Size doesn’t matter in corporate governance

3 firms with market cap of under $300m join list of top 20 in latest GTI ranking

Reports by KELLY TAY

This year’s Governance and Transparency Index (GTI) may have seen the usual big players top the list, but three smaller companies with market capitalisation below $300 million held their own, too.

Qian Hu Corporation Ltd, ASL Marine Holdings Ltd, and Micro-Mechanics Holdings Ltd ranked 8th, 12th, and 20th respectively — debunking the myth that smaller companies have neither the time nor the resources to achieve excellence in corporate governance.

“Size is not the most critical determining factor in good corporate governance and transparency. Instead, it is a company’s leadership and culture that sets the tone,” said Lawrence Loh, associate professor at the Department of Strategy and Policy, NUS Business School, and the researcher behind the GTI.

Jointly published by the Centre for Governance, Institutions and Organisations (CGIO) of the NUS Business School and The Business Times, the index assessed 660 companies based on their annual reports, company announcements, and information from the firms themselves.

Prof Loh stressed that smaller companies have the same chance of doing well on the index, since assessment criteria such as remuneration, audit, and board practices are independent of a company’s size.

Indeed, Qian Hu is no stranger to the GTI top 20, despite the fact that its market capitalisation is only 0.1 per cent the size of Singapore Telecommunications Ltd (SingTel), which topped the GTI.

According to Bloomberg, Qian Hu’s market capitalisation is $43.3 million, while SingTel’s is $50.4 billion.

In addition, Prof Loh stressed that corporate governance and transparency are important for all companies, but perhaps even more so for smaller ones — precisely because of their size.

“Smaller companies are often more focused on performance rather than compliance, but that needs to change,” said Prof Loh, pointing out that good governance can boost investor confidence, help with brand-building, and give companies access to new sources of capital — a boon to smaller companies looking to grow.

On what set the three smaller players apart from their counterparts, Prof Loh noted four common threads: “Committees were fully independent; risks and plans to manage them were openly disclosed; whistle-blowing policies were sound; and their websites and investor relations were well-run.”

He also highlighted ASL Marine’s adoption of a higher test of independence to include independence from major shareholders, beyond just independence from management.

On the company’s 20th position, chief financial officer and executive director of Micro-Mechanics Chow Koon Wing said: “I don’t think we’ve done a particularly good job — having good corporate governance and being transparent is a fundamental and basic thing, and a given for any listed company.”