Brewing change in tea business

The importance of a good board of directors for SMEs

A good board can play a significant role in the governance, growth and development of an SME. By EUGENE WONG

T he many non-listed small and medium-sized enterprises (SMEs) in Singapore put in place a board of directors as part of its corporate governance structure. However, these SMEs do not shoulder the same responsibility as larger companies, and often do not have the same access to capital or resources. This can make it challenging for SMEs to achieve their long-term goals.

Given that there is no separation between the owner and management in these SMEs and the fact that many of these SMEs have founders, some owners can find it too easy to use their companies as personal vehicles for wealth accumulation. This can lead to conflicts of interest and potentially limit the growth of the company.

Understanding the board's role

When you think of a board of directors, you might think of a group of individuals who meet periodically to discuss company strategy and monitor performance. However, the role of a board of directors is much more complex and involves a range of responsibilities.

First of all, a board of directors is responsible for setting the overall strategy and direction of the company. They are also responsible for ensuring that the company is comply with relevant laws and regulations, and that it is acting in the best interests of all stakeholders.

Secondly, a board of directors is responsible for overseeing the management of the company. They are responsible for ensuring that the management team is competent and capable of delivering the company's strategy.

Finally, a board of directors is responsible for ensuring that the company is being managed in a way that is transparent and accountable. They are responsible for ensuring that the company is acting in a way that is consistent with its values and mission.

Value of a good board of directors

A good board of directors can be a valuable asset for any company, especially for SMEs. A good board can provide strategic guidance, help to identify and mitigate risks, and help to ensure that the company is being managed in a way that is consistent with its values and mission.

In addition, a good board can provide valuable advice and guidance to the management team. They can help to ensure that the company is acting in the best interests of all stakeholders, and that it is being managed in a way that is transparent and accountable.

In short, a good board of directors can be a valuable asset for any company, especially for SMEs. By providing strategic guidance, helping to identify and mitigate risks, and ensuring that the company is being managed in a way that is consistent with its values and mission, a good board can help to ensure the long-term success of any business.

SMEs are usually family run businesses, and sometimes businesses suffer as a result of conflict or poor decision-making. This is where a "milk cow" comes in. In the case of a family business, the management team should be more focused on growth and development, while the "milk cow" is there to ensure that the business is running smoothly.

On the other hand, when a board of directors is present, the company is more likely to be managed in a professional manner. A good board of directors will help to ensure that the company is being managed in a way that is consistent with its values and mission, and that it is acting in the best interests of all stakeholders.

In conclusion, a good board of directors can be a valuable asset for any company, especially for SMEs. By providing strategic guidance, helping to identify and mitigate risks, and ensuring that the company is being managed in a way that is consistent with its values and mission, a good board can help to ensure the long-term success of any business.