Board knowledge.

5.4.1 Mean and Standard Deviation of Existence of Formal Board

The respondents were asked to rate how influential a formal board as a CG principle is on SMME performance.

The measurement scale consisted of seven items, each of which was scored on a five-point Likert scale ranging from 1 to 5.

The measurement scale was generated using data collected from five-point statements on a Likert-type scale and calculated using Excel. The composite score or measurement of formal panel that was used in regression analysis was created by combining each component or element of the formal board.

The mean of each construct was then divided by the total number of respondents (N) that was reduced by the variety of items in the independent to give an average mean score.

Table 5 - Mean and Standard Deviation of Existence of Formal Board

Descriptive Statistics			
	N	Mean	Std. Deviation
Presence of a formal Board	100	3.04	1.107
Composition	100	2.80	1.163
Size	100	2.76	.903
Experience of Members	100	3.21	1.177
Skill Level	100	3.13	1.095
Leadership(Duality)	100	2.90	1.218
Valid N (list wise)	100		
Mean Score		2.97	

Table 5 reveals that *board members' experience* had the greatest mean, with a score of 3.21 (SD = 1.177), followed by *board competency level*, with a rating of 3.13 (SD = 1.095), and *supervisory board presence*, with a score of 3.04 (SD = 1.107).

The majority of respondents believe that the shareholders' experience has a substantial impact on SMME performance, according to the data. The existence of a board obtained a mean rating of 2.97, indicating that it has a moderate effect on SMME success.

5.4.2 Mean and Standard Deviation of Board Roles

The study rated how important the board's function and mission are to SMME success - as a CG principle. Each of the seven items on the measuring scale was assessed on a 5-point Likert scale spanning from one to 5.

The composite score was generated using data collected from five-point statements on a Likert-type scale.

The composite score or measurement of board roles used in regression analysis was created by adding each element or item of board roles. The total number of respondents (N) was divided by the mean of each construct, and an average mean score was derived by dividing the amount of mean by the variety of elements in the independent variable.

Table 6 - Mean and Standard Deviation of Board Roles

Descriptive Statistics			
	N	Mean	Std. Deviation
They comprehend their title role and mandate.	100	2.96	1.195
The title role is distinct and detailed.	100	3.15	1.045
They are in charge of the managers.	100	3.16	1.141
As the company grows, the positions change.	100	2.95	.940
The Board of Directors gives the company strategic direction.	100	3.10	1.337
All shareholders are represented by the Board.	100	3.04	1.107
The Board encourages efficiency and transparency.	100	3.21	1.198
Valid N (list wise)	100		
Mean Score		3.08	

Table 6 shows that the majority of respondents thought that board responsibilities and mandates have a moderate impact on SMME performance.

This CG guideline has an average mean score of 3.08. *The board promotes transparency and efficiency* had the highest mean score of 3.21 (SD = 1.198), followed by the *board offers leadership to the management.*

The item concerning jobs shifting as the firm grew received the lowest mean score of 2.95 (SD = 0.940).

We can draw from the foregoing data that board openness and efficiency play a critical role in SMME performance. The findings demonstrate that board positions and mandates are critical for small and medium-sized business performance.

5.4.3 Mean and Standard Deviation of Audit Committee

The audit, as a CG structure, was asked to rate how much it impacted the operational success of the respondents' companies. Each of the seven items on the measuring scale was assessed on a 5-point Likert scale - spanning from one to five.

The composite index was generated using data collected from five-point statements on a Likert-type scale.

The mean of each construct was obtained by aggregating each construct or item of board duties, then divided by the total respondents (N) to get the composite measure or measurement of the audit committee that was used in regression analysis.

An average mean score was determined by dividing the number of averages by the number of items in the independent variable.

Table 7 - Mean and Standard Deviation of Audit Committee

Descriptive Statistics			
	N	Mean	Std. Deviation
Audit Committee existence	100	3.10	1.143
Committee's composition	100	3.19	.982
Audit Committee size	100	2.93	1.077
Quality of audit	100	3.33	1.077
Committee appointment	100	3.01	1.037
Committee members experience	100	3.29	1.160
Diligence of audit	100	3.23	1.055
Valid N (list wise)	100		
Mean Score		3.15	

Table 7 reveals that the *audit committee's* average mean score is 3.15, implying that CG standards have only a minimal impact on performance.
Audit quality had the highest mean score of 3.33 (SD = 1.077), preceded by *audit committee members' experience* at 3.23 (SD = 1.055). The *size of the audit committee* had the lowest average score of 2.93. (1.077).

The *quality of a committee's audit*, the *committee members' experience*, and the *frequency of audit meetings per year* are all important variables in evaluating SMME performance. The total mean score clearly demonstrates that the respondents agree that an audit committee has a significant impact on SMME performance.

5.4.4 MEAN AND STANDARD DEVIATION OF BOARD COMPETENCY

The participants rated the importance of board competence as a CG principle in SMME business success.

Each of the seven items on the measurement scale was assessed on a five-point scale ranging from 1 to 5.

The composite index was generated using data collected from five-point statements on a Likert-type scale.

The mean of each construct was obtained by aggregating each construct or item of boards competence, then reducing by the total respondents (N) to get the composite measure or measure of board competency used in regression analysis.

An average mean score was determined by dividing the sum of means even by number of units in the independent variable.

Table 8 - Mean and Standard Deviation of Board Competency

Descriptive Statistics			
	N	Mean	Std. Deviation
Education level	100	3.16	1.152
Managerial experience	100	3.23	1.169
Skills and prior knowledge	100	3.33	1.053
Ability to co-coordinate business activities	100	3.29	1.182
Ability to budget the available resources	100	3.21	1.076
Ability to articulate ideas and opinions	100	3.33	1.123
Communication competencies	100	3.23	1.190
Valid N (list wise)	100		
Average Mean Score		3.25	

According to the respondents, all of the board managerial competency constructions have a moderate impact on the performance of SMMEs, as shown in Table 8. The average score for *managerial experience* and the *capacity to explain ideas and viewpoints* was 3.33, with standard deviations of 1.169 and 1.123, respectively. The average mean score for *Board competency* was 3.25, indicating that it is an essential cooperative governance principle that has a moderate impact on SMME performance.

5.4.5 Mean and Standard Deviation of SMMEs Performance

The performance measuring scale consisted of six items, each of which was scored on a five-point Likert scale ranging from 1 to 5.
The composite index for performance was calculated by first calculating the mean of each construct, which was done by adding all of the construct's values, and then dividing by the number of respondents. The single composite index was created by dividing the aggregate mean of the six elements by 6.

Table 9 - Mean and Standard Deviation of Operational Performance

Descriptive Statistics			
	N	Mean	Std. Deviation
Improved efficacy	100	3.33	1.003
Improved satisfaction of customers	100	3.35	.995
Bettered quality of products	100	3.54	.980
Lowered cost of operations	100	3.20	.960
Enhanced utilisation of capacity	100	3.39	1.085
Improved sales	100	3.39	1.025
Valid N (list wise)	100		
Mean Score		3.37	

Table 9 shows the performance boundaries used to evaluate the functioning of participants' firms. The results suggest that the criteria received a middling rating from the respondents.
Higher capacity utilization and *improved sales* had the highest mean score of 3.54 (SD = 0.980), with average score of 3.39 and deviation of 1.085 and 1.025,

correspondingly. According to the research, all of the factors have a positive effect on firm performance.

5.5 OVERALL CORRELATION ANALYSIS

To determine the links that existed between the research variables, a correlation analysis was performed. Table 10 presents a summary of the correlation findings.

Table 10 - Correlation Matrix

Correlations						
		OP	AC	BC	BR	FB
OP	Pearson Correlation	1				
	Sig. (2-tailed)					
AC	Pearson Correlation	.347**	1			
	Sig. (2-tailed)	.002				
BC	Pearson Correlation	.384**	.927**	1		
	Sig. (2-tailed)	.000	.000			
BR	Pearson Correlation	.449**	.701**	.760**	1	
	Sig. (2-tailed)	.000	.000	.000		
FB	Pearson Correlation	.437**	.692**	.730**	.912**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
**. Correlation is significant at the 0.01 level (2-tailed).						

Where:

- OP = Operational Performance
- AC =Audit Committee
- BC = Board Competency
- BR = Board Roles
- FB = Formal Board

The correlation study reveals a moderate positive linear and significant connection (r =0.449, p0.05) between performance and board roles and mandate (Magutu P. O. 2013).

This means that increasing board positions and mandates by one unit improves SMME performance by 0.449 percent. Similarly, performance and the formal board have a modest positive linear and significant connection (r = 0.437, p0.05).
This means that an increase of one unit on a formal board can result in a 0.437 rise in SMME performance. There was a modest positive linear and significant link between performance and the audit committee (r =0.347, p0.05), as well as board competency (r = 0.384, p0.05).

5.6 REGRESSION ANALYSIS AND DISCUSSIONS

Because the study correlation revealed the existence of statistically significant correlations, a multiple regression was used to determine the relationship's level. Table 11 shows the findings of the regression analysis.

Table 11 - Regression Analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.549[a]	.301	.264	.41217

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.497	4	1.374	8.089	.000[b]
	Residual	12.742	75	.170		
	Total	18.239	79			

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.955	.467		4.189	.000
	Audit Committee	.198	.077	.303	2.582	.012
	Board Competency	.197	.097	.240	2.020	.047
	Board_ Roles_ Mandate	.185	.075	.243	2.471	.016
	Formal Board	.057	.076	.076	.754	.453

R=0.549 represents the straightforward correlation in Table 11. Cooperation governance principles and performance have a moderately favourable linear relationship.

In the results, R2=0.301, suggesting that the independent variables can explain 31% of the complete variation of the dependent variable.

In this case, CG principles explained 30.1 percent of the difference in quality, with the remaining 69.9% explained by non-CG factors.

The Analysis of Variance (ANOVA) table shows that F (4, 75) =8.089; P value = 0.000, suggesting that the variables were statistically significant. The F value was larger than 2 and the P value became less than 0.05, indicating that the factors were statistically meaningful.

The beta indices of constructions that help compensate the control variables and influence the predictor variables are also shown in Table 11.

The regression model equation is depicted in the diagram below.

$Y= \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4+ \varepsilon$

$Y=1.955 + 0.057 (X1) + 0.185(X2) + 0.198(X3) + 0.197(X4)$

Where:

- Y – Performance (Dependent variable)X1- Existence of a formal board
- X2- Board Roles and MandateX3- Audit committee
- X4- Board Managerial competencies

Holding all other parameters constant (i.e. no CG principles), the performance of SMMEs in Limpopo would be 1.955, according to the regression equation. Taking all other independent variables to zero, the findings showed that a unit increase in a formal board would result in a 0.057 rise in SMME performance, while a unit increase in board roles and mandate would result in a 0.185 increase in SMME performance.

A unit increase on the audit committee would result in a 0.198 rise in the company's performance, according to the equation. Finally, a unit improvement in board competency would result in a 0.197 rise in firm performance. All of the independent variables are clearly significant in the model, with the exception of the formal board, which has a p-value greater than 0.05.

The total model (F = 8.089, P 0.05) is statistically significant.

The study discovered that the implementation of CG principles improves the performance of SMMEs in Limpopo, South Africa, using the above regression model. This suggests that the independent variables in this model account for 30.1 percent of

SMME performance in Limpopo, whereas other factors and random fluctuations not considered in this study account for 69.9% of SMME performance in Limpopo.

This matched the findings of the previous investigations. Belkhir (2006), who performed a study on board composition and bank performance, agrees with the findings. The findings suggest that the larger the board, the worse the organisation's performance. This is also in line with a study by Qin (2007), who claims that organisations with superior earnings quality are more likely to have audit committee members with accounting training.

A well-trained audit committee has a significant effect on the return on equity and assets, and on organisational performance. Oyoga (2010) suggests that good CG principles will lead to increased monetary performance. The results in his study of CG and company performance.

5.6.1 Board Independence

The percentage of outside directors, business contacts with the company, relationship with executives, and cross directorships were all investigated as aspects of board independence. Outside directors made up almost all of the respondents (81.8 percent) in the 0-25 percent range, with only 5.4 percent in the *'over 50 percent'* range.

In terms of the number of non-executive directors, the findings support the lack of board independence in SMMEs. Non-executive directors should account for more than half of the directors on the Board of Directors in order to ensure sound corporate governance.

When it comes to corporate performance, there appears to be a positive correlation between the number of outside directors and the company's performance.

More than half of the respondents (56%) were unsure about commercial interactions with the company, while 22 percent were either in agreement or disagreement. Because they either did not have outside directors to report to, or did not have a board of directors, the respondents who were unsure may have responded as such. Because 22% agreed, it is possible that roughly 80% of respondents do not have the right CG principles in place, resulting in SMME underperformance.

A small percentage (19%) disagrees that non-executive directors are associated with executive directors, while 30% agree and 5% are unsure. SMMEs perform poorly because of a lack of good governance. Many respondents (52 percent) were unsure about cross-directorships, while another 29 percent opposed.

Only 19 percent of respondents agreed that there were cross directorships between the outside directors' companies, and the executive directors of the companies under investigation. The lack of clarity could indicate the absence of a board of directors or non-executive directors in the company.

5.6.2 Internal Controls

Internal controls are an important part of every company's CG. The poll looked at five different components of internal control. The majority of respondents (45.5%) expressed happiness with their daily reconciliation, with 27 percent expressing extreme satisfaction and 16 percent expressing ordinary satisfaction. Only 11% of people are unhappy. The findings show that the majority of SMMEs perform daily reconciliation in their operations.

The majority of respondents are content with their employees' role separation, with 65 percent expressing satisfaction and 24 percent indicating moderate satisfaction. Only 11% are unsatisfied, showing that in most SMMEs, roles and duties are clearly defined.

Only 14.5 percent of respondents are unsatisfied with their security systems, while 47 percent are satisfied, and 21 percent are extremely satisfied.

Most SMMEs appear to follow the internal control system for guaranteeing asset safety. Sixty percent of respondents are pleased that their personnel are appropriately trained on internal controls, compared to 16 percent who are unsatisfied. However, only 23% of respondents are satisfied with their employees' training.

In general, SMMEs provide enough internal control training to their personnel. According to the findings of the poll, SMMEs are increasingly embracing technology, as they use computers in their everyday operations, with 30 percent of respondents responding that they are extremely satisfied, and 38 percent indicating that they are satisfied. Only 15% were dissatisfied, with the remainder reporting moderate pleasure.

According to the survey's findings, the majority of SMMEs use internal controls. However, there appears to be a negative association between internal controls and business performance, in that the business performs poorly despite the implementation of internal controls (a desirable CG principle).

5.6.3 Disclosure

One of the independent variables examined in the study was disclosure. Financial statement preparation, the existence of a code of good CG, the availability of a mission statement, the internal audit function, and the external audit of financial statements were all factors evaluated.

In terms of financial statement preparation, half of the respondents agreed that they do so, and 35% strongly agreed that they do so.

Only 11% disagree, showing that SMMEs do generate financial statements for the purpose of disclosure. With 37% agreeing, a surprising number of respondents reported having a code of good CG. The remaining 46%, on the other hand, stated that they did not have it, while the remaining 16% were unsure. As some respondents admitted, it is likely that the majority of the respondents mistook it for the code of conduct.

The majority of SMME enterprises have mission and vision statements, as seen by the 71 percent of respondents who agree, while only 21% do not. The findings show that SMMEs are open about who they are and where they want to go with their enterprises. An audit is an important CG tool and a sign of strong CG for any company.

Internal audit is used by 62 percent of SMMEs, with 17 percent indicating that internal audit of their systems is very important to them. Only 29% of those that do not do it, indicating that SMMEs appear to be practicing strong CG in terms of disclosure. SMMEs have been slow to adopt the external audit function, with only 39 percent agreeing to use it.

Around 52% do not believe their accounts or systems are audited externally. SMMEs generally observe the feature of disclosure in the operation of their enterprises, according to the responses. This strong CG principle, however, does not appear to have a positive impact on business performance.

5.6.4 Owner-Manager Separation

In firms, separating the owner from the manager is a useful corporate governance approach. There are four traits that link the owner and the management. In the circumstance where the owner is also the manager, 28 percent of respondents strongly agreed, while 19 percent agreed. However, 52 percent of respondents disagreed, showing that business owners are delegating management to agents or managers.

The management in most SMMEs is not linked to the owner. A total of 23% strongly believe that there is a relationship, with the remaining 19% agreeing. Overall, 35.5 percent of respondents denied that there is a relationship between owners and managers in SMMEs, with 17 percent strongly disagreeing.

Owners overshadow managers in the operation of businesses, according to a large majority of respondents (45.5 percent). However, a close 41 percent are in disagreement.

The majority of SMME executives are not business owners. 34.5 percent of respondents said they disagreed, while 15.5 percent said they strongly disagreed. 45 percent of respondents, on the other hand, agree. It becomes a sound CG idea when managers are not stockholders. The manager-owner separation principle, which is a CG idea expected to result in improved business performance, is more widely used by SMMEs. However, there is a negative performance metric in this instance.

5.6.5 Performance Evaluations and Risk Management

All of the respondents said No to performance-based assessments for managers or directors when asked. CG best practices mandate performance goals for executive members' motivation and performance improvement.

When questioned if they could have a review committee, all the respondents said No, but that their management conducted all risk assessments.

Micro-enterprises with risk mitigation exceed their rivals and are less exposed to disasters in the long run, according to Mahmood (2011). If SMMEs in Limpopo's urban region possess these two characteristics, CG best practices demand that they have a strong risk management team - that is also in charge of strategic planning.

5.6.6 Business Performance Measure

The study's outcome or dependent variable is business performance, which is assessed in this case by a rise in sales, earnings, employees, branches, and return on assets. A company's sales are an excellent performance indicator, and if they're increasing, it means the company is doing well.

Overall, sales are rising, as seen by the 13 percent and 33 percent of respondents who strongly agree and agree, respectively. 41% of respondents said their sales were declining, while 14% said they were unsure.

Although a large proportion of respondents agree, most respondents' revenues are not increasing (46 percent). While 25.5 percent strongly believe that earnings are increasing, 11 percent strongly disagree. Overall, the company performance measure is negative, indicating that enterprises are performing poorly.

According to 14.5 percent in strong disagreement and 59 percent in disagreement, the number of employees is not increasing. Only 22% of businesses are expanding their workforce. This indicates that the company is not growing, and that performance is low.

About 22% strongly disagree with the opening of new branches, while 51% disapprove. On the other hand, only 6% strongly agree, with the remaining 18% agreeing. This indicates that the businesses' performance is poor, as there is no expansion. The return on assets appeared to be unclear (20.9 percent). The managers most likely had no idea what it was. However, half of the respondents disagreed that the return on assets was rising, indicating that overall performance is poor.

Even though some SMMEs adopt good CG principles, overall business performance in SMMEs is depressed or negative. However, as several managers pointed out, the dismal state could be attributed to the country's current tough economic situation.

5.7 BETA COEFFICIENTS

The data was analysed using Beta values, which represent the contribution or magnitude of a variable in influencing the outcome. Table 12 depicts the relationship between CG principles and performance as shown by Beta values, resulting in the following findings.

- The association between business independence and business performance is statistically insignificant (=0.024, $p > 0.05$).
- Discard the null hypothesis.
- Internal controls and corporate performance have a statistically significant association (=0.250, p 0.05).
- Consider the null hypothesis.
- Disclosure and business performance have a statistically significant link (=0.324, p 0.05).
- Consider the null hypothesis.
- The connection between owner-manager separation and firm success is statistically insignificant (=0.072, $p > 0.05$).

- Discard the null hypothesis.
- As a result, disclosure and internal controls are important factors in forecasting the outcome, while board independence and owner-manager separation are not.

The study suggests that CG principles and performance have a favourable association.

Table 12 Beta Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficient	T	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero order	Partial	Part	Tolerance	VIF
(Constant)	- 1.032	3.251		-.317	.752	- 7.478	5.414					
Board Independence	.043	.160	.024	.270	.788	-.273	.359	.078	.026	.023	.931	1.074
Internal Controls	.367	.147	.250	2.501	.014	.076	.658	.400	.237	.213	.726	1.378
Disclosure	.352	.112	.324	3.146	.002	.130	.574	.439	.294	.267	.682	1.466
Owner-Manager Separation	.076	.093	.072	.820	.414	-.108	.259	-.037	.080	.070	.939	1.065

a) Dependent Variable: SMMEs Performance measure

5.8 CHAPTER SUMMARY

This chapter analysed and discussed the findings of a survey on the impact of corporate governance conducted with Limpopo’s SMMEs. The CG procedures and principles in the investigated SMMEs were investigated.

The researcher was able to identify areas that needed to be addressed by combining the research findings and analysis from this chapter with the literature studied in Chapter Two of the study. The conclusions and recommendations of this study's findings are presented in the next chapter.

CHAPTER SIX - CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

The major purpose of this chapter is to draw conclusions from the research and make managerial recommendations. The study's major goal will be restated, and the relevance of the study's main contributions will be reaffirmed. The findings will be summarised, and managerial and policy implications for each research objective discussed. The study's limitations, which could affect its internal and external validity, will also be investigated. Finally, areas for further research will be suggested.

6.2 CONCLUSION BASED ON OBJECTIVES

According to the results of the data study, board independence, as assessed by the percent from outside boards and their role in an organisation, is not an influential factor for SMME prosperity or efficiency. Establishing a board of directors with a significant number of outside boards as a sound CG strategy has no visible impact on business performance.

Various perspectives on the relevance of board independence in SMMEs are presented in the literature review. The variable can have a positive, negative, or no substantial impact on business performance.

In the context of South Africa, board independence has no bearing on SMME success. The majority of SMMEs in South Africa are too small to have a board of directors. A board's job in an SMME is to supervise the organisation to ensure improved management through the application of good corporate standards, which should improve the SMME's performance.

From the findings in Chapter 4, the separation of owner and management has little influence on the operation of a small business in South Africa. Owner-manager split has no substantial impact on firm performance, according to the findings.

This is in line with several authors in the literature review who advocated for owner-manager duality for SMMEs, citing the agency problem and the benefits of value creation through technology innovation, entrepreneurial activities, information advantage, investment efficiency, low agency costs, and the owner's continued presence, which may lead to the establishment of strong ties with the business's stakeholders (Cho, 2009).

Most SMMEs in South Africa are still in the early stages of development, and may need the owner's entrepreneurial spirit to succeed.

The findings and discussion section lead to the conclusion that the presence of internal controls in SMMEs had a favourable impact on their business success. Internal controls and corporate performance have a considerable association, according to the findings.

The majority of writers in the literature review agree, with studies showing that having internal controls in SMMEs has a favourable impact on performance. In the context of South Africa, SMMEs that implement internal controls should be able to achieve profitability or good business performance. Poor internal controls, according to Osseifuah and Gyekye (2013), account for around 30% of small business failure in the United States - resulting in work crimes - such as pilferage, embezzlement, and fraud.

The independent variable and the outcome have a substantial association, according to the findings. In SMMEs in South Africa, there appears to be a favourable relationship between disclosure and company performance. The corporation demonstrates transparency to stakeholders by disclosing financial figures and other essential information, resulting in successful business performance.

The result is confirmed by a literature review, which revealed a positive association between disclosure and business performance in various writers. According to Parum (2005), transparency and openness in business, as a result of disclosure, are crucial because stakeholders can readily relate to and evaluate enterprises in their interactions with them.

6.3 RECOMMENDATIONS FOR SMMES

The researcher suggests that SMMEs embrace corporate governance best practices based on the findings of this study as it improves business success. To promote openness and accountability, SMMEs should endeavour to separate ownership and management.

Accounting records should be kept in good order for auditing and transparency purposes, as well as for review when necessary. Owners, managers, and even employees need to be informed on CG issues.

Workshops on CG and employee induction are required to guarantee that everyone understands the expectations, and that the business runs smoothly. Even in family-owned enterprises when the owner's relative oversees the business, qualified individuals should be hired to fill the posts.

6.4 MANAGERIAL AND POLICY RECOMMENDATIONS

The research makes the following policy recommendations:

6.4.1 Implementation of Internal Control Systems in SMMEs

Internal controls were discovered to have a large impact on corporate performance. For the success of SMMEs, it is advised that effective internal control mechanisms be put in place and implemented. Internal controls should be implemented to handle identified business risks that could jeopardize the company's success, and to establish an atmosphere of efficiency and effectiveness, according to the literature.

6.4.2 Disclosure by SMME Businesses

It is recommended that SMMEs share important information in order to track their business's success. Disclosure was shown to be the most important of the CG standards studied in predicting the outcome.

SMMEs must ensure that they have in place processes for providing information to key stakeholders, including as statutory bodies, board members, and shareholders, on a regular, accurate, and timely basis.

Financial and non-financial information, including financial statements, should both be disclosed.

6.4.3 Non-effectiveness of Outside Board Members

SMMEs may not require a big number of non-executive directors on their boards, according to the experts. Because board independence had no significant association with the outcomes, SMMEs can avoid this CG principle that may only be appropriate for large enterprises.

For small firms, such as those found in Limpopo, having a board may be too expensive.

6.4.4 Non-effectiveness of Owner-Manager Separation

It is advised that SMME owners play a significant role in the company's management and control. Owner-manager separation does not appear to have a substantial impact on performance, despite some evidence to the contrary.

If the owner is involved in management and control, Chu (2009) finds a good effect on profitability, and vice versa. Several scholars, notably Vos and Roulston (2008), establish a favourable relationship between the degree of owner engagement and the SMME's profitability.

6.4.5 High Educational Qualifications for Managers

It is also suggested that qualifications be taken into account when hiring managers in SMMEs, as the findings of the study revealed a link between educational qualifications and company performance in South African SMMEs. Owners should also ensure that they obtain the appropriate qualifications to efficiently run their firms, as the majority of them are extensively involved in the operations.

6.5 AREAS OF FURTHER STUDY

The findings showed that the variables under research - board independence, internal controls, disclosure, and owner-manager separation - accounted for just 24.1 percent of the variation in SMME company performance.

The remaining 75.9% is due to other factors that were not considered in the study. Other CG characteristics that influence firm performance should be investigated in future studies. Corporate social responsibility is one of these variables to see if the practice in SMMEs has a good impact on business performance.

The study was limited to Limpopo, and it would be interesting to see if the same results could be reached if the study was conducted in other major cities across the country, such as the Western Cape, KwaZulu-Natal, and Gauteng.

6.6 CONCLUSION

The goal of the study was to determine the value of CG in SMMEs in Limpopo by determining whether having CG mechanisms in place had a positive impact on business performance.

The study will benefit SMMEs by providing policy suggestions based on the findings, as well as contribute to the body of knowledge by providing empirical data on CG structures in South African SMMEs.

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APPENDIX 1 - QUESTIONNAIRE

The purpose of this study is to assess the importance of CG principles on performance of Small to Medium Enterprises in Limpopo South Africa. The information you provide will be used strictly for academic research purposes and your identity will be withheld.

Note: Please tick your appropriate response

SECTION A: Demographic Information

Question

1. Please indicate your gender ( ) Male ( ) Female

2. Level of Management ( ) supervisor ( ) general staff

3. Age ( ) 25 years or under ( ) 26-35 ( ) 36-45 ( )46-55 ( ) 56 years or older

4. Highest Education held ( ) Primary ( ) Secondary ( ) Other (specify)………………………………

5. How many years of work experience? ( ) 0 -1 ( ) 1 -5 ( ) 5 -10 ( ) 10 and above

6. What business sector is the company in?

( ) Manufacturing ( ) Retail ( ) Construction ( ) Transport ( ) Services ( ) Other (Specify)……………………………………

7. What is the size of the company in terms of the workforce?

( ) 1-5 employees ( ) 6-40 employees ( ) 41-75 employees ( ) More than 75 employees

8. When did the company start operating?

( ) Less than 2 years ( ) More than 2 years but less than 5 years ( ) More than 5 years but less than 10 years ( ) More than 10 years ago

This section assesses awareness of CG principles.

1. Have you heard about CG? ( ) Yes. ( ) No

2. How would you rate your knowledge of CG issues? ( ) Very well informed ( ) Not so much informed ( ) Not Informed at all

a. Does the company have board of directors? ( ) Yes ( ) No

b. **If the answer to the above question is yes, what is the size of the board?** ( ) 2 - 4 () 5 -7 ( ) 8 -11

C) **How often does the board meet in a year. Do you have a representative on the Board?**

( ) Quarterly ( ) Semi -annually ( ) annually ( ) Not at all ( ) State if other…………

3 a) How many shareholders are part of the board?

( ) 1-2 ( ) 3-4 ( ) 5-7 All ( ) None ( )

4. How many members of the board are part of management? ( ) 1-2 ( ) 3-4 ( ) 5-7All ( ) None ( )

5. What is the average age of the board member? ( ) 20 -40 ( ) 40 -60 ( ) 60 -75 ( ) above 7

6. Does the board appoint the CEO? ( ) Yes ( ) No

c) Is the chairperson of the Board separated from the CEO? ( ) Yes ( ) No

7. In your opinion which of the following is the main consideration for appointment to the board of directors by the shareholder(s).

a. Family Relations

b. Friends

c. Professional expertise.

d. All of the above

e. Other (please specify) …….

8. In your opinion which of the following is the main consideration for appointment of management of the company by the Board?

a. Family Relations

b. Friends

c. Professional expertise.

d. All of the above

e. Other (please specify) …….

9. Does the company have board committees? a. Yes ( ) b. No ( ) c. No idea. ( )

10. If the answer to the above question is Yes, are the committees of the board formally appointed? a. ( ) Yes ( ) No c. No idea. ( )

a) **How would you rank the following subcommittees of board in order of relevance to your company? From 1 (highest) to 4 (lowest)**

i.Audit committee

ii. Compensation & Nomination committee

iii. Finance committee

iv. Legal & Regulatory committee

1 ( ) 2 ( ) 3 ( ) 4 ( )

SECTION B: Main Body

CG Principles

BOARD INDEPENDENCE

Do you think board independence improves performance?

5.Strongly Agree ( ) 4.Agree ( ) 3.Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree ( )

9. What is the percentage of directors who do not work for the company but are from outside.

( ) 0-25% ( ) 26-50% ( ) 51-75% ( ) 75 % and above

10. Have any of the outside directors had business dealings with the company during the past 3 years?

5. Strongly Agree ( ) 4.Agree ( ) 3 .Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree ( )

11. Do any of the outside directors have a relationship with the top inside (executive) directors of the company?

5. Strongly Agree ( ) 4. Agree ( ) 3.Uncertain ( ) 2.Disagree 1( ) .Strongly Disagree ( )

12. Are any of the executive directors of the company working for any of the outside directors' companies as board members?

5. Strongly Agree ( ) 4.Agree ( ) 3.Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree

Internal controls

Do you think internal controls improve performance?

5.Strongly Agree ( ) 4.Agree ( ) 3.Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree ( )

13. Conducting daily reconciliation of sales and purchases

5. Very satisfied ( ) 4. Satisfied ( ) 3. Averagely Satisfied ( ) 2.Dissatisfied ( ) 1.Very dissatisfied ( )

14. Separation of roles and responsibilities by employees

5.Very satisfied ( ) 4. Satisfied ( )3.Averagely Satisfied ( )2.Dissatisfied 1. ( )Very dissatisfied

( )

15. Ensuring safety of assets such as stock, cash and equipment against theft/damage

5. Very satisfied ( ) 4. Satisfied ( ) 3.Averagely satisfied ( ) 2.Dissatisfied ( ) 1.Very dissatisfied ( )

16. Training of employees in internal control systems

5.Very satisfied ( ) 4.Satisfied( ) 3.Averagely satisfied ( ) 2.Dissatisfied( ) 1.Very dissatisfied ( )

17. Use of computers to facilitate daily operations

5. Very satisfied ( ) 4.Satisfied ( ) 3.Averagely satisfied ( ) 2.Dissatisfied( ) 1. Very dissatisfied ( )

Disclosure

Do you think Disclosure improves performance?

5.Strongly Agree ( ) 4.Agree ( ) 3.Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree ( )

18. Does the company prepare financial statements?

5.Strongly Agree ( ) 4.Agree ( ) 3.Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree ( )

19. Is a Code on Good CG available?

5.Strongly Agree ( ) 4.Agree ( ) 3.Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree ( )

20. Does the company have Mission statement, vision statement and a Statement of Objectives?

5.Strongly Agree ( ) 4.Agree ( ) 3.Uncertain ( ) 2.Disagree 1. ( ) Strongly Disagree ( )

21. Is there an internal audit function in the business?

5. Strongly Agree ( ) 4.Agree( ) 3.Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree( )

22. Are the business accounts audited by external auditors?

5. Strongly Agree ( ) 4.Agree ( ) 3.Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree

Owner-Manager Separation

Do you think owner-manager separation improves performance?

5.Strongly Agree ( ) 4.Agree ( ) 3.Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree ( )

23. Is the manager also the owner of the business?

5.Strongly Agree ( ) 4.Agree ( ) 3.Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree ( )

24 Is the manager related to the owner of business?

5. Strongly Agree ( ) 4.Agree ( ) 3.Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree ( )

25. Does the owner overshadow the manager in the running of the business?

5. Strongly Agree ( ) 4.Agree ( ) 3.Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree ( )

26. Is the manager a shareholder in the business?

5. Strongly Agree ( ) 4.Agree ( ) 3.Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree ( )

SECTION C: Outcome

Business Performance measure

27. The sales of the company have been increasing

5. Strongly Agree ( ) 4.Agree ( ) 3.Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree ( )

28. The profits of the company have been increasing

5. Strongly Agree ( ) 4. Agree ( ) 3.Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree ( )

29. The number of employees in the company has been increasing

5. Strongly Agree ( ) 4.Agree ( ) 3.Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree ( )

30. The business has opened up other branches/outlets elsewhere

5. Strongly Agree ( ) 4. Agree ( )3. Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree ( )

31. The Return on assets (ROA) has been increasing

5. Strongly Agree ( ) 4. Agree ( ) 3.Uncertain ( ) 2.Disagree ( ) 1.Strongly Disagree ( )

Please indicate below any issues you might want to mention which may be important to this

Research: --

Thank you for taking your time to answer this questionnaire…