

Governance: Corporate vs SME A Review of Theories and Empirical Literature

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The governance mechanism of institutions is a key to the success of any institution either it is a corporate or a SME as it has a greater bearing on institutional strategies and operations. However, depending on institutional system structures and complexity of operations and function, the nature of governance becomes complex. For corporates, good governance becomes crucial due its public accountability. However, governance of SMEs, cannot be disregarded as its impact on the success and survival of SME itself and considering the SME contribution to the economy of countries particularly labeled as low- and middle-income earning countries. This study aims to understand weather and how governance differs between the two types of institutions, Corporate Vs SME, paying especial attention to entrepreneurial setups, this article reviews prior literature on empirical findings and relevant theories used in such studies. Findings reveal that mostly used theories are agency theory and stakeholder theory and additionally theory of reasoned action, the theory of planned behavior and ultra vires theory have also been used to explain the owner's governance behavior. Review of literature helps finding some important issues that shows improper separation of ownership and governance, inequalities in benefit distribution between the owner and the management as critical. Such issues reveal the nature of difference of the governance between corporates vs SMEs mainly influenced by the owner's behavior and centralized power of a single personality. The empirical findings question the suitability of benchmarking a governance structures of a Corporate for SMEs. This necessitates developing a proper governance structure to be able to guide the SMEs for adopting in their governance.

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