



The Realities of MSMEs Corporate Governance

- Focus Groups -

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Overview:

This was a research initiative that brought together MSME founders to discuss the realities of their context as they're building towards their goals and long-term success. Founders are the vision-holders behind their businesses and lead on the journey from idea to launch to maturation. During this, their governance is taken from theory to practice. What does business governance look like for MSMEs and what is unique about it? In contrast with the corporate world, what does its implementation actually look like? Moreover, what are the models and frameworks that are more common and/or more successful for MSMEs?

We invited 5 founders to a focus group to unpack the connections between MSME vision, governance, and goals. The founders came from creative and cultural industries and did not have investors with them in their companies.

Key Questions:

1. How have you built your business? What are some of the ways you took things from theory to practice?
2. What comes to mind when you hear corporate governance?
3. What do you think is useful about corporate governance for MSMEs? What do you think is not relevant about corporate governance to MSMEs?
4. How does developing your initial idea connect with your business plan and launch plan?
5. What have you seen evolve out of your business plan into your operations model over time?

Key Insights:

The Business Journey in Relation to Corporate Governance

The common themes that emerged when the founders described building their businesses were related to prioritising only what's seen as necessary to progress the business forward. Optimising product launch, client acquisition, or expanding customer base recurred as general priorities, especially during the beginning of the business's journey. There was not a clear connection between prioritising corporate governance and launching & growing a business. Corporate governance emerged as a priority when it came to building teams and complying with government regulations.



Definitions of Corporate Governance

When defining corporate governance, the most common topics that emerged were when setting KPIs, defining role scope, managing investors (creating cap tables, term sheets etc.), and government compliance. It was seen as important when defining roles, building org charts, writing policy, and establishing financial controls. When asked what comes to mind when they hear corporate governance, the replies would typically describe regulations, contracts, and registrations.

Perception of Relevance of Corporate Governance

The idea of corporate governance was talked about as an emergent piece that eventually embeds itself into the business when the time is appropriate. Corporate governance in its totality was not seen as directly relevant to an MSME's success. Founders were typically selective about what components of corporate governance they would adopt. Corporate governance was viewed as a disjointed body of work and was typically associated with larger operations and eventual growth. Founders would prioritise business planning, client & customer acquisition, and long-term strategy. Corporate governance was not seen as playing a strategic role in their operations and was rather part of the technical infrastructure.

Sessions' Outcome:

The focus groups were able to gather insight into the context of MSME Governance and explore the perceptions of founders on the use and relevance of corporate governance:

- MSME-specific corporate governance frameworks are not widespread
- Founders are selective on the components of governance they choose to adopt
- Corporate governance is not seen as a strategic function
- Corporate governance typically comes in as part of technical infrastructure
- Corporate governance is perceived as something that is eventually embedded into business and not built-in necessarily from the start of the journey

Conclusion and Next Steps:

The focus groups demonstrated that MSME founders rely on their intuitions when it comes to adopting formal corporate governance practices when building their businesses. There is a need to develop programmes that clearly link the business launch & growth journey with a corporate governance journey. The insights gathered from these focus groups will be used to develop MSME-specific governance frameworks and develop workshop content accordingly.