

Corporate Governance and the Growth of Small Business Service Firms in India

Amarjit S. Gill

Corresponding Author, the University of British Columbia (Okanagan Campus)

3333 University Way, Kelowna, BC Canada V1V-1V7

E-mail: agill02@shaw.ca

Tel: 250-807-8000

Harvinder S. Mand

Sikh National College, Banga, District Sahid Bhagat Singh Nagar

Pin Code: 144505, East Punjab, India

E-mail: hsmmand27@gmail.com

Neil Mathur

School of Business Administration, Simon Fraser University

515 W. Hastings Street, Vancouver, BC, V6B 5K3, Canada

E-mail: nmathur@sfu.ca

Tel: 778-928-8194

Abstract

This study examines the relationship between corporate governance and the growth of small business service firms in India. Small business owners from the Punjab area of India were surveyed to gather information. Subjects were asked about their perceptions, beliefs, and feelings regarding the factors that affect the growth of their firms. This study utilized survey research (a non-experimental field study design). Findings of this study show that the growth of small business service firms in India is positively associated with CEO Tenure, CEO Duality, Number of Board Meetings, and Total Assets, and negatively associated with the Board Size. The findings also show that when small business performance is held constant, the growth of small business service firms acts as a positive function of CEO Tenure and Board Size, and a negative function of CEO Duality in India. The study contributes to the literature on factors that affect the growth of small business service firms. The findings may be useful for small business owners, investors, stakeholders, and small business management consultants.

Keywords: Corporate Governance, Small Business Performance, Small Business Growth, India, Assets.

1. Introduction

The growth of small business firms is necessary to achieve overall corporate objectives, and to survive and prosper but it is not easy. Small business growth, in the context of this study, is defined as a firm growth based on the parameters like effective corporate governance, firm size, firm performance, and

others. Corporate governance, in the context of this study, is defined as the processes, structures, and policies that govern the management of a small business firm. Corporate governance is also defined as the system by which business corporations are directed and controlled (Kajola, 2008, p. 16).

Small business firms face many challenges such as lack of financing, lack of management skills, market competition, regulatory, language, religion, caste, and regionalism (Dana, 2000). These challenges create barriers for small business growth in India. In order to grow and prosper in India, small business firms need to consider all these challenges together with other challenges, and take necessary action. Corporate governance plays an important role in taking appropriate actions to overcome challenges.

The majority of the small business firms in India are owned by the families. Small business family-owned firms are characterized as organizations in which the shareholders belong to the same family and participate substantially in the management, direction, and operation of the company. A family business refers to a company where the voting majority is in the hands of the controlling family, including the founder(s) who intend to pass the business on to their descendants. Family firms are companies in which one or more families linked by kinship, close affinity, or solid alliances hold a sufficiently large share of risk capital to enable them to make decisions regarding growth of the firm (Gulzar and Wang, 2010, p. 124).

Small-scale industries have been playing a momentous role in overall economic development of India where millions of people are unemployed. Poverty and unemployment are two of the burning problems in India and the small business sector plays an important role in solving these two problems through providing immediate large-scale employment with low investments. The growth of small-scale industries is vital in order to achieve balanced economic growth. Small business sector comprises 95% of the total industrial units in India, accounting for 40% of the total industrial production, 34% of the national exports, and about 25 million persons of industrial employment (Malepati, 2011, p. 1).

The Liberalization, Privatization, and Globalization (LPG), however, have brought many challenges such as increased market competition for small business firms in India which has a negative impact on small business industry (Kansal and Sonia, 2009; Malepati, 2011). Many of these challenges can be tackled through good corporate governance. Therefore, strong corporate governance is necessary for small business firms.

It appears that the research on corporate governance was started by Berle and Means (1932). Since then, different authors have conducted research on corporate governance to extend the study of Berle and Means. For example, Jensen and Meckling (1976) defined agency relationship. The agency relationship is a contract under which one or more persons (principal) engage another person (agent) to perform some services on their behalf, which involves delegating some decision-making authority to the agent (Jia and Chen, 2007, p. 437).

Most empirical studies on corporate governance and firm growth have been conducted on industrial firms. The impact of corporate governance on the growth of service firms may not be as strong as in the industrial firms. In service industry investment in machinery and equipment is almost non-existent. If service firms lease their facilities (buildings), then their total capital invested is mainly working capital (Gill *et al.*, 2009). We chose not to sample companies from both service industries and manufacturing because the latter were studied before. Therefore, we focused on the service industry firms.

The selection of exploratory variables is based on the previous empirical studies. The choice of proxy variables can be limited, however, due to lack of data. As a result, the set of proxy variables includes seven factors: CEO Tenure, CEO Duality, Board Size, Board Meetings, Firm Size (measured by increase in total assets), Firm Performance, and Firm Growth.

Some authors (Abor and Biekpe, 2007; Gao and Zhang, 2009; Sampson-Akpuru, 2009; Renjun and Chen, 2010; Yang and Yu, 2011; and Gill, 2011) have tested relationship between CEO Tenure, CEO Duality, Board Size, Board Meetings, Firm Size (measured by increase in total assets), Firm Performance, and Firm Growth. There are a very few studies that shows the relationship between CEO

Tenure, CEO Duality, Board Size, Board Meetings, Firm Size (measured by increase in total assets), Firm Performance, and Firm Growth in India.

This study contributes to the literature on the relationship between corporate governance and small business growth in at least two ways. First, it focuses on Indian small business service firms while a very limited research has been conducted on such firms recently. Second, this study validates some of the findings of previous authors by testing the relationship CEO Tenure, CEO Duality, Board Size, Board Meetings, Firm Size, Firm Performance, and Firm Growth of the sample firms. Thus, this study adds substance to the existing theory developed by previous authors.

2. Literature Review

Partnership is the most common form of organization in small business enterprises in India (Wood, 2011). These partners are most of times family members and relatives. The CEO in small business firms is also from the family. Thus, the family members and relatives make the board of directors in India. Firm is managed under the direction of a board of directors who delegates to the CEO and other management staff (the day-to-day management of the affairs of the firm). The directors, with their wealth of experience, provide leadership and direct the affairs of the business with high sense of integrity, commitment to the firm, its business plans, and long-term shareholder value (Kajola, 2008, p. 17). Thus, the board of directors plays an important role in the growth of small business service firms in India.

The CEO who is most of the time selected business partners i) supervises the operations of the firm in an effective and ethical manners and ii) prepares the strategic plans, annual operating plans, and budgets for the board's approval. The CEO is also responsible for the firm's financial reporting to internal and external users by complying with relevant statutory and professional pronouncements. In addition, the CEO is responsible for establishing an effective system of internal controls to give reasonable assurance that the firm's books and records are accurate, its assets safeguarded, and applicable laws complied with (Kajola, 2008).

Larger board size is not in the favor of small business firms because it creates conflict among board members and has a negative impact of the small business growth. Kajola (2008, p. 19) also describes that limiting board size to a particular level is generally believed to improve firm performance because the benefits by larger boards of increased monitoring are outweighed by the poorer communication and decision-making of larger groups. The improvement in the firm performance helps the growth of small business firms. When a board gets too big, it becomes difficult to coordinate and for it to process and tackle strategic problems of the organization. Thus, the larger board size is less effective (Lipton and Lorsch, 1992) and it has negative impact on the firm growth (Gill, 2011).

However, this is not the case with the CEO duality. If CEO is the director of the board, the performance of the firm improves which is in the favor of growth of the firm (Ramdani and Witteloostuijn, 2010; Gill, 2011).

The empirical studies on the relationship between corporate governance and firm growth are as follows:

McGuire (2002) investigated the influence of growth potential on corporate governance mechanisms. Author found that firms with high growth potential make greater use of managerial equity ownership and long term incentives, and have higher proportions of insiders on their boards of directors.

Abor and Biekpe (2007) used financial statements data of small and medium enterprises (SMEs) in both the industrial and services sectors during a six-year period, 1998-2003. Through regression analysis, authors found that corporate governance can greatly assist the SME sector by infusing better management practices and greater opportunities for growth.

Gao and Zhang (2009) collected data from Chinese listed companies and found that corporate governance positively correlated with firm growth.

Sampson-Akpuru (2009) collected data from 2,271 firms in the S&P 1500 from 1992 to 2007 and found that firms with a dual CEO/chair are more likely to announce an international acquisition to grow in the international market.

Renjun and Chen (2010) collected data from Chinese listed companies to test the relationship between the scale of the board of directors and firm growth. Their results showed that the scale of the board of directors was correlated negatively with corporate growth; that is, large scale of the board is not in the favor of the firm because it has a negative impact of the firm growth.

Yang and Yu (2011) collected data from Chinese A-share top 500 listed companies over 2006-2009 to test the effect of board governance on corporate growth. Their results show that corporate growth is significantly positively related to CEO duality. They found a non-significant relationship between board size and firm growth.

Gill (2011) took a sample of 91 Canadian manufacturing firms listed on Toronto Stock Exchange (TSX) for a period of 3 years from 2008-2010. Through regression analysis, author found that firm growth is positively associated with CEO duality, firm size, and return on assets, and negatively associated with the board size.

In summary, limited availability of literature review shows that corporate governance influences the growth of the firm.

3. Method

3.1. Research Design

This study utilized survey research (a non-experimental field study design).

3.2. Measurement

Consistent with previous research, the measures were taken from four referent studies, which are based on previous studies in finance and management. All measures pertaining to:

- (i) CEO tenure, CEO duality, and board size were taken from Kyereboah-Coleman (2007),
- (ii) Board meetings were taken from Saad (2010),
- (iii) Small business growth and small business performance were taken from Zehir *et al.* (2006), and
- (iv) Measures pertaining to assets were taken from Michaelas *et al.* (1999).

All the scale items were reworded to apply to Indian small business owners and the reliability of these re-worded items was re-tested. Respondents were asked to indicate their agreement with each item, using a five-point Likert scale ranging from “Strongly Disagree” to “Strongly Agree.”

Table 1 shows the measurements of the dependent, independent, dummy variable, and control variables that were used in regression analysis.

Table 1: Proxy Variables and their Measurements

Regression Equation: $SBG = \alpha + \beta_1 TN_{it} + \beta_2 X\Delta_{it} + \beta_3 B\Sigma_{it} + \beta_4 MT_{it} + \beta_5 TA_{it} + \epsilon_{it}$	
Dependent Variable	Measurement
Small Business Growth ($SBG_{i,t}$)	Measured as the extent to which small business owners perceive that sales and market share of their companies have improved over the last three years. These two items were taken from Zehir <i>et al.</i> 's (2006) growth and performance indicators. Cronbach alpha based on 29 responses from small business owners: 0.94
Independent Variables	Measurement
CEO Tenure ($TN_{i,t}$)	Measured by single item that asked a respondent to describe the number of years he or she has been involved as a CEO in small business. Categorized alternative responses were: i) 0-4 Years, ii) 5-9 Years, iii) 10-30 Years, and iv) 31 Years and Over.
CEO Duality ($CD_{i,t}$)	Measured by a single item that asked a respondent to describe if he or she is the Chair Person of the board in his/her company. Categorized alternative responses were: 1) Yes and 0) No.

Table 1: Proxy Variables and their Measurements - continued

Board Size (BS _{i,t})	Measured by a single item that asked a respondent to describe number of directors (decision makers) he or she has in his/her company. Categorized alternative responses were: i) 1-3 directors and ii) 4 and more.
Number of Board Meetings (MT _{i,t})	Measured by a single item that asked a respondent to describe number of meetings he or she has in his/her company per year to make decisions. Categorized alternative responses were: i) 1-12 Meetings per year and ii) 13 and more.
Dummy Variables	Measurement
Total Assets (TA _{i,t})	Measured by a single item that asked respondents to describe if total assets of their companies increased within last three years. Categorized alternative responses were: 1) Yes and 0) No.
Control Variables	Measurement
Small Business Performance (SBP _{i,t})	Measured as the extent to which small business owners perceive that net profit margin and rate of return on invested capital of their companies have improved over the last three years. These two items were taken from Zehir <i>et al.</i> 's (2006) growth and performance indicators. Cronbach alpha based on 29 responses from small business owners: 0.89.

$\mu_{i,t}$ = the error term

SBG_{i,t} = Sales growth of firm i in time t

3.3. Sampling Frame, Questionnaire Distribution, and Collection

The current study consisted of the population of Indian small business owners. Indian small business owners living in Punjab (Ludhiana, Malerkotla, Raikot, Banga, Hoshiar Pur, Kaputhala, Phagwara, Jalandhar, and Sahid Bhagat Singh Nagar) area of India were chosen as a sampling frame.

3.4. Sampling Method, Sampling Issues, and Possible Planned Solutions

The Punjab (Ludhiana, Malerkotla, Raikot, Banga, Hoshiar Pur, Kaputhala, Phagwara, Jalandhar, and Sahid Bhagat Singh Nagar) area of India was chosen as the research site to collect data. Given that the population is "abstract" [e.g., it was not possible to obtain a list of all members of the focal population] (Huck, 2008, p. 101), a non-probability (purposive) sample was obtained. In a purposive sample, participants are screened for inclusion based on criteria associated with members of the focal population. The focal population was comprised of small business owners in the Punjab area of India. There was no need to translate the survey questions into Punjabi or Hindi since almost all the small business owners can read and write English. In cases of difficulties, researchers were available for translation. The instruction sheet indicated that participants could contact the researchers by telephone and/or email regarding any questions or concerns they might have about the research.

To avoid sampling bias, data collection team members were asked to only choose participants that represent the target population. Non-Indian small business owners were excluded.

To achieve a reasonable convenience sample, an exhaustive list of Indian small business owners' names and telephone numbers was created. Survey questionnaire bundles coupled with an instruction sheet were provided to the surveyors for distribution.

The sample included approximately 600 Indian small business owners. A total of 141 surveys were completed over the telephone (approximately 10% of the surveys were completed over the telephone), through personal visits, and received by mail. One case was non-usable. The response rate was roughly 23.5%. The remaining cases were assumed to be similar to the selected research participants.

3.5. Issues Related to Confidentiality of the Research Participants

All individuals who were approached were ensured that their names will not be disclosed and confidentiality will be strictly maintained. In addition all subjects were requested not to disclose their names on the questionnaire. There was no obligation for the subjects to answer our questions over the telephone and in person. Before any telephone interview the person was asked for willingness to

participate and no one was forced to participate. Any information that was obtained in connection with this study and that can be identified with subjects will remain confidential and will be disclosed only with subjects' permission or as required by law.

4. Data Analysis, Findings, Discussion, Conclusion and Recommendations, Limitations, and Future Research

4.1. Descriptive Statistics

Skewness: -0.844 to -1.361

Variance based on varimax rotation: 89.56% (see Appendix A)

All the scale items loaded on the expected factors (see Appendix B)

Cronbach Alpha on the clusters of items (Final Sample):

SBG: 0.856

SBP: 0.897

Table 2 shows descriptive statistics related to this study.

Table 2: Descriptive Statistics

	N = 140			
	Min	Max	\bar{x}	SD
Small Business Growth (SBG)				
Sales growth over last three years	1	5	3.81	1.031
Market share growth over last three years	1	5	3.64	0.998
Small Business Performance (SBP)				
Net profit margin growth over last three years	1	5	3.91	1.052
Return on invested capital growth over last three years	1	5	3.64	0.983

Min = Minimum

Max = Maximum

\bar{x} = Mean

SD = Standard Deviation

N = Number of responses

4.2. Bivariate Correlation Analysis

Table 3 provides the Pearson correlation for the variables used in the regression model. As can be seen in Table 4, Small Business Growth (SBG) is positively correlated with CEO Tenure (TN), CEO Duality (CD), Number of Board Meetings (MT), and Total Assets (TA), and negatively correlated with Board Size (BS).

Table 3: Pearson Bivariate Correlation Analysis

N = 140							
	SBG	TN	CD	BS	MT	TA	
SBG		1	0.279**	0.423**	-0.206*	0.209*	0.405**
TN			1	0.041	0.068	0.015	0.244**
CD				1	-0.124	0.005	0.322**
BS					1	0.300**	-0.086
MT						1	0.064
TA							1

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)

SBG = Small business growth

TN = CEO tenure

CD = CEO duality

BS = Board size

MT = Number of board meeting per year

TA = Firm size measure by increase in total assets

4.3. Regression Analysis

In this section, we present the empirical findings regarding the relationships between TN, CD, BS, MT, TA, IND, and SBG.

Positive relationships between i) TN and SBG, ii) CD and SBG, iii) MT and SBG, and iv) TA and SBG were found (see Table 4); that is, TN, CD, MT, and TA are the predictors of growth of small business service firms in India.

A negatively relationship between BS and SBG was found (see Table 4); that is, BS is not the predictor of growth of small business service firms in India.

Table 4: Regression Coefficients ^{a, b, c}

R ² = 0.387; Adjusted R ² = 0.365; SEE = 0.847; F = 16.95; ANOVA's Test Sig. = 0.000 Regression Equation: SBG = -1.317 + 0.029*TN + 0.777*CD - 0.307*BS + 0.056*MT + 0.625*TA							
	Unstandardized Coefficients		Standardized Coefficients ^c	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-1.317	0.307		-4.286	0.000		
TN	0.029	0.009	0.227	3.241	0.002	0.931	1.074
CD	0.777	0.177	0.315	4.381	0.000	0.886	1.129
BS	-0.307	0.091	-0.244	-3.383	0.001	0.882	1.134
MT	0.056	0.015	0.264	3.702	0.000	0.901	1.110
TA	0.625	0.220	0.211	2.845	0.005	0.832	1.202

^a Dependent Variable: SBG

^b Independent Variables: TN, CD, BS, MT, and TA

^c Linear Regression through the Origin

SEE = Standard Error of the Estimate Note that:

- A test for multicollinearity was performed. All the variance inflation factor (VIF) coefficients are less than 2 and tolerance coefficients are greater than 0.50.
- TA, MT, TN, CD, and BS explain 38.7% of the variance in SBG.

4.4. Test of Control Variable: Small Business Performance (SBP)

Based on multiple regression analysis, it is concluded that when small business performance is held constant, small business growth is:

- Positively associated with CEO Tenure (Beta TN*SBP = 0.283, Sig = <0.003),
- Positively associated with Board Size (Beta TN*SBP = 0.519, Sig = <0.000), and
- Negatively associated with CEO Duality (Beta CD*SBP = -0.195, Sig = <0.038).

In terms of variance explained when small business performance is held constant TA, CD*SBP, TN*SBP, MT*SBP, and BS*SBP explain 49.9% of the variance in small business growth.

4.5. Discussion

The main purpose of this study was to examine the relationship between corporate governance and the growth of small business service firms in India. This was done by surveying a sample of small business owners from Punjab area of India. Findings of this study show that the growth of small business service firms in India is:

- Positively associated with CEO Tenure, CEO Duality, Number of Board Meetings, and Total Assets, and
- Negatively associated with Board Size (see Table 4).

These results lend some support to the findings of Abor and Biekpe (2007), Gao and Zhang (2009), Sampson-Akpuru (2009), Renjun and Chen (2010), Yang and Yu (2011), and Gill (2011). Table 5 shows the summary of previous authors' findings.

Table 5: Previous Findings Related to Firm Growth

Author	Findings Related to Firm Growth	Country
Abor and Biekpe (2007)	<ul style="list-style-type: none"> Found that corporate governance can greatly assist the SME sector by infusing better management practices and greater opportunities for growth. 	Ghana
Gao and Zhang (2009)	<ul style="list-style-type: none"> Found that corporate governance positively correlated with firm growth. 	China
Sampson-Akpuru (2009)	<ul style="list-style-type: none"> Found that firms with a dual CEO/chair are more likely to announce an international acquisition to grow in the international market. 	USA
Renjun and Chen (2010)	<ul style="list-style-type: none"> Found that the scale of the board of directors was correlated negatively with corporate growth. 	China
Yang and Yu (2011)	<ul style="list-style-type: none"> Found that corporate growth is significantly positively related to CEO duality. 	China
Gill (2011)	<ul style="list-style-type: none"> Found that firm growth is positively associated with CEO duality, firm size, and return on assets, and negatively associated with the board size. 	Canada

4.6. Conclusion and Recommendations

In conclusion, CEO tenure, CEO duality, board size, board meetings, increase in total assets influence the growth of small business service firms in India. When small business performance is held constant, small business growth acts as positive functions of CEO tenure and board size, and a negative function of CEO duality in India.

While CEO duality has a positive impact on the growth of small business firms, larger board size is not in the favor of small business service firms because it has a negative impact on the growth. Therefore, small business service firms should consider changing board size based on the firm size. Since the CEO duality, CEO tenure, and higher number of board meetings positively impact the firm growth, small business service firms should consider i) CEO duality, ii) letting CEO remain on the same position for longer term, and iii) increasing board meetings.

4.7. Limitations

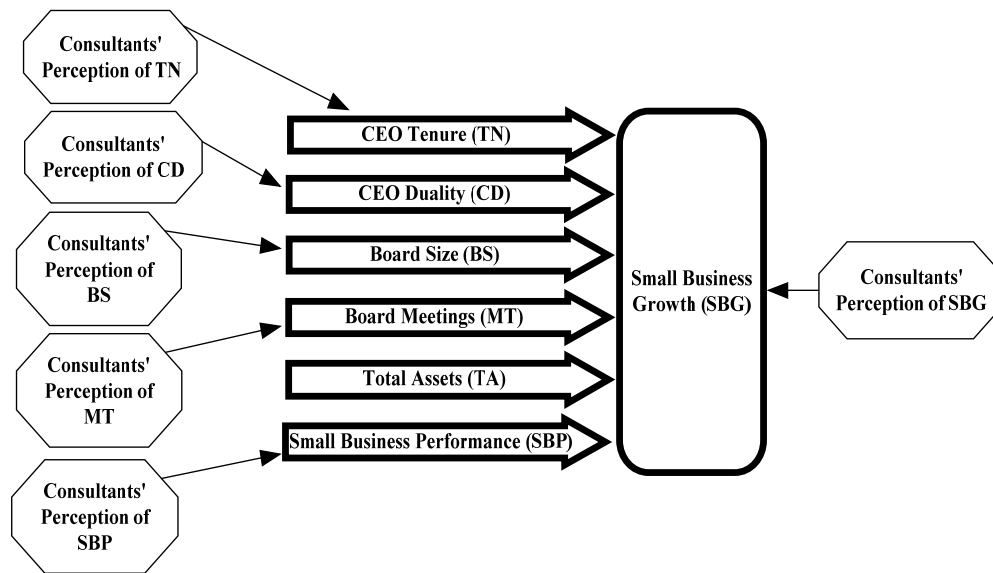
The present study asks for responses from fixed format, set-questions survey tools, which could direct questions to the exclusion of providing additional input. The sample size is small and results can be generalized to the similar service firms.

4.8. Future Research

The present study is limited to perceptions and intentions. The relations found may suffer from common factor bias, as the questions were parts of the same data collection instrument. Future research is needed to test the relation of corporate governance with actual growth through longitudinal data. Personal characteristics of the small business owners also need further study in India.

Depicted in Figure 1 by thick lines and arrows are the relationships and variables that were examined in this study. Also depicted in Figure 1 by thin lines are additional variables that should be researched in future studies. They include the degree to which small business consultants understand the impact of CEO Tenure, CEO Duality, Board Size, Board Meetings, Total Assets, and Small Business Performance on Small Business Growth.

Figure 1: CEO Tenure, CEO Duality, Board Size, Board Meetings, Total Assets, Small Business Performance, and Small Business Growth^{a, b}



^a Original Hypotheses are shown as boxes with thicker lines connected by thicker lines

^b Speculations are shown as boxes with thinner lines connected by thinner lines

References

- [1] Abor, J. and N. Biekpe (2007). "Corporate governance, ownership structure and performance of SMEs in Ghana: Implications for financing opportunities," *Corporate Governance*, 7(3), pp. 288 - 300.
- [2] Berle, A. and G. Means (1932), "*The Modern Corporation and Private Property*," Transaction Publishers, United States.
- [3] Dana, L.P. (2000). "Creating entrepreneurs in India", *Journal of Small Business Management*, 38(1), pp.86–91.
- [4] Gao, L. and J. Zhang (2009). "Corporate governance, earnings management, and firm growth", *Economic Theory and Business Management*, 12, pp. 53-59.
- [5] Gill, A., N. Bigger, C. Pai, and S. Bhutani (2009). "The determinants of capital structure in the service industry: evidence from United States", *The Open Business journal*, 2, pp. 48-53.
- [6] Gill, A. (2011). "The impact of board size and CEO duality on the potential growth of Canadian Manufacturing firms", *International Accounting Conference (IAC)* held on 24 - 25 November 2011 in Universitas Negeri Surabaya, Indonesia.
- [7] Gulzar, M.A. and Z. Wang (2010). "Corporate governance and non-listed family owned businesses: An evidence from Pakistan", *International Journal of Innovation, Management and Technology*, 1(2), pp. 124-129.
- [8] Huck, S.W. (2008). "*Reading Statistics and Research, 5th Edition*", Pearson Educational Inc., Allyn and Bacon, Boston – New York.
- [9] Jia, W. and B. Chen (2007). "Corporate governance and its effects on firm value", *SEI 2007 Conference in China*, pp. 436-440. Retrieved July 19, 2012 from <http://www.seiofbluemountain.com/upload/product/200911/2009cyjdh4z2a4.pdf>
- [10] Jensen, M.C. and W.H. Meckling (1976). "Theory of the firm: Managerial behavior, agency costs and ownership structure", *Journal of Financial Economics*, 3(4), pp. 305-360.
- [11] Kajola, S.O. (2008). "Corporate governance and firm performance: The case of Nigerian listed firms", *European Journal of Economics, Finance and Administrative Sciences*, 14, pp. 16-27.

- [12] Kansal, R. and Sonia (2009). "Globalization and its impact on small scale industries in India", *PCMA Journal of Business*, 1(2), pp. 135-146. Retrieved 25 April 2012 from <http://www.publishingindia.com/Uploads/SampleArticles/PCMA-Sample-Article.pdf>
- [13] Kyereboah-Coleman, A. (2007). "Corporate governance and firm performance in Africa: A dynamic panel data analysis", A paper prepared for the "International Conference on Corporate Governance in Emerging Markets." Retrieved July 19, 2012 from [http://www.ifc.org/ifcext/cgf.nsf/AttachmentsByTitle/PS2.3/\\$FILE/Kyereboah-Coleman%2B-%2BCorporate%2BGovernance.pdf](http://www.ifc.org/ifcext/cgf.nsf/AttachmentsByTitle/PS2.3/$FILE/Kyereboah-Coleman%2B-%2BCorporate%2BGovernance.pdf)
- [14] Lipton, M. and Lorsch, J.W. (1992). "A modest proposal for improved corporate governance", *Business Lawyer*, 48(1), pp. 59-78.
- [15] Malepati, V.R. (2011). "The performance of small scale industries (SSIs) in India: An overview", *Working Paper Series*, pp. 1-13. Retrieved July 19, 2012 from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1737836
- [16] McGuire, J. (2000). "Corporate Governance and Growth Potential: an empirical analysis", *Corporate Governance: An International Review*, 8, pp. 32-42.
- [17] Michaelas, N., F. Chittenden, and P. Poutziouris (1999). "Financial policy and capital structure choice in U.K. SMEs: Empirical evidence from company panel data", *Small Business Economics*, 12(2), pp. 113-130.
- [18] Ramdani, D. and A.V. Witteloostuijn (2010). "The impact of board independence and CEO duality on firm performance: A quantile regression analysis for Indonesia, Malaysia, South Korea and Thailand", *British Journal of Management*, 21(3), pp. 607-627.
- [19] Renjun, Z. and Z. Chen (2010). "Study on the relationship between the characters of board of directors structure and corporate growth: On Chinese listed companies in competitive industry", *Proceedings of the 2010 International Conference on E-Business and E-Government, IEEE Computer Society Washington, DC, USA* (ISBN: 978-0-7695-3997-3), pp. 4660 - 4663. Retrieved July 19, 2012 from <http://ieeexplore.ieee.org/Xplore/login.jsp?url=http%3A%2F%2Fieeexplore.ieee.org%2Fiel5%2F5589107%2F5590383%2F05590571.pdf%3Farnumber%3D5590571&authDecision=-203>
- [20] Saad, N.M. (2010). "Corporate Governance Compliance and the Effects to Capital Structure in Malaysia", *International Journal of Economics and Finance*, 2(1), pp. 105-114.
- [21] Sampson-Akpuru, M. (2009). "Is CEO/chair duality associated with greater likelihood of an international acquisition?", *Michigan Journal of Business*, 2(1), pp. 81-97.
- [22] Wood, L. (2011). "Research and markets; SMEs in India 2011 market report: Investment, output, products, regulation, prospects and challenges", *India Business Newsweekly*, pp. 29. Retrieved July 14, 2012 from <http://www.reuters.com/article/2011/12/09/idUS178446+09-Dec-2011+BW20111209>.
- [23] Yang, Y. and W.Y. Yu (2011). "Effect of board governance on corporate growth-based on empirical data of Chinese A-share top 500 listed companies", *Journal of Xidian University(Social Science Edition)*, 2011(3). Retrieved July 1, 2012 from http://en.cnki.com.cn/Article_en/CJFDTOTAL-XADZ201103003.htm
- [24] Zehir, C., A.Z. Acar, and H. Tanriverdi (2006). "Identifying organizational capabilities as predictors of growth and business performance", *The Business Review*, 5(2), pp. 109-116.

Appendix A: Total Variance Explained – Rotation Sums of Square Loadings

Component	Total Variance Explained		
	Total	% of Variance	Cumulative %
1	1.865	46.627	46.627
2	1.717	42.936	89.563

Extraction Method: Principal Component Analysis.

Appendix B: Rotated Component Matrix ^a

Small Business Growth (SBG)	Component	
	1	2
SBG1) Sales of my company has gone up over last three years.	0.441	0.816
SBG2) Market share of my company has gone up over three years.	0.239	0.925
Small Business Performance (SBP)		
SBP1) The net profit margin of my company has gone up over last three years.	0.901	0.319
SBP2) The return on invested capital has gone up over last three years.	0.895	0.308

Notes: ^aExtraction Method: Principal Component Analysis
 Rotation Method: Varimax with Kaiser Normalization
 Rotation converged in 3 iterations