

# Corporate Governance for Micro, Small, and Medium Enterprises

## Governance Charters, Strategy, Organisational charts, and KPIs



## About this Series

This series has been designed to offer step by step guidance to SMEs on how they can take a pragmatic approach to governance, as a means of strengthening their businesses over the long term.

This series consists of four structured modules providing a comprehensive overview of corporate governance tailored for SMEs, emphasising both foundational principles and practical application.

Each module builds on the previous one to provide participants with the knowledge and tools needed to implement effective governance frameworks that support sustainable growth, resilience, and long-term success.

This module will introduce the critical role of **governance charters, strategy, org charts, and KPIs** for early governance frameworks.



# Governance isn't Bureaucracy - it's Strategy

This is a critical point for MSMEs and growing businesses. Many founders mistakenly think governance equals red tape, paperwork, and bureaucracy, but in reality, governance is strategic discipline that drives growth, risk management, and long-term value.

Governance is not bureaucracy – it's a strategic tool that strengthens operations, enhances credibility, mitigates risk, and prepares the business for sustainable growth.

To see governance as a growth driver rather than a bureaucratic burden, MSME founders and teams need a mindset shift that reframes governance from being about rules and control to being about clarity, discipline, trust, and strategic advantage.





# How to Design a Governance Framework that fits an MSMEs Size and Ambition?

Designing governance for an MSME is about creating a practical, scalable framework that balances control, accountability, and growth potential without overburdening the business with bureaucracy. It should match the company's size, complexity, and strategic ambitions

## Align Governance with Ambition

- Why: The governance system should support strategic goals.
- Consider:
  - Is the business aiming for rapid scaling, attracting investors, or expanding internationally?
  - How much risk is acceptable?

## Assess the Business Size and Stage

- Why: Governance should be proportional to the company's complexity.
- Consider:
  - Number of employees
  - Revenue scale and cash flow complexity
  - Number of products/services and markets
  - Existing management structures



# Why is Team Management so Integral to Good Governance?

Governance is directly linked to how well an organization's governance practices are functioning and whether they are delivering the intended strategy.

**Measuring “Governance Success” is linked to measuring “Team Performance”:**

- Governance measurement is about tracking the effectiveness of structures, processes, and behaviors.
- Focus on practical indicators that show accountability, transparency, ethics, and strategic alignment.
- Use checklists, KPIs, audits, and stakeholder feedback to monitor progress and identify areas for improvement.

Sustaining good governance is an ongoing, active process that combines review, measurement, leadership engagement, ethical reinforcement, feedback, and integration into daily operations.

Governance in an MSME matures over time as the business grows in size, complexity, and ambition. The key steps include keeping the following elements well connected to each other:

- Governance Charter
- Org Chart
- KPIs
- Link KPIs back to Strategy



# How to Write a Governance Charter?

Writing a governance charter is about creating a formal document that defines:

- how an organization is governed
- clarifying roles
- responsibilities
- processes
- decision-making authority

For MSMEs, the charter should be practical, clear, and scalable, serving as a guide for leadership, employees, and any advisory board.





# Steps for Writing a Governance Charter

## Define the Purpose of the Governance Charter

- Why: To clarify governance structure, responsibilities, and decision-making authority.
- Action: Write a clear opening statement outlining why the charter exists and its scope.

Example: “This Governance Charter establishes the principles, roles, and processes by which [Company Name] will ensure accountability, transparency, and ethical decision-making as it grows.”

## Establish Decision-Making and Approval Processes

- Why: Ensures consistent, transparent, and accountable decisions.
- Action:
  - Define thresholds for approvals, sign-offs, and consultations.
  - Include processes for risk review and escalation of major decisions.

## Outline the Organization’s Governance Structure

- Why: To clarify who is responsible for decisions and oversight.
- Action:
  - Define the structure (founders, management, advisory board, committees).
  - Include an organizational chart if useful.
  - Specify reporting lines and authority levels.

## Include Policies on Ethics and Conduct

- Why: Embeds ethical behavior and builds trust.
- Action:
  - Reference the company’s Code of Ethics or values.
  - Include conflict of interest policies, transparency requirements, and expected behaviors.

## Define Roles and Responsibilities

- Why: Prevents confusion and ensures accountability.
- Action:
  - Clearly define responsibilities for leadership, management, and advisory roles.
  - Specify decision-making authority and approval limits.

Example: “The CEO is responsible for daily operations and strategic decisions under AED 50,000. Advisory board approval is required for all strategic partnerships over AED 50,000.”

## Specify Financial Oversight and Reporting

- Why: Ensures accountability and transparency in financial matters.
- Action:
  - Define frequency and type of financial reporting.
  - Outline budget approvals, audits, and cash flow monitoring responsibilities.

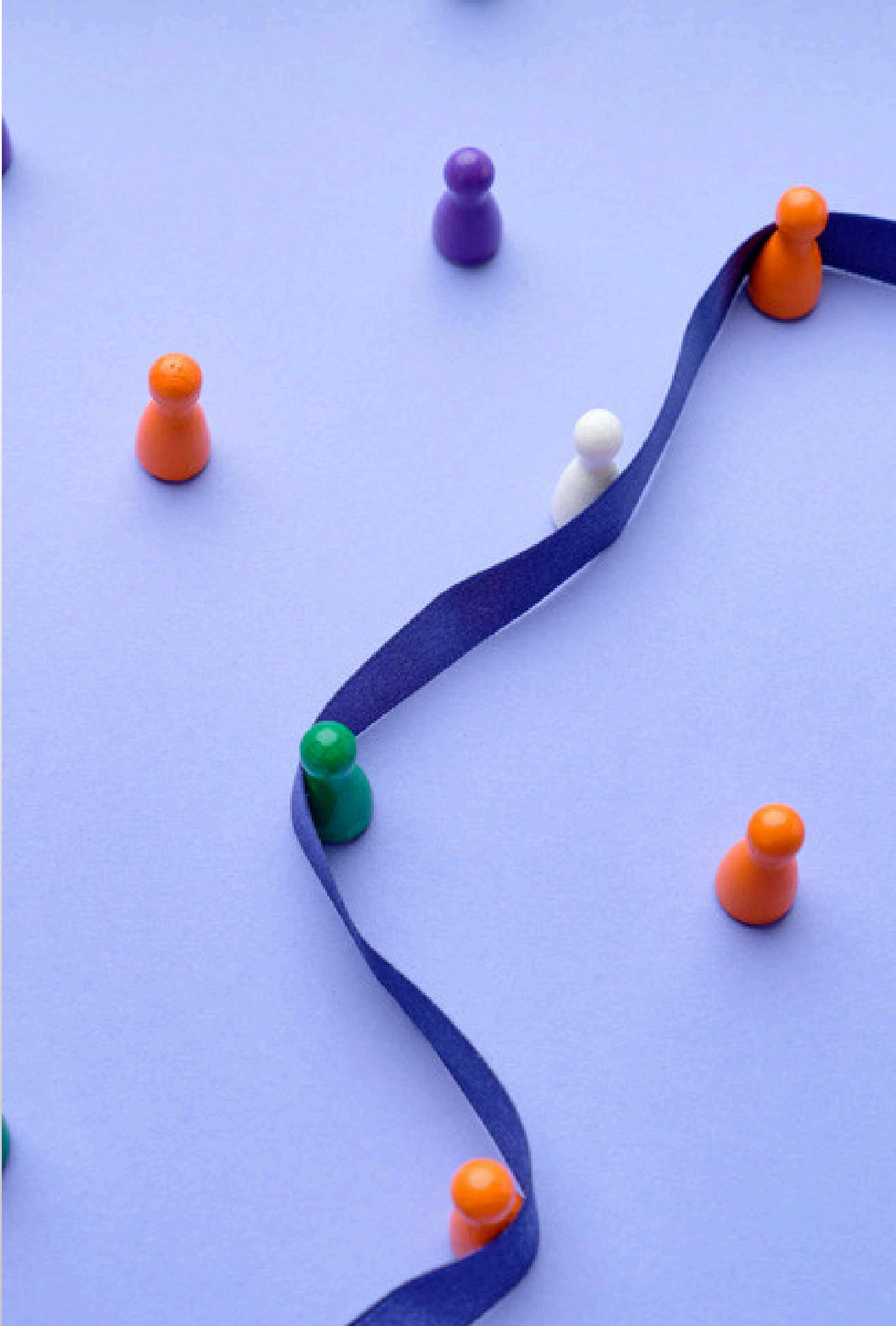


# How to Create an Org Chart?

Creating an organizational chart (org chart) is about:

- visually mapping the structure
- roles
- reporting lines

For MSMEs, it should be simple, clear, and scalable, reflecting the current team and allowing room for growth.





# Steps for Writing an Org Chart

## Identify Key Roles and Functions

- List all positions, departments, or functions in the business.
- Include founders, leadership, management, and teams.
- For very small MSMEs, you may only have 3–5 roles; that's okay.

Example: CEO/Founder, Operations Lead, Finance, Sales, Marketing, Product/Service Delivery.

## Choose a Chart Style

- Hierarchical / Top-Down: Most common for MSMEs – shows the chain of command.
- Flat / Matrix: Useful for small teams with cross-functional collaboration.
- Hybrid: Combines functional departments with project-based teams.

## Determine Reporting Lines

- Clarify who reports to whom.
- This establishes accountability and decision-making authority.
- For small teams, this might be direct reporting to the founder.

Example: Finance and Operations report to CEO; Sales and Marketing report to Operations Lead.

## Create the Chart

- Use boxes for roles and lines to show reporting.
- Include:
  - Role title (e.g., Finance Manager)
  - Person's name (optional for small teams)
  - Key responsibilities (optional)
- Tools you can use:
  - Microsoft PowerPoint / Word
  - Excel
  - Canva, Lucidchart, or Miro

## Group Roles by Function

- Organize roles into functional areas: Operations, Finance, Sales, HR, etc.
- Helps identify overlapping responsibilities and gaps.

## Keep It Updated

- Review and update the org chart whenever there's a new hire, promotion, or role change.
- Scalable charts allow new roles or teams to be added without redrawing the whole structure.

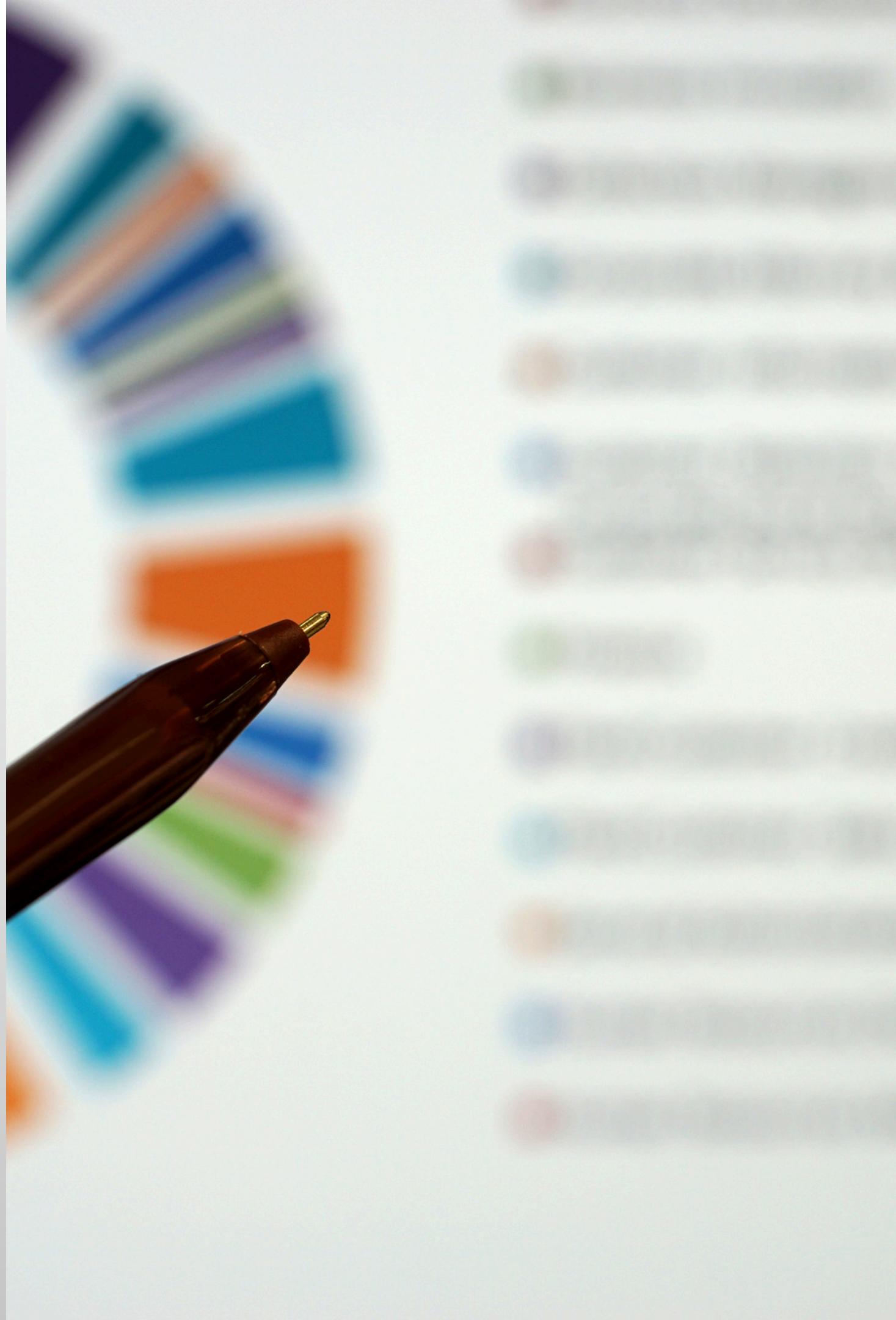


# How to Set Up KPIs?

Setting up KPIs (Key Performance Indicators) and review processes is about:

- measuring progress
- ensuring accountability
- driving continuous improvement

For MSMEs, KPIs should be practical, focused, and aligned with strategic goals, and reviews should be regular but lightweight.





# Steps for Setting Up KPIs

## Define Strategic Objectives

- Why: KPIs must align with what the business wants to achieve.
- Action: List 3–5 key objectives for the business, such as:
  - Increase revenue
  - Improve customer satisfaction
  - Reduce operational costs
  - Launch new products/services
- Ensure objectives are specific, measurable, achievable, relevant, and time-bound (SMART).

## Set Targets and Thresholds

- Why: Targets give a benchmark for success.
- Action: Define realistic and aspirational targets for each KPI.

Example: Reduce customer complaints to fewer than 5 per month, or achieve 10% monthly sales growth.

## Identify Key Performance Indicators (KPIs)

- Why: KPIs measure progress toward objectives.
- Action: Choose 3–5 KPIs per objective that are simple and trackable

## Establish a Review Schedule

- Frequency: Depends on the KPI – some are monthly, some quarterly, some annually.
- Action: Set a review cadence with structured check-ins:
  - Monthly: Operational KPIs (sales, production, cash flow)
  - Quarterly: Strategic KPIs (customer satisfaction, market expansion, HR metrics)
  - Annual: Overall business performance and long-term goals

## Assign Ownership

- Each KPI should have a responsible owner who tracks, reports, and acts on it.
- Action: Clearly define who is accountable for each KPI.

Example: Marketing Lead tracks customer engagement metrics; Finance Lead tracks revenue and expenses.

## Conduct Reviews

- Action Steps:
  - a. Review KPI results against targets.
  - b. Discuss variances and reasons for underperformance.
  - c. Identify corrective actions or improvements.
  - d. Document decisions and assign follow-ups.

Tip: Keep reviews focused and actionable – the goal is improvement, not bureaucracy.



# KPI Example

| Objective                     | KPI  | Frequency |
|-------------------------------|--|-----------|
| Increase revenue              | Monthly sales growth %                                   | Monthly   |
| Improve customer satisfaction | Net Promoter Score (NPS) or customer complaints resolved | Quarterly |
| Reduce operational costs      | Cost per unit or % of overhead vs revenue                | Monthly   |
| Launch new products           | Time to market or number of product launches             | Quarterly |
| Employee productivity         | Tasks completed vs planned                               | Monthly   |



# Linking KPIs with Strategy

Linking KPIs with strategy is about ensuring that every metric you track directly measures progress toward your strategic goals.

For MSMEs, this makes governance practical and ensures effort is focused on growth, performance, and long-term objectives rather than just activity.





# Steps for Linking KPIs with Strategy

## Start with Your Strategic Objectives

- Identify 3–5 key strategic goals for the business.
- Strategic goals should be specific, measurable, and aligned with your vision.

Example:

- Increase revenue by 20% in the next year
- Expand customer base by 15%
- Improve operational efficiency to reduce costs by 10%

## Translate Objectives into Measurable Outcomes

- Ask: “How will we know we are achieving this goal?”
- Define outcomes that are directly tied to the strategy.

Example: To increase revenue, measurable outcomes could be monthly sales growth, number of new customers, or average order value.

## Select KPIs that Reflect Those Outcomes

- KPIs are specific metrics that indicate progress toward strategic goals.
- Ensure each KPI is:
  - Relevant to the strategic objective
  - Measurable with available data
  - Actionable – it can drive decisions or improvement

Example:

- Strategic Objective: Expand customer base by 15%
- KPI: Number of new customers acquired per month



**Thank you**

