

VIRGO SÜSI

Corporate governance and
performance of private SMEs



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School of Economics and Business Administration, University of Tartu, Estonia

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INTRODUCTION

List of original studies

1. Süsi, V. and Jaakson, K. (2020), “Corporate governance and corporate social responsibility interface: a case study of private equity”, *Corporate Governance: The International Journal of Business in Society*, Vol. 20 No. 4, pp. 703–717.
2. Süsi, V. and Lukason, O. (2019), “Corporate governance and failure risk: evidence from Estonian SME population”, *Management Research Review*, Vol. 42 No. 6, pp. 703–720.
3. Süsi, V. and Lukason, O. (2020), “New member in the boardroom and subsequent strategic change in product-market scope of the firm”, *Review of International Business and Strategy*, Vol. 30 No. 3, pp. 399–419.

Motivation

Corporate governance has been practiced for as long as corporate entities have existed, yet the academic research of the subject commenced only about 40 years ago. The phrase “corporate governance” was rarely used until 1980s, which makes it a relatively new discipline, at least compared to the study of management, for example. While there was a proliferation of management thought throughout the 20th century with development of variety of theories, frameworks and models in all fields of management (e.g. finance, marketing, operations), aspects of corporate governance only attracted attention in the last couple of decades of the century. The 21st century, however, promises to be the century of corporate governance as our focus shifts to the legitimacy and the effectiveness of corporate entities around the world (Tricker, 2018).

The majority of corporate governance research has been conducted on large public companies in large markets, especially in Anglo-American countries, leaving other contexts relatively under-explored. However, the findings from the afore-mentioned settings are not necessarily applicable to other contexts, as the circumstances are different (Denis & McConnell, 2003; Huse, 2007; Aguilera & Jackson, 2010; Clarke, 2016; Armitage *et al.*, 2017). It is important to note that the majority of firms globally fall into the less-covered contexts. The majority of firms globally are privately held and in terms of size could be characterized as being small or medium sized (SMEs)¹. In terms of corporate governance models, the Anglo-American model is just one of many. Other parts of world operate under different models such as Continental European, or Japanese.

Furthermore, previous research has predominantly taken an agency-theoretical view (Jensen & Meckling, 1976) and focused on keeping management accountable, i.e. it has dealt mostly with compliance, minimizing downside risks for firms and maximizing shareholder value. However, as agency theory has been criticized for being too narrow or simplistic in its assumptions (Roberts *et al.*, 2005; Kumar & Zattoni, 2019), other theoretical paradigms have gained more prominence in corporate governance research. These alternative theories include, for instance, stewardship theory (Donaldson & Davis, 1991; Davis *et al.*, 1997), resource dependence theory (Pfeffer & Salancik, 1978), upper echelons theory (Hambrick & Mason, 1984; Hambrick, 2007), stakeholder theory (Freeman, 1984) and institutional theory (North, 1990). It is often useful to apply several theories simultaneously in corporate governance research, given the complex nature of the phenomenon (Li *et al.*, 2020). Such expansion in theoretical underpinnings has turned our attention also to other aspects of corporate governance that had been

¹ The thesis applies European Commission’s definition for SMEs, i.e. a firm must meet two criteria to be considered an SME: 1) the headcount of a firm should be less than 250, and 2) either the turnover should not exceed EUR 50 million, or the total balance sheet should not exceed EUR 43 million (European Commission). It should also be noted that the SME definition used in this thesis includes micro-firms. 90% of firms in European Union are small and medium-sized (European Commission, 2021).

neglected in the narrow agency-theoretic debate. For example, in addition to minimizing downside risks for the firm, the focus is also on how corporate governance can help firms unlock upside potential and perform better (e.g. Uhlaner *et al.*, 2007; Huse *et al.*, 2011; Aguilera *et al.*, 2016).

Also, following the wider economic and societal transformations (Filatotchev *et al.*, 2020), views on corporate purpose have started to shift away from a purely shareholder focus (e.g. Shleifer & Vishny, 1997) to incorporating more stakeholder and corporate social responsibility (CSR) views into the equation (e.g. Freeman, 1984; Brink, 2010; García-Castro & Aguilera, 2015; Barney, 2018). Based on that emerging logic, there are various stakeholder groups such as owners (or investors), employees, suppliers, customers, communities, governments, social and environmental activists, to name a few (Donaldson & Preston, 1995; Mason & Simmons, 2014) that participate in a firm's value creation, and therefore should participate also in the value distribution of the firm (García-Castro & Aguilera, 2015; Aguilera *et al.*, 2016). There is no finite list of stakeholders. Furthermore, the relevance of each stakeholder group to each particular firm depends on the context. Certain stakeholder groups might be relevant for some firms and not for others. For example, Mitchell *et al.* (1997) put forward a framework that helps management to identify important stakeholders based on three factors: 1) whether they have some sort of power over the focal firm (i.e. they can influence the firm), 2) whether their claims on the firm in question have legitimacy (e.g. based on contracts or on moral grounds), and 3) the level of urgency of stakeholders' claim (i.e. criticality and time-sensitivity of the claim). Also, the relevance of stakeholder groups to a particular firm may change over time. Relevant stakeholder groups depend on each other in the value creation of the firm but have different and potentially conflicting goals. So, when accepting that the purpose of the firm is to serve all these relevant stakeholder groups, the question for corporate governance transforms from how to assure the financial return for owners solely, a narrow definition of performance, into how to find a balance in satisfying the needs of all relevant stakeholders, a broader definition of performance (Aguilera *et al.*, 2008; Harrison *et al.*, 2020). A remarkable illustration for this shift in thinking is the redefinition of corporate purpose in stakeholder terms by the Business Roundtable, an association of chief executive officers of leading companies in the U.S. (Harrison *et al.*, 2020). These leading firms now "commit to lead their companies for the benefit of all stakeholders – customers, employees, suppliers, communities and shareholders" (Business Roundtable, 2019).

In summary, corporate governance research has historically been relatively one-sided in its focus on keeping the management of large Anglo-American public firms accountable to shareholders. Over time there has been an expansion of the study of other contexts and a wider and more varied usage of theoretical paradigms. However, more work is still being called for by several authors (e.g. Uhlaner *et al.*, 2007; Brunninge *et al.*, 2007; Chen *et al.*, 2014; Neckebrouck *et al.*, 2019). The thesis is motivated by these calls and answers them by focusing its research specifically on corporate governance in the under-explored context of private SMEs. The thesis applies a multi-theory approach, i.e. the literature

review as well as empirical analyses do not constrain the discussion with one specific theoretical paradigm, but instead draw insights from various theories to explain a complex phenomenon from several perspectives. Furthermore, the research is conducted in the context of the less well covered Continental European governance model and specifically examines Estonian firms. Relevant corporate governance characteristics applicable to Estonia as well as the rationale for choosing Estonia for the study setting are explained in the section “Study setting”.

Research objectives and tasks

The objective of the thesis is to extend our understanding on how corporate governance of private SMEs is associated with performance.

The following research tasks have been set for the thesis:

1. Build conceptual framework for studying corporate governance and its relation to firm performance on a general level (Section 1.1).
2. Discuss the specific aspects of governance in the contexts of firms being private SMEs (Section 1.2).
3. Discuss various domains of firm performance (Section 1.3)
4. Identify and discuss gaps in the academic literature regarding links between private SME governance and performance (Section 1.4, empirical studies).
5. Outline research questions to be answered in the thesis based on literature review and research gaps (Section 1.4).
6. Perform and present empirical studies to answer the research questions (Studies 1–3).
7. Discuss and summarize the answers to research questions together with their contribution to literature and practice, limitations and future research directions (Section 3).

Research design

The thesis is based on three empirical studies (Studies 1–3) that explore private SME governance and links to performance from several angles. The research has been designed to be balanced from various perspectives², including methodologically as qualitative and quantitative methods have been combined across studies. Study 1 applies qualitative inquiry in the form of a case study. The possibility of going deeper into the phenomenon with *how* and *why* questions is what makes a case study method useful for discussion and explanation of the phenomenon in its entirety. The author of the thesis believes that providing such general and all-encompassing discussion in the first empirical Study creates a sound basis for

² See chapter “Novelties” for more details on that aspect.

understanding the “big picture” of private SME governance, the key elements of the phenomenon as well as links between the elements. Studies 2 and 3 build on the “big picture” and go deeper with analysing quantitatively certain key elements of private SME governance and their links to different types of firm performance. The reason for such methodological variety was to uncover more nuances in the phenomenon and thus extend our understanding of it in a more holistic manner. The following paragraphs and Table 1 summarise briefly the main aims, methodological approach and data for each Study.

Study 1 of the thesis has two main aims. First, it discusses connections between a firm’s broader and narrower performance, i.e. how the stakeholder perspective (represented as CSR performance) is important also for the financial performance of the firm. Secondly, it analyses how the top decision makers of the firm achieve the goals of shareholders as well as other stakeholders via developing appropriate corporate governance bundles³. Using the case study approach, the paper focuses on a leading private equity firm (BaltCap) which is active in Estonia. Private equity funds are professional investors, whose business model includes investing into firms, developing them and increasing their value by (among other aspects) improvements in their corporate governance practices, and exiting the firms after some years (hopefully) at a significantly higher value. Their experience is deemed invaluable in understanding how to design appropriate corporate governance bundles that support both financial and CSR performance of private firms.

The case study method applied in Study 1 enables us to get deeper insights into the *why* and *how* questions on the interconnectivity of CSR, long-term financial performance and corporate governance. The paper applies the critical case approach, which enables the author to generalize that the corporate governance bundle created by professional private SME owners (private equity fund BaltCap) with the purpose of achieving both CSR and financial performance, is also applicable to other private SME owners with similar aims (Flyvbjerg, 2006). In order to establish theoretical generalizability we applied the following methodological principles (Andrade, 2009): decided on our unit of analysis (portfolio company), conducted theoretical sampling (the informant having enough knowledge and experience), established chain of evidence (both between primary and secondary sources as well as between interviews), conducted thematic text analysis and categorization until reaching theoretical sufficiency. Study 1 is based on various primary and secondary data. Secondary data included BaltCap’s annual reports, CSR code, Environmental, Social and Governance (ESG) reports for years 2011–2018 and an overview of its investee companies. Primary data was collected through five semi-structured in-depth interviews plus a follow-up interview to get more details on any outstanding issues. The first three interviews were with BaltCap’s representatives. The interviews were transcribed and thematically

³ “Corporate governance bundle” – a key term in this thesis – is a more wide-spread and convenient term used instead of the term “bundle of governance mechanisms”. Corporate governance bundle deals with the operational side of corporate governance, i.e. how to apply the principles of corporate governance in practice. See further elaboration in literature review.

analysed. The information received from these interviews was validated by two interviews with their portfolio companies.

Study 2 applies logistic regression to analyse interconnections between the corporate governance and financial performance of private SMEs. The study measures financial performance (dependent variable) based on the Altman Score (failure prediction model number 2 in Altman *et al.* (2017), page 154), which is an aggregate measure consisting of a firm's liquidity, profitability and leverage data, and as such, gives a multidimensional view on a firm's financial performance. The study by Altman *et al.* (2017) covered millions of European firms, including firms from Estonia, and has high classification accuracy in Estonia. Independent variables included seven corporate governance characteristics: board size, board gender heterogeneity, board tenure, age of top managers, multiple directorships, ownership concentration and managerial ownership. The analysis was based on 67,058 Estonian SMEs and the data both for dependent as well as independent variables were procured from the Estonian Business Register, which contains firms' annual reports and up-to-date data regarding firms' owners and boards.

While Study 2 takes a static look on the relationship between corporate governance and firm performance, **Study 3** takes a dynamic view. Specifically, the study analyses linkages between the appointment of a new management board member (arguably one of the most important corporate governance mechanisms) and subsequent various types of strategic changes in the firm's product-market scope. In essence, the Study explores linkages between the change in the governance bundle and change in subsequent business performance.

The study applies logistic regression analysis to find associations between the appointment of a new management board member (independent variable), which is one of the most critical governance bundle mechanisms, and different types of subsequent strategic changes (dependent variables): a firm starting to export, an already exporting firm expanding to new export markets and a firm diversifying into new industries. Furthermore, for each of the strategic change types additionally scale and stability dimensions were analysed, so in total 3 models for each type (general, with scale criterion and with stability criterion). Consequently 9 binary logistic regression models were built (3 strategic change types times 3 models for each). Additionally, 3 ordered logistic models were built with the same independent variable and general strategic change (i.e. any of the strategic change types) as dependent variable. The study is based on the population of Estonian firms that met certain criteria. The total dataset consisted of 16,941 SMEs. Data for the models were retrieved from Estonian Business Register. The analysis accounts for all episodes of a new board member being nominated in the year 2013 and follows whether or not any of the strategic change types occurred in years 2014–2016.

Table 1. Summary of individual studies.

Study	Method	Data	Importance for the thesis
Study 1	Case study	<p>Secondary data: BaltCap’s annual reports, CSR code, Environmental, Social and Governance (ESG) reports for years 2011–2018 and overview of its investee companies.</p> <p>Primary data: 5 semi-structured in-depth interviews plus a follow-up interview.</p>	<p>Discusses how broader understanding of performance and consideration of various stakeholders are important and beneficial also for the narrower financial performance of a firm.</p> <p>Presents a real corporate governance bundle which professional private firm owners (a private equity fund) use in governing their investee firms with the aim of achieving both narrow financial and broader CSR goals.</p>
Study 2	Logistic regression	<p>67,058 Estonian SMEs. Data from Estonian Business Register.</p> <p>Dependent variable: failure risk.</p> <p>Independent variables: board size; board gender heterogeneity; board tenure; age of top managers; multiple directorships; ownership concentration and managerial ownership.</p>	<p>Discusses association between various corporate governance mechanisms and financial performance (represented as failure risk) of SMEs.</p> <p>Concludes that there is an association between some of the governance mechanisms and the financial performance of SMEs.</p>
Study 3	Logistic regression	<p>16,941 Estonian SMEs. Data from Estonian Business Register.</p> <p>Dependent variables: start of exports; expansion into additional geographic markets for firms which are already exporting; diversification into new industries, strategic change in general. For each of the dependent variables, 3 separate models were calculated, 1) the variable in general, 2) required stability of the variable, 3) required scale of the variable.</p> <p>Independent variable: appointment of new management board member.</p>	<p>Discusses the association between a change in a corporate governance bundle (in the form of nomination of a new management board member) and business performance of SMEs (represented as subsequent strategic change in the product-market scope of SMEs).</p> <p>Concludes that there is an association between the nomination of a new management board member and subsequent strategic change, albeit the strength of the association varies depending on the actual content of the change.</p>

Source: Created by author.

Estonia as a study setting

The empirical studies within the thesis are based on companies operating in the Continental European governance system, more specifically in Estonia. Being explicit about that fact is important as corporate governance is influenced by circumstances in each country or region. For example, Anglo-American countries, which constitute the dominant and most covered study setting for corporate governance research, are characterized by dispersed ownership, strong property rights, well developed financial markets, a rich information flow and relatively efficient formal and informal institutions, such as courts or professional norms (Roe, 2004; Kumar & Zattoni, 2019), which is not always the case in other countries. In contrast, the Continental European corporate governance system is characterized by weak shareholder rights, a reliance on long-term bank financing rather than raising funds from public markets, inactive markets for corporate control, rigid labour markets and concentrated ownership (La Porta *et al.*, 1999; Aguilera & Jackson, 2010; Yoshikawa *et al.*, 2014; Armitage *et al.*, 2017). Thus, it is important to summarise key facts about the corporate governance model of the country or region where the firms to be analysed are situated.

The following paragraphs first introduce Estonia as the institutional setting for corporate governance research by summarizing the key aspects of the formal as well as informal side of the Estonian corporate governance system, and secondly provide a rationale for conducting the empirical research of the thesis specifically in Estonia.

Estonia has been a member of the European Union since 2004 and the eurozone since 2011. This means, that the formal governance institutions, such as legislation and judicial system are harmonized with general European frameworks. The Estonian Commercial Code (2020) permits several legal types of firms. The two main ones are Private Limited Company (in Estonian “Osaühing”; hereafter referred to as PrLC) and Public Limited Company⁴ (in Estonian “Aktiaselts”; hereafter referred to as PuLC). Other types are relatively rare in practice. In terms of corporate governance, PrLCs have a simple structure of one-tier board (the management board), which is responsible for the daily management of the firm and which is subject to owners of the firm. It is possible also to set up the supervisory board for PrLCs, adopting the two-tier board system, but that is voluntary and rare. PuLCs have two-tier boards with a clear separation of supervisory and management boards. The management board manages the firm and reports to the supervisory board and not directly to owners of the firm. The supervisory board plans the activities of the firm, organises the management of the firm and supervises the activities of the management board. The supervisory board is responsible for selecting and removing management board members. The members of one of the boards may not be members of the other board, i.e. in Estonia there is no

⁴ The English translation of Aktiaselts to Public Limited Company is somewhat unfortunate and could be slightly confusing as Aktiaselts is not public in the sense of being traded on a stock exchange.

Chairman-CEO duality problem, which is a typical debate topic in the Anglo-American system. Supervisory board members are elected and removed by the General Meeting of shareholders, which is the highest managing body of a PuLC. In practice, most firms use the simplified PrLC structure.

The majority of firms in Estonia are private with only 16 firms listed on Tallinn Stock Exchange main list (as at February 2021). The majority of firms are also SMEs. According to Statistics Estonia (2020) there were 137 980 firms in Estonia in 2020. Out of these, only 172 firms had more than 250 employees (a threshold after which a firm is no longer considered an SME by the European Commission). Estonian firm ownership landscape is characterized by family-ownership and also domestic as well as foreign outside owners.

In terms of informal governance institutions such as business culture, norms and values Estonia could still be considered a country in transition (Vadi, 2018). Such aspects take significantly longer to change and should be considered as an important contextual factor.

Estonia regained its independence from the Soviet Union in 1991 and the early 1990s was marked by a period of privatization of firms. By 1995 the period of privatization was predominantly over and the initial legislative framework regarding corporate operations had started to develop (Alas & Elenurm, 2014; Kooskora, 2015). The Estonian Commercial Code is largely based on the German version of Continental European corporate governance model (Alas & Elenurm, 2014). During these early years of capitalism, owners lacked corporate governance experience and long-term strategic vision (Alas & Elenurm, 2014). The main business purpose was quick profitmaking and activities focused on short-term interests i.e. no more than 1–3 years ahead. A new millennium ushered in longer-term perspectives, from 5 to 10 years (Kooskora, 2008, 2015). The Soviet occupation had left a significant legacy on morality and attitudes, so during the initial years of re-independence, business ethics and corporate social responsibility issues were new to firm owners and managers. These aspects were seen as rather irrelevant while firms struggled to survive and focused primarily on financial performance. In more recent years, attitudes have changed as more and more business leaders have a broader perspective on performance and also consider the ethical, social and environmental aspects of business (Kooskora, 2015).

Thus, in general, the informal side of external governance institutions has experienced rapid development over the past 30 years. This development continues but the background of the key actors of corporate governance (owners, supervisory and management board members) should be considered when discussing corporate governance in Estonia.

There are several reasons why studying private SME governance is especially fruitful in Estonia. First, almost all firms in Estonia are private SMEs as highlighted in the previous section. Out of 137 980 firms only 16 are publicly listed and only 172 could be considered to be large.

Second, financial as well as corporate governance data of all firms in Estonia are publicly available through official state databases (e.g. the Estonian Business Register). Gathering data with similar scope, depth and accuracy is much more

difficult in most other countries. Such data availability enables research on a population rather than sample level. Furthermore, the data gathered from these official databases is factual, not self-reported, which eliminates another typical limitation from corporate governance research.

Third, as discussed previously, Estonia uses a Continental European corporate governance system. As corporate governance research typically assumes by default Anglo-American settings, it is important to balance the research base by bringing attention to other, less covered settings.

Fourth, from local Estonian perspective there have been signs of stagnation and lack of new ideas in the Estonian economy as shown by several recent studies regarding management practices mandated by Enterprise Estonia (Eesti juhtimisvaldkonna uuring, 2011; 2015). Both studies concluded with several points of criticism towards Estonian owners and managers, for example lack of ambition, lack of cooperation between owners and managers, unwarranted satisfaction with the status quo and many others, i.e. topics relevant to corporate governance. It seems that there is a lack of awareness about how corporate governance might be used to push Estonian firms to the next level, which calls for more systematic study and discussion of the topic, specifically in the context applicable to Estonian firms.

Novelty of the research

The thesis complements existing academic literature in several novel aspects.

First, the thesis takes a **holistic and balanced** look at the connections between corporate governance and firm performance. This is done by discussing the design of a corporate governance bundle (Study 1) and its association with performance in both static (Study 2) and dynamic (Study 3) perspectives. Also, firm performance is explored in its various domains: financial performance (Study 1 and 2), business performance (Study 3) and organizational effectiveness (Study 1). Furthermore, the thesis applies different research methods to shed light on more nuances. The thesis builds upon several influential theories used in corporate governance research instead of limiting itself to any one particular theory. This approach enables to reveal more nuances and avoid over-simplification. The above aspects support each other in expanding our understanding of corporate governance and its complexities.

Second, the thesis **focuses specifically on private SMEs**, an underexplored area within the corporate governance domain. Previous corporate governance literature is dominated by research on large public firms while the private firm context is relatively less covered (Uhlener *et al.*, 2007, Li *et al.*, 2020). This gap is unfortunate given that the majority of firms globally are private (La Porta *et al.*, 1999; Aminadav & Papaioannou, 2020). There are significant distinctions between the two groups, which means that issues to be dealt with by corporate governance are not the same, and studies performed in the large public firm context might not be relevant for smaller private firms.

Third, the thesis presents and discusses a specific corporate governance bundle designed by professional private firm owners (private equity fund BaltCap) to enhance the performance of its investee firms: private SMEs. It also presents a roadmap for owners of private SMEs regarding how to go about creating an effective corporate governance bundle for their firms. Such models provide **practical templates** for private SME owners and are also crucial additions to the academic literature for further discussions on *how* to govern small private firms (Li *et al.*, 2020).

Fourth, the thesis focuses on governing firms in the under-explored **Continental European (specifically Estonian) institutional setting**. Corporate governance literature tends to assume the Anglo-American setting and neglect other institutional contexts. However, the external context has an impact on various governance practices (Aguilera & Jackson, 2010; Schiehl *et al.*, 2014; Aminadav & Papaioannou, 2020) and therefore studies in different settings are needed.

Fifth, the empirical analyses (Studies 2 and 3) are based on the population of all SMEs in Estonia using **data from the official business register**, which means that the study is free from any sampling bias or self-reporting bias: typical limitations in similar research. Basing analyses on such official and all-inclusive data increases the validity of conclusions.

Sixth, the thesis adds to the academic discussion on the **interface between corporate governance and corporate social responsibility**. This domain is relatively fragmented (Jain & Jamali, 2016) and some contexts, such as private SMEs and smaller markets (such as Estonia) are relatively underexplored (Estapé-Dubreuil *et al.*, 2016; Jamali *et al.*, 2017; Amos, 2018; López-Pérez *et al.*, 2018).

Seventh, Study 2 in the thesis is one of the few studies about association between **corporate governance variables and failure risk** within the private SME space. Although associations between corporate governance data and failure risk have been used in the large public firm setting, private SME context has been relatively silent about it, with only a few studies available, e.g. Ciampi (2015; 2017). The gap in literature is important as majority of firms globally are private SMEs and it has been shown that models developed for large public firms are not appropriate for private SME context (e.g. Altman & Sabato, 2007; Elshahat *et al.*, 2015). Furthermore, the link between corporate governance and failure has typically been studied based on a narrow subset of failure, i.e. bankruptcy or permanent insolvency, the Study 2 uses failure risk as dependent variable. Such broader indicator includes all important financial domains like liquidity, profitability and leverage, and enables to provide analysis in much wider scope.

Eighth, Study 3 focuses on the underexplored **dynamic perspective** (Boeker, 1997; Elosge *et al.*, 2018) on associations between change in corporate governance bundle, namely nomination of a new management board member, and business performance, represented as internationalization and diversification outcomes of private SMEs. Other studies in the field typically take a static view focusing on specific corporate governance characteristics, e.g. board size, heterogeneity and other typical board characteristics. Furthermore, it takes a more holistic approach compared to previous research by applying the same dataset for exploring

strategic change in both internationalization as well as industry diversification dimensions. Such an approach allows for comparisons on the strengths of associations between nomination of new management board member and subsequent strategic changes in these separate growth dimensions. Previous studies typically have focused on either one dimension or the other. Also, the Study explicitly analyses the scale and stability of these strategic changes, aspects that are typically overlooked in other studies.

Contribution of individual authors

All Studies included in the thesis are co-authored, the author of the thesis being the first author of all Studies. Study 1 is written jointly with Krista Jaakson, PhD, from Tartu University while Studies 2 and 3 with Oliver Lukason, PhD, from Tartu University. The contribution of individual authors was as follows.

Study 1

The research objective, research questions as well as research design were discussed and agreed upon together by both authors. The author of the thesis put together the draft of interview questions, the co-author suggested additions and improvements in the questionnaires. Both authors performed secondary data analysis independently and the findings were discussed jointly. Both authors participated in the interviews. All findings were discussed jointly and both authors contributed to the writing of the manuscript.

Study 2 and Study 3

The co-operation style and role divisions were similar in case of Studies 2 and 3. Research objective and research design were discussed and agreed on by both authors. The author of the thesis developed specific research questions and performed the literature review while the co-author was responsible for empirical data collection. Both authors were involved in regression modelling, presenting and interpreting the empirical results. The author of the thesis was responsible for the discussion of the results in the light of previous literature.

Acknowledgements

The finalization of this thesis marks the end of my PhD journey which has lasted almost five years. I would like to acknowledge and thank several people who have accompanied and supported me on this journey. Without their help it would have been a far more difficult and far less enjoyable undertaking!

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And finally, I would like to thank my family for their patience and support during this journey.

1. LITERATURE REVIEW AND RESEARCH QUESTIONS

The literature review is structured as follows (see Figure 1). Section 1.1. gives a conceptual overview of corporate governance. It discusses the key elements of corporate governance as well as shows how these elements are interconnected. This is done in order to provide a general understanding of the field. Section 1.2. builds on the conceptual overview and focuses specifically on the specific characteristics of corporate governance in private SME context. Section 1.3. presents the multifaceted field of firm performance. The literature review ends with a specification of research questions for the thesis in section 1.4.

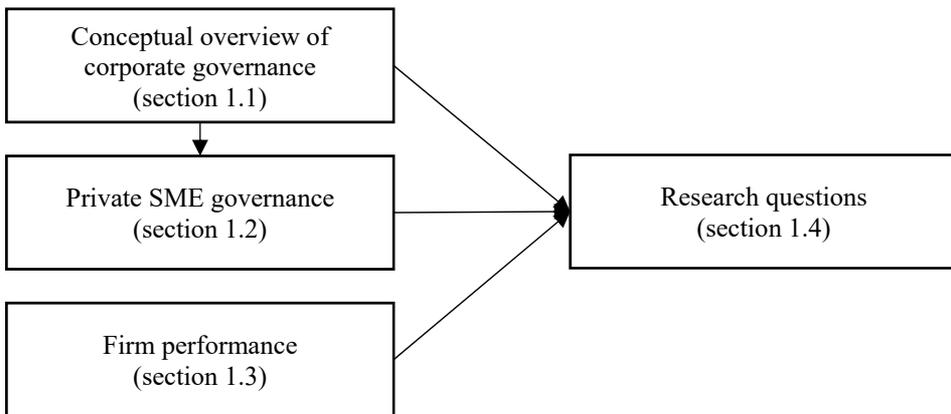


Figure 1. Structure of literature review.

1.1. Conceptual framework of corporate governance

Corporate governance is defined as “a system by which companies are directed and controlled” (Cadbury, 1992). The functional parts that perform the direction and controlling tasks within that system are called **governance mechanisms** (Ward *et al.*, 2009) which allocate authority, roles and responsibilities among owners, supervisory board and top management, i.e. the key decision makers of firms (Roe, 2004). In other words, governance mechanisms influence the actions of and interactions between the key decision makers of the firm, which in turn impacts firm performance, as posited by upper echelons theory (Hambrick & Mason, 1984; Hambrick, 2007).

Governance mechanisms are further divided into **external** and **internal governance mechanisms** (Walsh & Seward, 1990). External mechanisms – also referred to as institutions by institutional theorists (North, 1990) – are mechanisms that impact firms from outside and thus are not under the firms’ control (see Table 2 for a few examples of external mechanisms). External mechanisms are location-specific and include socially constructed assumptions, values, beliefs, as well as formal and informal rules (Aguilera *et al.*, 2018), which set the

legitimate “rules of the game” (Aguilera *et al.*, 2015). Examples of such external mechanisms would be legislation, local culture, commonly agreed principles of doing business, and many others. These external mechanisms significantly impact the governance of firms. They help ensure managers respect the rights and interests of firm’s stakeholders, engage stakeholders with the firm, provide financial transparency, offer strategic guidance (Aguilera *et al.*, 2015) and therefore provide stability and meaning (Judge *et al.*, 2008). External mechanisms also impact the selection and design of internal governance mechanisms by, for example, making some potential internal governance mechanisms unavailable or unreasonably expensive (Doidge *et al.*, 2007).

External mechanisms vary from place to place around the world and are typically researched on a national basis (e.g. Aslan & Kumar, 2014; Millar, 2014; Schiell *et al.*, 2014; Yoshikawa *et al.*, 2014; Hooghiemstra *et al.*, 2015). Given this diversity around the world and influence on governance choices, these external mechanisms are treated as contingency factors in corporate governance research and are one of the reasons for doing research in different locations: findings from one location might not be applicable, or even possible, in some other location. It is therefore essential to study the corporate governance of a firm while keeping in mind the institutional context in which it operates (Judge *et al.*, 2008).

Table 2. Examples of external governance mechanisms.

External mechanism	Impact on corporate governance
Legal system	Laws and regulations set the “rules of the game” for a firm in its jurisdiction: what is and what is not allowed. Law enforcement institutions (e.g. courts) oversee adherence to the rules. Limits managerial opportunism; reduces environmental uncertainty; creates capacity to obtain resources.
External auditing	Reduces information asymmetry by providing assurance on the quality of financial statements; limits managerial opportunism; signals legitimacy.
Media	Potential reputation loss keeps managers in line; social control; reduces information asymmetry.

Source: Created by author, based on Aguilera *at al.* (2015).

Internal, or organization-based mechanisms are mechanisms that organizations can impose upon themselves in order to address a variety of governance issues related to both avoidance of negative outcomes (or downside risks) and support of positive outcomes (or upside potential). Internal mechanisms are not given from any outside constituency or institution, but organizations can choose and design their own mechanisms. Some examples of internal mechanisms are discussed below and presented in Table 3.

A classic example of dealing with downside risks is the handling of potential agency conflict (Jensen & Meckling, 1976) emanating from the separation of

ownership and management (Berle & Means, 1932). When owners delegate the operation of a firm to managers, they forfeit direct control over the firm. The performance of the firm (and therefore return on investment for the owners) depends on the decisions and efforts taken by the managers, but these are not fully observable to owners. Owners only see the outcome of managerial actions, but not the efforts behind it. Such information asymmetry creates prospects for opportunistic behaviour for managers such as shirking or indulging in excessive perquisites (Ward, 2009). In order to remedy the situation, the owners might try to align the interests of managers to those of shareholders via certain governance mechanisms, for example an appropriate compensation system, or making inappropriate behaviour more difficult via effective control systems or the monitoring function of the supervisory board.

Regarding the achievement of upside potential, one of the key governance problems is to make sure that the management of the firm possesses the necessary competences and resources required for the desired performance (Hambrick & Mason, 1984; Hambrick, 2007). Therefore, forming a management team with appropriate characteristics for that particular firm is a crucial governance mechanism. Furthermore, managerial characteristics are not only related to the competences and experiences of the managers, but also their values and attitudes. Owners should prefer managers that are stewards (Davis *et al.*, 1997; Muth & Donaldson, 1998) of the firm rather than self-serving agents as discussed previously. In this case, the need for control is lessened and governance mechanisms such as managerial empowerment through trust, collaboration, service and positive reinforcement (Gabrielsson, 2007; Knapp *et al.*, 2011; Hernandez, 2012) are called for. In addition, as circumstances (e.g. firm goals) change, the owners can make modifications to the management team in order to, for example, bring in new competence or experience suitable or required for the new situation.

The management team could be further supported by the supervisory board in their service and strategy roles (Zahra & Pearce, 1989). For example, supervisory boards could be a mechanism to form stronger links to the firm's environment (Pfeffer & Salancik, 1978) and acquire essential resources required for sustainable competitive advantage (Barney, 1991). These resources could be, for example, specific industry or functional knowledge (e.g. Levinthal & March, 1993; Levitt & March, 1988) or connections to important stakeholders (e.g. Haynes & Hillman, 2010; Hillman & Dalziel, 2003). In this role the supervisory board reduces external uncertainty and reduces transaction costs related to environmental interdependencies (Williamson, 1981). In general, supervisory boards can be a source for strengthening a firm's human and social capital base (Haynes & Hillman, 2010; Hillman & Dalziel, 2003).

Table 3. Examples of internal governance mechanisms.

Internal mechanism	Impact on corporate governance
Managerial incentive system	Alignment of interests of owners and managers and thereby reduction in agency conflict.
Management turnover	Threat of management turnover could serve as a control mechanism for managerial opportunism; actual management turnover could acquire necessary human or social capital for the firm.
Supervisory board control role	Limits managerial opportunism.
Supervisory board advisory role	Provision of specific knowledge and expertise (e.g. industry or business function related), support in strategy development.
Supervisory board resource provision role	Connection to external resources, networks and stakeholders.
Management and supervisory board characteristics (e.g. age, experience, board size, gender heterogeneity)	The characteristics of individual supervisory or management board members, as well as collective characteristics of respective boards illustrate for example human and social capital available at the top of the firm, which either limits or enables certain activities and performance outcomes.

Source: Created by author.

There is no comprehensive list of possible governance mechanisms as it is possible to define the boundaries of various mechanisms differently. For example, the supervisory board could be regarded as a governance mechanism (see e.g. Roe, 2004). But the mechanism could also be viewed in a more granular way, such as separating supervisory board's control and advisory functions (e.g. Uhlaner *et al.*, 2007), or by looking at the composition of supervisory board by a variety of characteristics, e.g. size, heterogeneity, experience (e.g. Chaganti *et al.*, 1985; Dowell *et al.*, 2011). There is certain flexibility in the usage of terminology of corporate governance literature as it has evolved over time and across disciplines (Ocasio & Joseph, 2005), which a reader of the literature needs to account for.

Each firm, thus, is governed by a certain number of external and internal governance mechanisms, which collectively are called a "bundle of governance mechanisms" (Rediker & Seth, 1995), or more conveniently a **corporate governance bundle** (Aguilera *et al.*, 2008). Thus, to reiterate, while corporate governance is the system for directing and controlling firms, a corporate governance bundle is a collection of mechanisms that perform the directing and controlling, i.e. the bundle may be considered as the practical or operationalized perspective of corporate governance. The bundle may be disaggregated into external, or national governance bundle, which is location-specific, and given to the firm operating in that location, and internal governance bundle, which is firm specific. It is widely

accepted that firm performance depends on the combined effect of all mechanisms applied, rather than any single mechanism. Therefore, governance mechanisms should not be viewed separately but cumulatively, i.e. in bundles (Rediker & Seth, 1995; Aguilera *et al.*, 2008; Ward *et al.*, 2009; Misangyi & Acharya, 2014; Filatotchev & Wright, 2017). The reason for such bundling approach is that all mechanisms are linked together by **complementarity** and **substitutability** relationships. Complementarity means that the addition of a mechanism to an existing bundle interacts with the effect of other mechanisms in the bundle, and thus the overall effectiveness of the bundle changes. For example, in some contexts the supervisory board's monitoring role might not be sufficient in curbing managerial opportunism, but it could be complemented with a pay system that aligns the CEO's and shareholders' interests (Ward, 2009). Substitutability means that some governance mechanisms perform essentially the same function, and therefore can be substituted for each other without significantly affecting the overall functionality of the bundle. For example, monitoring by the supervisory board could be substituted by monitoring by a large shareholder (Rediker & Seth, 1995). Given these complementarity and substitutability effects, it is possible to design very different governance bundles by including or excluding certain internal governance mechanisms.

There are a few factors potentially impacting the choice of internal mechanisms. First, external and internal **contingencies**, or the context in which the focal organization operates, play a role in designing internal governance bundles. External contingencies are the external governance mechanisms discussed earlier, i.e. factors such as legislation, culture and norms, which form the environment in which the firm operates. Internal contingencies are firm-specific factors such as firm size, its resources and capabilities and life cycle phase (Huse, 2005; Aguilera *et al.*, 2008; Filatotchev & Allcock, 2010). Thus, contingencies imply that corporate governance mechanisms to be added to a firm's governance bundle are influenced by these factors. Different types of organizations require different corporate governance mechanisms: there is no "best practice" that will fit everybody (Heracleous, 2001; Huse, 2005; García-Castro *et al.*, 2013).

Secondly, each mechanism comes with a **cost**. Some costs are direct such as remuneration of supervisory and management board members, costs of risk management systems and auditor fees while some are indirect, or opportunity costs, such as managerial time spent on investor relations instead of strategic or operating activities (Aguilera *et al.* 2008). Thus, while in principle, a firm could add many governance mechanisms into a bundle to maximize the complementarity effect, the cost of all of these could outweigh the benefits and the impact on firm performance could be negative (García-Castro *et al.*, 2013). The application of each mechanism should therefore be subject to a cost-benefit analysis.

1.2. Specific features of governance of private SMEs

Research on private SME governance includes two types of contingency factors that both impact corporate governance bundles. First, the firms in focus are private, i.e. they are not publicly listed on any stock exchange. Second, the firms are small or medium-sized, i.e. large firms are excluded from this group. In the following paragraphs the thesis stipulates the main implications of these contingencies.

Private versus public firms

While private firms as a group are quite heterogeneous, there are still several recurring specific characteristics that have implications on corporate governance.

The shares of private firms are not publicly traded, which means that the ownership structure as well as owners' roles and expectations tend to be significantly different from publicly traded firms. Private firm owners are more connected to their firms. Their wealth is tied to the wellbeing of their firms (Ciampi, 2015), as opposed to public firms which typically have small shareholders with diversified portfolios. Public firm shareholders typically own very small fractions of the firm and thus have little or no incentives to monitor managers or seek to influence managerial decisions (Denis & McConnell, 2003). It is easier for them to sell their shares and invest somewhere else, when they are not happy with the actions taken or results achieved by the firm's management (Connelly *et al.*, 2010). For private firm owners the selling of their firms is much more difficult, which means they are more interested in the performance of the particular firm and the role of owners becomes more relevant in the corporate governance.

It is also important to note that private firms tend to have concentrated ownership (La Porta, 1999), which means the power relationship vis-à-vis the management is different. It is much easier for concentrated owners to make changes in the management compared to dispersed shareholders of public firms. So, instead of selling their firm, the owners might make changes in the management to put the firm back on their preferred track. Private firm owners, tend to have a longer time perspective and broader success criteria than just financial results, as opposed to public firms where shareholders pressure managers for short-term results in quarterly reports (Huse, 2005).

In addition, the separation of ownership and management is not that clear-cut for private firms, i.e. the ownership and management tend to overlap (Huse, 2005; Brunninge *et al.*, 2007). This means there is less information asymmetry between managers and owners and therefore fewer opportunities for managerial opportunism. In other words, the agency problem as discussed in the agency theory is relatively less important compared to public firms (Uhlener *et al.*, 2007; Machold *et al.*, 2011). Instead of such agency issues between owners and managers, a potential conflict between controlling owner(s) and minority owner(s) becomes more relevant. Majority owners might, for example, engage in value tunnelling

at the expense of minority owners (Denis & McConnell, 2003; Roe, 2004), so the corporate governance bundle should deal with that issue.

SMEs versus large firms

SMEs tend to have less resources than large firms, which means that they cannot afford large management boards. However, since the management is responsible for formulating and executing the strategic decisions of the firm, it is critical that the management board, however small, has the right qualifications to support the fulfilment of the goals of that particular firm (Cowling, 2003). This means for the owners and supervisory board of SMEs that selection, motivation and potentially replacement of the CEO and other management team members are key governance mechanisms. Given that small firms tend to have concentrated ownerships, it is relatively easy (at least compared to large public firms) for the owners to make changes in the management board.

Another critical governance mechanism for SMEs is the supervisory board, especially in its resource provision role (Van den Heuvel *et al.*, 2006; Machold *et al.*, 2011). Supervisory board members can compensate for managerial deficiencies in SMEs by, for example, bringing specific knowledge and connections, advising on strategy or representing the firm's interests in the community. Given the low resource pool of SMEs, such resource provision role adds higher value for small firms compared to large ones (Huse, 2005). However, in reality SME supervisory boards tend to act only within the formal role laid down by the law (*ibid.*) and the potential upside value from supervisory boards remains untapped, especially in the case of family firms (Brunninge & Nordqvist, 2004).

The limited resource pool of SMEs also means that the cost aspect of choosing internal governance mechanisms is a restricting factor. For example, extensive control systems or hiring expensive consultants are typically unaffordable.

1.3. Firm performance measurement

The academic literature of firm performance measurement has evolved from mere productivity management in the early 20th century to modern integrated performance management (Bititci *et al.*, 2012). While earlier literature and practice traditionally focused on financial performance, contemporary performance is discussed in a more balanced manner including both financial as well as non-financial performance measures (Franco-Santos *et al.*, 2012). Furthermore, the introduction of stakeholder theory in 1980s also brought the stakeholder goal attainment into the performance mix (Garengo *et al.*, 2005; Bititci *et al.*, 2012). Consequently, contemporary treatment of firm performance is a complex and multidimensional phenomenon (Dess & Robinson, 1984; Rauch *et al.*, 2009; Richard *et al.*, 2009).

Following the aforementioned logic of dividing performance into financial, non-financial and stakeholder dimensions, Venkatraman & Ramanujam (1986) offer a framework for discussing these different levels of performance. In their view, the narrowest conception of performance – **financial performance** – focuses on financial indicators (such as sales growth and profitability) which are assumed to reflect the fulfilment of the economic goals of the firm. The next level – **business performance** – adds non-financial measures (e.g. strategic changes such as new product introduction or geographic expansion, product quality, operational efficiency, customer satisfaction, to name a few) to the performance mix. These measures may also be viewed as leading indicators for financial performance, while financial measures are lagging indicators. The first two levels in combination focus on the operational and strategic aspects of the firm and deal with questions of the efficiency and effectiveness of a firm's activities (Brudan, 2010). The main difference between the two is that the former focuses only on financial metrics while the latter adds non-financial measures. The third level – **organizational effectiveness** – takes into account the multiple and sometimes conflicting goals of various stakeholders of the firm and deals with the goal attainment of these stakeholders. In other words, it broadens the effectiveness dimension from goal attainment of the owners to goal attainment of all stakeholders.

This classification, of course, only organizes the performance measurement and management discussion on a general level. Within each domain of performance, substantial multidimensionality still remains with a variety of potentially available measurement indicators. For example, Combs *et al.* (2005) analysed how performance has been measured in Strategic Management Journal articles in the period 1980–2004 and identified 56 distinct measures that would fall into the financial and business performance dimensions. The majority (82%) were related to financial performance and accounting returns was the most common indicator within the financial indicators group (52%). Specifically relating to private firm performance measurement, Murphy *et al.* (1996) examined the empirical entrepreneurship literature for the years 1987–1993 and observed 71 different measures for performance, predominantly focusing on financial, but partially also business performance domains of performance measurement. The multitude of potential measures illustrates the complexity of firm performance assessment.

An important aspect regarding performance measurement is the objectivity-subjectivity scale and measurement difficulty of various indicators. Financial performance indicators are generally considered to be more objective and easier to measure than (non-financial) business indicators (Richard *et al.*, 2009). At the same time, they are criticized for being backward-looking (Brudan, 2010), too narrow in focus, promoting short-termism, lacking strategic focus, encouraging local optimization and neglecting external factors (Melnyk *et al.*, 2014). Business performance indicators deal with operational and strategic issues of a firm and, thus, are more forward-looking but sometimes more subjective and difficult to measure with precision (Brudan, 2010). Organizational effectiveness is considered to be the most subjective and difficult to measure, even to the point that Venkatraman & Ramanujam (1986) considered it practically inapplicable and

suggested avoiding it. Later research and debate on the topic still encourage including these more subjective measures of goal attainment of various stakeholders, or the organizational effectiveness dimension, into the performance measurement mix (Harrison *et al.*, 2020). Constructs such as Environmental, Social and Governance (ESG), Corporate Social Performance (CSP), Corporate Social Responsibility (CSR), triple bottom line and balanced scorecard are embodiments of attempts to measure the more subjective goal attainment of a wider range of stakeholders.

1.4. Summary of literature review, research gaps and research questions of the thesis

Corporate governance is a system by which firms are directed and controlled, and thus it is a vehicle for driving firm performance (see Figure 2). This is done by various governance mechanisms, some of which (external mechanisms) are imposed on a firm from its external environment, and some (internal mechanisms) are discretionary. This thesis and its empirical studies focus specifically on internal mechanisms, as these are the ones the firm can choose and design for itself. External mechanisms (relating to Estonian institutional settings) are imposed from outside and are considered only as contextual factors. The key internal contextual factors for this thesis are the firms being private and SMEs. Firm performance is a multi-dimensional construct involving financial performance, business performance and organizational effectiveness dimensions (Venkatraman & Ramanujam, 1986). The thesis explores the linkages of corporate governance to all of these performance dimensions, as called for by several authors (e.g. Venkatraman & Ramanujam, 1986; Murphy *et al.*, 1996; Combs *et al.*, 2005; Richard *et al.*, 2009).

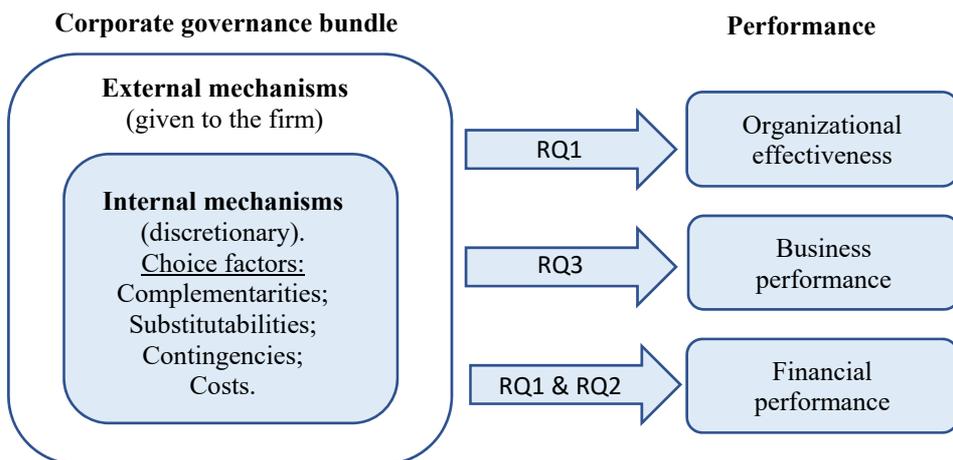


Figure 2. Framework for studying associations between corporate governance bundle and performance. Created by author.

The thesis aims to extend our knowledge on the linkages between corporate governance and firm performance in the context of private SMEs. Given the enormity of the subject matter, the thesis cannot possibly discuss all of the relevant aspects of the topic. Therefore, certain choices regarding what to cover and what to leave out of the empirical analyses were required. The following few paragraphs explain the author's rationale for selecting the aspects to be explored further and the development of research questions (RQs).

The author believes that it is usually a good practice to start from the "big picture" of the topic and then proceed with a more comprehensive analysis of selected aspects of the "big picture". Therefore, the empirical studies start with an exploration of how professional private SME owners (a private equity fund) design their corporate governance bundles. As discussed earlier, viewing corporate governance mechanisms in bundles is considered the appropriate approach in analysing the linkages to firm performance. Therefore, it is imperative to first explore the potential design of effective governance bundles in the context of private SMEs. While there will always be differences in details of the corporate governance bundles across firms, it can be argued that the mentioned contextual factors limit the variability sufficiently to discuss the general bundle that could be used in driving firm performance. In order to discuss effective corporate governance bundles, which internal mechanisms to include in it, and why, it is useful to study professional private SME owners, such as private equity funds. The core competence of private equity funds is to increase the value of private firms (in Estonia, typically SMEs) via improved corporate governance. This means they have extensive and invaluable practical experience in how to design corporate governance bundles to support performance improvement of a firm. Their experience and explanations regarding *what*, *how* and *why* are valuable in themselves but also provide a good starting point for deeper analysis of key governance mechanisms of the other two empirical studies. Therefore, the first research question of the thesis is the following:

RQ1. How to design a corporate governance bundle that supports both financial performance and organizational effectiveness goals of private SMEs?

After establishing the "big picture" as part of the RQ1, the author selected two key governance mechanisms – (1) characteristics of the management board and (2) making changes to the management board – and explored their associations with performance in RQs 2 and 3, respectively.

The management board characteristics are especially important in the case of SMEs, as discussed in the literature review. SME boards are smaller than those of large firms, which means that the influence of each management board member is relatively stronger. Also, as small firms have fewer managerial levels and resources, including slack resources or buffers to cover the impact of bad decisions, the suitability of the management board is especially crucial for the success of SMEs. There is voluminous literature covering the links between corporate governance and financial performance of large public firms, but in the

private SME context, it is relatively sparse and requires more attention. Furthermore, studies within the private firm context usually suffer from data availability issues leading to various biases such as self-reporting or sampling bias. In the Estonian context the problem can be overcome due to the public availability of both corporate governance as well as financial data for all firms in Estonia in the official Estonian Business Register database. Thus, studying the association between corporate governance and financial performance in Estonia is facilitated by access to factual data across the population of firms.

Therefore, RQ2 focuses on the governance mechanism of management board characteristics and its association with the financial performance of private SMEs. The second research question is as follows.

RQ2. Is there a link between characteristics of management board and the financial performance of private SMEs?

Study 3 continues by analysing how making changes to a private SME management board is associated with business performance, or more specifically expansion in the product-market scope of the firm. As already discussed, the characteristics of the management board are expected to be important for the firm's performance. The importance comes from the human and social capital of the management board members, which means that different contextual factors (for example different firm scope) might require different aspects of human and social capital from the management board. Therefore, it can be expected that making changes to the management board, or in other words changing the human and social capital of the management board, might be associated with more successful implementation of strategic changes, which is an example of business performance as discussed in section 1.3 and presented on Figure 2.

The ability to make strategic changes is an important, yet a difficult task for a firm due to factors such as organizational inertia. However, literature has shown that an appropriate corporate governance bundle can help in carrying out strategic changes such as expansion in a firm's scope. However, the available literature has various limitations that still leave gaps in our knowledge. For example, previous studies have mostly looked at links between corporate governance and strategic change from a static perspective, i.e. independent variables in these models have tended to be typical corporate governance characteristics such as board size, heterogeneity and so on. There are only very few studies that take a dynamic perspective, i.e. look at how changes within corporate governance bundle (such as making changes to the management board) are associated with subsequent strategic change. Also, previous studies looking at links between corporate governance and business performance have mostly focused on large public firms while private SMEs have been relatively neglected, typically due to the same data availability issues discussed under RQ2, leaving an important gap to be filled.

Therefore, the third research question of the thesis is as follows.

RQ3. In the case of private SME's, is there a link between the nomination of a new board member and subsequent strategic change in the form of an expansion in the product-market scope of the firm?

2. EMPIRICAL STUDIES

3. DISCUSSION OF RESULTS AND CONCLUSIONS

3.1. Discussion of research questions

This section discusses findings from empirical studies in relation to the objective and research questions of this thesis. The discussion relates the results from separate studies with each other and gives meaning to these findings in relation with the objective of the thesis.

RQ1. How to design a corporate governance bundle that supports both financial performance and organizational effectiveness goals of private SMEs?

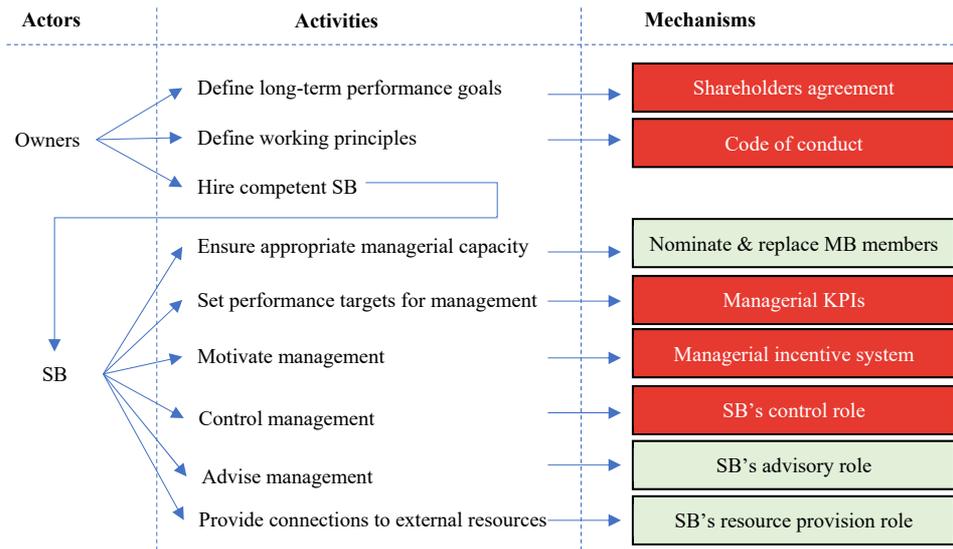
Corporate governance can be viewed as a vehicle for driving firm performance. This, of course, means that in order to use corporate governance in such an instrumental way, there should be clarity in goals i.e. what the governance bundle should strive to achieve. The literature contrasts shareholder and stakeholder views, arguing whether the management should focus on maximizing shareholder value and ignore other stakeholders, or if it should try to balance the often-conflicting interests of all stakeholders (including shareholders). Study 1 provides some interesting insights regarding this dilemma. The case study firm – private equity fund BaltCap – holds a pro-stakeholder view as the basis of its corporate governance design, and as such, is in line with proponents of applying stakeholder theory in the corporate governance domain (e.g. Freeman, 1984; Aguilera *et al.*, 2008; García-Castro & Aguilera, 2015; Harrison *et al.*, 2020). Interviews held as part of the Study 1 bring out several points that show how the broader goal attainment of various stakeholders also serves the financial goals of owners.

First, a distinction should be made on financial performance over short and long periods. In a shorter time frame the management can maximise returns for owners at the expense of other stakeholders. However, in the long run, that would also be detrimental to the owners. For example, lay-offs or paying minimum wages might increase profits over the short time frame, but losing experienced employees limits firm growth opportunities, or even survival, in the longer run. Being negligent about environmental, social or local community issues might cut costs and increase profits in the short run, but negative image and bad publicity (examples of external governance mechanisms) can create problems over longer periods as consumers might be put off by the firm's irresponsible actions. While managers in public firms are typically pressured for short term quarterly results by small, diversified and often non-committed shareholders, private firm owners cannot sell their shares that easily as their firms are illiquid assets, and thus, are more stable in their ownership role and can afford a longer-term view on the firm's actions. Such stable and concentrated ownership potentially relieves short-term pressure on management and enables it to take a longer perspective. Of course, it does not mean that this is always done.

Second, financial returns for owners are typically gauged in net profits or other similar profitability measures, but alternatively an increase in the intrinsic value of the firm can be prioritized, as it was in the case of the private equity fund. While actual net profits are historical facts and thus backward-looking, intrinsic value (for example calculated based on the discounted cash flow method) depends on future cash flows and riskiness thereof, and thus, is forward-looking. Therefore, sacrificing short term profits for strengthening its resource base, including immaterial resources such as customer and supplier relations, employee engagement or reduced environmental impact, might improve future cash flows and decrease their risk levels, which in turn increases the value of the firm. Focusing on historical financial results is clearly an easier task than considering the potential future outlook, which is quite a subjective estimate. However, the private equity firm sees clear value in focusing on the future, even if it is not that objectively measurable. Of course, this does not mean that current results do not matter at all. These objectivity-subjectivity and backward- or forward-looking performance measurement dilemmas add to related academic debates held by authors such as Venkatraman & Ramanujam, (1986), Richard *et al.*, (2009) and Harrison *et al.*, (2020).

Third, stakeholder goal attainment and owners' financial returns can be viewed through the value creation and value protection prism. The more value a firm creates for all stakeholders, the more value there potentially is also for owners' financial returns. So, the corporate governance bundle should not merely deal with protecting owners' financial interests, but also emphasize the value creation of a firm, which is in line with arguments brought forward by authors such as Uhlaner *et al.* (2007), Huse *et al.* (2011) and Aguilera *et al.* (2016). Thus, based on the findings of Study 1, it could be argued that in the long run, focusing on the organizational effectiveness dimension of performance, i.e. goal attainment of all stakeholders, is also beneficial for owners' financial interests. Governance mechanisms in the bundle should support both of these goals.

Study 1 also provides a template on how to design a corporate governance bundle for private firms which can help achieve both financial and organizational effectiveness goals. Figure 3 schematically presents the private equity logic for building such a governance bundle by showing the key activities owners and supervisory board perform and related governance mechanisms resulting from these activities. Also, the focus areas addressed by respective mechanisms are identified by colour codes.



Abbreviations

SB – Supervisory board
 MB – Management board
 KPI – Key performance indicator

Focus area of the mechanism

Value protection Value creation

Figure 3. Template for designing private SME corporate governance bundle. Created by author

Before explaining the logic of Figure 3, a few comments need to be made. First, in the situation of a one-tier board, Figure 3 should be adjusted so that the supervisory board’s activities are performed by the owners themselves. For example, in case of Estonia (the study setting country) laws allow for the firm not to create a supervisory board. For very small firms with very limited resources that option might be feasible as the costs of a value adding supervisory board might outweigh the benefits. Second, the model is a simplification of reality. In actual life, there are more links between variables than just the relatively linear depiction of the main interactions. Also, additional activities or mechanisms might be relevant in certain contexts. Furthermore, governance mechanisms might have other or several addressable theoretical governance issues. The area depicted on figure is the typical logic used in the literature. For example, a code of conduct or managerial key performance indicators are viewed as vehicles for capping managerial opportunism or inappropriate behaviour, i.e. these mechanisms address the vertical agency problem and, therefore, focus on value protection. However, the same mechanisms might also be viewed as vehicles for the empowering of or provision of strategic counselling for the management, i.e. mechanisms for value creation.

The key principle within the framework for value creation as well as protection is active ownership. Active ownership starts from understanding and articulating the goals of the firm, i.e. what kind of performance is expected in all discussed domains, and what are the key principles based on which the performance is expected to be achieved. When there is more than one owner in the firm, then having an agreement regarding these goals and principles is advisable. For example, a shareholders' agreement might be an appropriate governance mechanism for that. Based on the private equity experience in Study 1, discussing, negotiating and signing such a document is a great way to align the interests of all owners. Such a document also serves as a governance mechanism for protecting the interests of minority owners and thus deals with horizontal agency issues (Roe, 2004). Such common goals and working principles from the owners' side makes it easier to communicate and align interests with the management team via, for example, related governance mechanisms such as managerial key performance indicators (including also wider performance indicators dealing with stakeholders in the organizational effectiveness domain, e.g. in the form Environmental, Social and Governance indicators used by BaltCap in Study 1), incentive systems and codes of conduct, that incentivize the management to work towards the goals within the limits of agreed-upon working principles. These mechanisms complement each other (Rediker & Seth, 1995; Aguilera *et al.*, 2008) and alleviate potential agency conflicts between owners and managers as well as between different owners (Jensen & Meckling, 1976; Roe, 2004; Ward, 2009).

Active ownership does not necessarily mean that owners should also manage the firm, although results from Study 2 indicate that when owners are on the management board, at least the financial performance tends to be better. Alternatively, owners can also take an active stance by staffing an active and competent supervisory board as well as participating in the work of the supervisory board. The experience from the private equity fund presented in Study 1 shows that the key governance mechanisms to be included in the bundle revolve around selecting and incentivising the management team, staffing a functional supervisory board and creating a good and supporting work atmosphere within each and between the two. Indeed, Study 1 interviewees emphasized that private equity largely "invests into the management of the firm", i.e. the qualities of the management team are a pre-requisite for superior performance of a firm. The importance of managerial characteristics is also evident from Studies 2 and 3. Results from Study 2 indicate that some individual and collective traits of management boards, e.g. management board size and managerial age profile, are associated with financial performance (see also discussion under RQ 2). Similarly, Study 3 shows that nominating new management board members, i.e. altering the human and social capital of the management board, is supportive of subsequent strategic changes of the firm, i.e. the business performance of the firm is related to managerial characteristics (see also discussion under RQ 3).

The supervisory board as a governance mechanism has an important role within the private equity model. Staffing the board with experienced and motivated people is seen as a source for value creation. This is in line with academic

arguments brought forward by authors such as Uhlaner *et al.* (2007) and many others. Private equity fund in Study 1 prefers relatively small supervisory boards of five people. Nonetheless, as the boards are still bigger than the minimum required by Estonian law (three members), it indicates that private equity sees value in recruiting these people to the board. The size of a supervisory board reflects on one hand cost-consciousness (a relevant contingency factor for SMEs), but also more focused team-work within the supervisory board. Results from Study 2 show that in the case of private SMEs, a smaller management team is associated with better financial performance. This finding may not be directly applicable also to supervisory boards, but some parallels may be drawn, subject to verification in future studies. The supervisory board has various roles in the private equity model as presented in Study 1. Their advisory and resource provision roles are governance mechanisms that have their roots in resource dependence (Pfeffer & Salancik, 1978) and stewardship (Davis *et al.*, 1997) theories and support management in value creation. Their controlling role, on the other hand, is related to agency theory (Jensen & Meckling, 1976) and deals with value protection. Advisory, resource provision and controlling roles are enacted via regular and frequent contacts with the management team.

In summary, the corporate governance bundle template designed by the private equity firm for its private SME investees includes several internal governance mechanisms as discussed above. The mechanisms work within the wider framework provided by external governance mechanisms applicable in Estonia, such as laws, regulations, professional and social norms, traditional and social media, to name a few examples. Both internal as well as external governance mechanisms in the bundle collectively deal with value creation as well as stipulating principles for value division among stakeholders and value protection for shareholders. As such, the bundle could (and should) be viewed through several theoretical lenses – agency, stewardship, resource dependence, upper echelons, stakeholder and institutional – in order to grasp the complexity of corporate governance in a holistic manner.

RQ2. Is there a link between characteristics of management board and the financial performance of private SMEs?

As discussed under RQ1, the private equity fund considers the selection of an appropriate management board, as well as its relations with owners, critical for the performance of private SMEs. Results of Study 2 provide some confirmatory evidence, that some characteristics of management boards and ownership are indeed associated with the financial performance of private SMEs.

Study 2 took a multidimensional view of financial performance. Namely, using the Altman's Score (Altman *et al.*, 2017), which is an aggregate measure consisting of indicators of liquidity, financial leverage and periodic as well as cumulative profitability. As the Altman Score was originally used for failure prediction, it could also be interpreted as a forward-looking performance measure.

This links with the backward-looking accounting data versus forward-looking intrinsic value discussion under RQ 1. It may be argued that by lowering the failure risk of a firm, the management increases the intrinsic value of the firm.

The findings from Study 2 indicate that smaller management boards, higher age of management team members, managerial ownership and being less engaged with multiple directorships were found to be associated with lower failure risk, or in other words, better financial performance. On the other hand, gender heterogeneity in the management board, tenure of the management board members and ownership concentration did not have any significant association with failure risk. A more detailed analysis by size and age groups gives a more mixed picture as presented on Table 4. The table summarizes whether a studied variable was found to be positive, negative or insignificant for financial performance. Note that in Study 2 the dependent variable was failure risk, which is the inverse of financial performance (as defined in this thesis), i.e. the signs of variables compared to Study 2 are opposite. For example, while Study 2 finds that larger management boards have significant positive association with failure risk, Table 4 states that the association with a firm’s financial performance is negative.

Table 4. Associations between management board characteristics and financial performance.

Variable	General result	Firm size		Firm age	
		Smaller firms	Larger firms ⁵	Younger firms	Older firms
Management board size	Negative	Negative	Insignificant	Negative	Insignificant
Gender heterogeneity	Insignificant	Insignificant	Insignificant	Insignificant	Insignificant
Managers’ age	Positive	Insignificant	Insignificant	Insignificant	Insignificant
Multiple directorships	Negative	Negative	Negative	Negative	Insignificant
Tenure of managers	Insignificant	Positive	Insignificant	Insignificant	Insignificant
Ownership concentration	Insignificant	Insignificant	Insignificant	Insignificant	Insignificant
Managerial ownership	Positive	Positive	Positive	Positive	Positive

Source: Created by author. Note: For the construction of this table 0.01 p-value to determine the (in)significance of variables has been used.

⁵ The firms in the “larger” group are still SMEs.

A detailed interpretation of these results is presented in Study 2 and not repeated here. However, the broader themes emerging from these findings are the following. First, the findings illustrate the relevance of contingency factors and cost aspect of governance mechanisms in corporate governance research (Aguilera *et al.*, 2008). For example, the analysis shows that larger management boards hinder financial performance especially in the case of smaller and younger firms. As firms get older and bigger, the relationship becomes insignificant. The smaller and younger the firms are, the more likely they are to be more resource-constrained and larger management boards are not justified from a cost-benefit perspective. While more management board members would increase firms' human and social capital (Haynes & Hillman, 2010; Hillman & Dalziel, 2003) and might improve the quality of decisions (for example through adding perspectives and experiences), the cost of these additional management board members might outweigh the benefits from better decisions.

Second, it seems that the financial performance of small private firms is more linked to the speed of decision-making as opposed to a more balanced but slower deliberation on the management board. This is indicated by the fact that variables related to potentially having multiple perspectives and experiences present on the management board (larger management board and gender heterogeneity) are either insignificant or negative with regard to financial performance. Similarly, multiple directorships (that is being a board member in several firms simultaneously) is a distracting factor which might slow down decision-making and is found to be negative in all cases, except older firms where processes might be more established and decisions delegated to lower levels. Also, an overlap in ownership and management (variable managerial ownership), which removes the potential necessity of discussion between owners and managers, also speeds up decision-making and is positive for financial performance.

Third, managerial ownership alleviates the agency problem and is found to be positive for firm performance. This is an indication of the importance of having the right incentive system (another key governance mechanism) for management, as also discussed under RQ1. Study 2 did not analyse other potential managerial incentive systems (e.g. variable pay related to performance or option schemes) and their relationship to the financial performance of private SMEs, but that could be an interesting avenue for further research.

In general, it may be concluded from the findings that there is a link between characteristics of management boards and firms' financial performance. This is further supported by a finding from Study 3, which showed that there is a significant positive association between previous export experience of a new management board member and the probability of the firm starting to export. The finding does not address directly the financial performance of the firm but the intermediary step of strategic change. However, a firm starting to export is also likely to have an impact on the financial performance of the firm. Therefore, the composition and motivation of a management board are indeed important governance mechanisms. Owners and supervisory boards are advised to carefully select management board members with appropriate human and social capital that suit

the context of the firm. Small firms might not be able to afford several management board members (costs of several board members outweigh marginal benefits), so choosing the right person to lead the firm is of paramount importance.

RQ3. In the case of private SME's, is there a link between the nomination of a new board member and subsequent strategic change in the form of an expansion in the product-market scope of the firm?

One of the conclusions from RQ1 and RQ2 was that composing the management team of members whose human and social capital are appropriate for the specific context of the firm is important for achieving superior performance. RQ3 takes the discussion one step further and adopts a dynamic view by analysing the association between change to management boards (i.e. change in corporate governance bundle), and the business performance of private SMEs. Specifically, Study 3 analysed business performance from the perspective of implementing strategic change in the form of expansion of firms' scope (Ansoff, 1957). Namely, whether after nomination of a new management board member, the firm expands into new industries or new geographical markets. In case of the latter the study separately analysed firms entering their first export market and already exporting firms expanding into additional geographical markets (this was done due to the difference in the relative difficulties of these two expansion types). Expansion into new markets or industries requires firms to obtain new capabilities and make investments, and as such can be classified as strategic activities, and the outcome of these activities illustrates business performance of the firm. Although Study 3 did not specifically analyse it, such expansion in firm scope, if executed successfully, opens new growth areas and value creation opportunities for the firm and as such, also has the potential for improving the financial performance of the firm.

The results of Study 3 found associations between change in the management board and different expansion types, although there were differences in the details. For example, it was found that starting to export might benefit most from nomination of a new board member, especially if he or she had prior export experience. Diversification into new industries was also associated with prior nomination of a new management board member, although the significance level was lower ($p < 0.05$ compared to $p < 0.01$ in case of starting to export) while expanding into additional export markets for already exporting firms was not associated with prior change in the management board. There were also differences when analysing age and size control variables of firms. Detailed analysis and discussion of these findings is provided in Study 3 and not repeated here. Nonetheless, the wider conclusion related to the whole thesis coming out of these findings is that, indeed, managerial characteristics matter at least for some types of strategic performance. Bringing in new management board members might give firms a boost in making strategic changes and through that, create additional value for the firm. This conclusion also illustrates the importance of resource-based theories (e.g. Barney, 1991; Pfeffer & Salancik, 1978) within the corporate

governance domain. The explanation as to why new management board member(s) might bring about subsequent strategic changes might be related to the new resources they bring with them. Resources such as specific knowledge, experience, connections in export markets or new industries, as well as personal traits such as ambition, energy levels or leadership style all play a role in the value creation process of the firm and should be considered in the corporate governance bundle design.

In conclusion, the selection of the management board members is a very important governance mechanism in the hands of the supervisory board and owners of the firm. This finding supports the conclusion from Study 2 that management board characteristics are linked with firm (financial) performance as well as is in alignment with one of the key points from the Study 1 where private equity clearly stated that they invest largely in the management of the firm.

3.2. Contributions to literature

The thesis contributes to various strands of literature as highlighted below.

1. It is widely accepted that different contexts require different corporate governance approaches (e.g. Huse, 2005), yet the majority of research still discusses large public firms and smaller private firms do not get enough attention (Uhlener *et al.*, 2007, Li *et al.*, 2020). This thesis, in contrast, contributes to theoretical literature by focusing specifically on **corporate governance in the private SME context**. The thesis outlines the factors that differentiate private firms from public ones and SMEs from large firms as well as discusses how and why these differences are relevant for corporate governance research. Furthermore, all empirical studies within the thesis discuss certain aspects of corporate governance and their links to various domains of performance specifically in case of private SMEs.
2. The thesis contributes to the **comparative corporate governance literature** (e.g. Aguilera & Jackson, 2010; Schiell *et al.*, 2014; Yoshikawa *et al.*, 2014; Hooghiemstra *et al.*, 2015; Clarke, 2016) by focusing on firms operating in Continental European (specifically Estonian) governance model. The Continental European model has received less attention in governance research that by default tends to assume the Anglo-American model.
3. Study 1 of the thesis contributes to both **corporate governance and corporate social responsibility** literature by discussing the **interface** between the two phenomena. The literature of the interrelations of these phenomena is fragmented (Jain & Jamali, 2016), especially in the contexts of private SMEs and smaller markets (e.g. Estapé-Dubreuil *et al.*, 2016; Jamali *et al.*, 2017; Amos, 2018; López-Pérez *et al.*, 2018). Study 1 demonstrates the logic of why CSR focus of private SMEs is not only a “nice thing to do” but how it is valuable also for the owners of the firm.
4. Study 1 also contributes to the corporate governance literature stream focusing on **how to govern** firms rather than **who governs** them. The majority of the

literature and empirical studies in this field tend to focus on the latter, i.e. studies quantitatively analyse various characteristics of corporate governance actors (owners, supervisory and management board members), but the discussion on the *how* part is lacking, e.g. various roles of the actors or processes within the corporate governance (Li *et al.*, 2020). Study 1 focuses specifically on the *how* part and presents an actual corporate governance bundle that professional private firm owners (a private equity fund) use in governing their investee firms together with explanations regarding why these mechanisms in the bundle are important and how they are interrelated.

5. Study 2 contributes to both **corporate governance and firm failure literature** by analysing associations between corporate governance variables and failure risk of private SMEs, a context that is very little researched (Ciampi, 2015; 2017). Study 2 findings are a valuable addition to the very limited number of analyses available in the private SME space. Interestingly, a recent study by Almaskati *et al.* (2021) concluded that the addition of corporate governance variables into failure prediction models significantly improves their accuracy, meaning that the topic has imminent academic as well as practical value.
6. Study 3 contributes to **corporate governance and strategic change literature** by demonstrating associations between changes in the corporate governance bundle and subsequent strategic change. Studies focusing on the **dynamic interface** between the two phenomena are limited (e.g. Boeker, 1997; Elosge *et al.*, 2018). The findings of Study 3 add to this sparsely researched area.
7. This thesis adds to the discussion of the **usage of different theoretical paradigms** within the corporate governance debate. The thesis argues that in the case of private SMEs the agency theory is neither optimal nor sufficient to explain what, how and why is happening in corporate governance. Additional theories such as resource dependence theory or resource-based view add important aspects and viewpoints to explain corporate governance in that segment. As such, the thesis is in line with and supports arguments proposed by authors like Uhlener *et al.* (2007), Aguilera *et al.* (2008), Huse *et al.* (2011) and Li *et al.* (2020).

3.3. Practical implications

The thesis also provides several practical implications for private SME owners who wish to improve the performance of their firms. Specific implications that have already been presented in each individual Study are not repeated here. Instead, the implications here are more related to the overall objective of the thesis and as such combine the implications from individual studies to a more general level.

1. The thesis presents an **actual corporate governance bundle** used by professional private firm owners. This could serve as a **template** for other private

SME owners for enhancing the performance of their firms. The details within the template might need to be adjusted for the context or goals of a particular firm, but the basic framework is still useful.

2. The thesis shows the importance of **active ownership**. This does not necessarily mean that an owner should take managerial role in the firm. The activeness could be related to being truly interested in the performance of the firm, taking an active stance in general goal-setting and strategy planning of the firm and supporting the management as and when needed.
3. As an example of active ownership, the thesis shows that by reconfiguring some key mechanisms within the corporate governance bundle, the owners might be able to **change the course of the firm** towards desired outcomes. This demonstrates that the corporate governance bundle truly is a tool in the hands of owners for controlling and directing their firms.
4. The thesis highlights the various roles held by and the respective **value created by supervisory boards**. In addition to the control function, the supervisory board can advise the management, support with knowledge and experience, facilitate the acquisition of resources and provide links to external stakeholders. The supervisory board tends to be an under-utilised resource in the SME segment, but more meaningful usage of this resource might help unlock further upside potential for these firms.
5. The thesis outlines different **dimensions of firm performance** and discusses the characteristics and differences of the dimensions as well as links between them (e.g. leading and lagging; backward-looking and forward-looking, short-term and long-term oriented, objectively measured and subjectively assessed, pro-shareholder and pro-stakeholder). Awareness of the multifaceted nature of firm performance is helpful for SME owners, supervisory and management board members in goal setting and strategizing processes as well as corporate governance bundle design efforts.
6. Study 3 highlights the relevance of previous **export experience** on private SME management board when attempting to start exporting. This is an important aspect to bear in mind for owners and supervisory board members who plan to start exporting, but also for **policy makers** when, for example, designing support schemes to promote exports by SMEs.

3.4. Limitations and avenues for further research

The thesis has applied an exploratory research approach by first discussing the “big picture” (i.e. corporate governance bundle design for private SMEs) and then proceeding with analysis of selected details of the “big picture” (i.e. associations between certain corporate governance mechanisms and firm performance). Such an approach was selected as previous corporate governance research in the private SME context is fragmented and requires a holistic exploratory overview that sets ground for future studies in this particular context. The research design choices taken in the thesis allowed to make several contributions to literature and to develop

various practical implications. However, the choices also resulted in certain limitations that need to be considered in conjunction with the findings of the thesis, as explained below. The limitations discussed herein are general and related to the thesis in its entirety. In addition to these, individual Studies present additional, more detailed limitations related to respective Studies, such details are not repeated here.

First, given the vastness of the topic and space limitations, the thesis could not possibly analyse in detail all corporate governance mechanisms and their associations with firm performance. Therefore, quantitative analyses (Studies 2 and 3) closely examined the characteristics of the management board and changes to the management board in relation to the financial and business performance of firms. However, as presented in Study 1, there are many other important governance mechanisms that were not covered in comparable depth and need to be studied further. For example, mechanisms like managerial incentive systems, designing and modifying performance measurement systems, nominating new or additional supervisory board members and altering the co-operation processes between supervisory and management boards might open new avenues for firm development.

Second, the thesis discusses private SME governance in the context of the Continental European governance model using Estonia as the study setting. While the Estonian institutional context is part of the Continental European governance model and thus is an applicable example, there may still be certain differences compared to other countries belonging to the Continental European model. The overall logic and key variables (such as legislation and typical ownership and financing structures, to name a few) are comparable within the group of countries, but there may be differences in some details, for example details in business laws, cultural differences and impact of historic background. Thus, when transferring the findings of the thesis to another Continental European model country, it is advisable to consider these potential differences.

As the private SME governance research is still fragmented, there are many opportunities for future research. For example, future research could continue exploring associations between other governance mechanisms (that were not quantitatively analysed within this thesis) and firm performance. Furthermore, future studies could attempt to establish not only associations but also causalities between these variables. Similar analyses could also be conducted in other Continental European model countries to detect and discuss any potential differences that might appear due to distinctions in external governance mechanisms. Also, similar research would be interesting in other governance models (e.g. Anglo-American) where such external governance mechanisms differ to a greater degree compared to Continental European model countries, and therefore the design of internal governance bundles might differ more significantly.

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SUMMARY IN ESTONIAN – KOKKUVÕTE

Väikeste ja keskmise suurusega eraettevõtete valitsemine ja tulemuslikkus

Töö aktuaalsus ja motivatsioon

Ettevõtete valitsemist on eraldiseisva distsipliinina akadeemiliselt uuritud kõigest umbes 40 aastat, alates 1980ndatest. Seega on tegu suhteliselt noore valdkonnaga võrreldes näiteks juhtimisteadusega. Kui ettevõtete juhtimise valdkonnas toimus kogu 20. sajandi jooksul märkimisväärne areng ning loodi hulk teooriaid, raamistikke ja mõttemudeleid erinevates juhtimise aladistsipliinides (nt. finantsjuhtimine, turundusjuhtimine, protsesside juhtimine), siis ettevõtete valitsemise aspektid said tähelepanu alles 20. sajandi viimastel kümnenditel. Samas, 21. sajand võib osutada ettevõtete valitsemise sajandiks, kuna fookus liigub üha rohkem äriühingute legitiimsuse, tulemuslikkuse ja mõjususe saavutamisele (Tricker, 2018).

Ettevõtete valitsemist on siiani valdavalt uuritud suurte börsil noteeritud ettevõtete näitel Anglo-Ameerika riikide kontekstis. Samas on enamik ettevõteteid väikese ja keskmise suurusega⁶ eraettevõtted⁷, ning Anglo-Ameerika ettevõtete valitsemise mudel on ainult üks paljudest. Järeldused, mis on tehtud Anglo-Ameerika suurte börsiettevõtete kontekstis ei pruugi kehtida väikeste eraettevõtete puhul Kontinentaal-Euroopas, kuna kontekst on erinev (Denis & McConnell, 2003; Huse, 2007; Aguilera & Jackson, 2010; Clarke, 2016; Armitage *et al.*, 2017).

Varasemad uuringud on tuginenud enamasti agenditeooriale (Jensen & Meckling, 1976) ning tegelenud juhtkonna vastutuse, riskide minimeerimise ja omaniku väärtuse maksimeerimisega. Kuna agenditeooriat on ettevõtete valitsemise kontekstis kritiseeritud kui liigselt kitsast ning lihtsustavat teooriat (Roberts *et al.*, 2005; Kumar & Zattoni, 2019), on aja jooksul uuringute aluseks lisandunud mitmeid muid teooriaid, näiteks ressursisõltuvuse teooria (Pfeffer & Salancik, 1978), kõrgema ešeloni teooria (Hambrick & Mason, 1984; Hambrick, 2007), sidusgruppide teooria (Freeman, 1984) ja institutsiooniteooria (North, 1990). On ka leitud, et arvestades ettevõtete valitsemise kompleksust on vastavates uurin-gutes mõistlik rakendada mitmeid teooriaid üheaegselt (Li *et al.*, 2020).

Kirjeldatud laienemine teoreetiliste aluste kasutamisel ning üldised majanduslikud ja sotsiaalsed muutused ühiskonnas (Filatotchev *et al.*, 2020) on tõstnud fookusesse teemasid, mida agenditeoreetiline käsitlus ignoreeris. Riskide

⁶ Doktoritöö keskendub väikese ja keskmise suurusega eraettevõtetele. Teksti parema loetavuse huvides kasutatakse töös terminit „väikesed eraettevõtted“, mis hõlmab endas nii väikeseid kui keskmise suurusega eraettevõtteid.

⁷ Eraettevõtte all mõeldakse doktoritöös börsil noteerimata ettevõtet. Teisiti öeldes, eraettevõtet käsitletakse vastandina börsil noteeritud ettevõttele, mitte kui vastandit riigile kuuluvale ettevõttele.

minimeerimisele lisaks on hakatud rohkem uurima, kuidas ettevõtete valitsemise toel ettevõtete väärtust tõsta ning tulemuslikkust parandada (e.g. Uhlaner *et al.*, 2007; Huse *et al.*, 2011; Aguilera *et al.*, 2016). Omanike väärtuse maksimeerimise (e.g. Shleifer & Vishny, 1997) kõrval on tähelepanu saanud ka muude sidusgruppide ootuste täitmine ja ettevõtete ühiskondlik vastutus (Freeman, 1984; Brink, 2010; García-Castro & Aguilera, 2015; Barney, 2018). Fookuse laiendamine ainult omanikelt teistele huvigruppidele on muutnud ka ettevõtte tulemuslikkuse käsitlusi. Omanike finantstulu eesmärkide saavutamise asemel on hakatud tegelema tasakaalu leidmisega kõigi huvigruppide eesmärkide saavutamisel (Aguilera *et al.*, 2008; Harrison *et al.*, 2020).

Kokkuvõtlikult, ettevõtete valitsemise uuringud on varasemalt keskendunud valdavalt suurte Anglo-Ameerika börsil noteeritud ettevõtete kontekstile ning juhtkonna vastutusele omanike ees. Aja jooksul on uuringute fookus laienenud, kuid palju tööd on veel teha fookuse tasakaalustamisel (Uhlaner *et al.*, 2007; Brunninge *et al.*, 2007; Chen *et al.*, 2014, Neckebrouck *et al.*, 2019). Doktoritöö keskendub ettevõtete valitsemisele suhteliselt vähe uuritud väikeste eraettevõtete kontekstis. Uuring viiakse läbi Kontinentaal-Euroopa kontekstis ja Eesti ettevõtete näitel.

Uurimiseesmärgid ja -ülesanded

Doktoritöö eesmärk on laiendada meie teadmisi seostest väikeste eraettevõtete valitsemise ja tulemuslikkuse vahel.

Doktoritööle on seatud järgmised uurimisülesanded:

1. Kontseptuaalse raamistiku loomine uurimaks ettevõtete valitsemise ja ettevõtete tulemuslikkuse seoseid üldisel tasandil.
2. Väikeste eraettevõtete eripärade analüüs ettevõtete valitsemise kontekstis.
3. Ettevõtete tulemuslikkuse käsitluste analüüs.
4. Uurimislünkade tuvastamine väikeste eraettevõtete valitsemise ja tulemuslikkuse seoseid käsitlevas akadeemilises kirjanduses.
5. Doktoritöö jaoks uurimisküsimuste määratlemine tuginedes varasema kirjanduse ülevaatele ning uurimislünkadele.
6. Empiiriliste uuringute läbi viimine ja esitamine.
7. Uurimisküsimuste tulemuste analüüs, akadeemilise ja praktilise väärtuse esitlemine, töö piirangute ja tulevaste uurimissuundade kokkuvõte.

Uurimismetoodika ja andmed

Doktoritöö tugineb kolmel empiirilisel uurimistööl, mis analüüsivad väikeste eraettevõtete valitsemise ja tulemuslikkuse seoseid erinevate vaatenurkade alt ja tuginedes erinevatele meetoditele. Tabel 1 esitab kokkuvõtte kasutatud meetoditest ning peamistest andmetest.

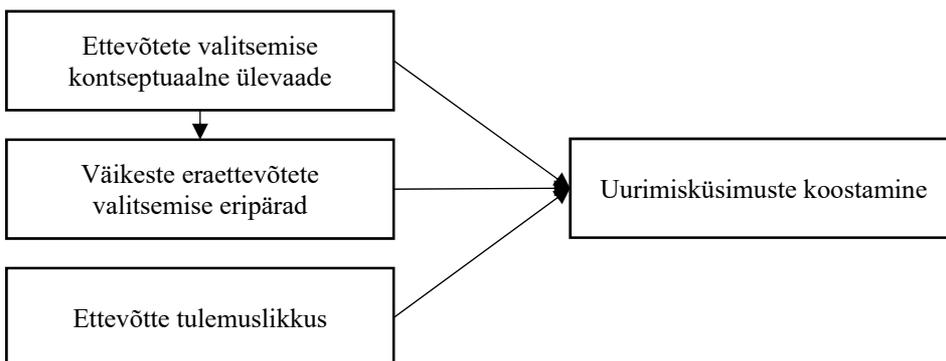
Tabel 1. Uurimismetoodika ja andmete kokkuvõte.

Uurimus	Meetod	Andmed
1	Kaasus-analüüs	Teisesed andmed: BaltCapi aastaaruanded, ühiskondliku vastutuse koodeks, ühiskondliku vastutuse (ESG) raportid aastate 2011–2018 kohta ja portfelli ettevõtete ülevaated. Esmased andmed: poolstruktureeritud intervjuud.
2	Logistiline regressioon	67,058 Eesti väikest eraettevõtet. Andmed Äriregistrist. Sõltuv muutuja: ebaõnnestumise risk. Sõltumatud muutujad: juhatuse liikmete arv; juhatuse sooline heterogeensus; juhatuse liikmeks oleku aeg; juhatuse liikmete vanus; mitme ettevõtte juhatuses olek; omanike kontsentratsioon ja juhatuse ning omanike kattuvus.
3	Logistiline regressioon	16,941 Eesti väikest eraettevõtet. Andmed Äriregistrist. Sõltuvad muutujad: ekspordi alustamine; laienemine uutele eksporditurgudele; laienemine uutesse tegevusvaldkondadesse, üldine strateegiline muutus. Iga sõltuva muutuja kohta 3 eraldi mudelit: 1) kitsendusteta, 2) stabiilsuse kitsendusega, 3) suuruse kitsendusega. Sõltumatu muutuja: uue juhatuse liikme määramine.

Allikas: Autori koostatud.

Kirjanduse ülevaade ja uurimisküsimused

Kirjanduse ülevaade on jagatud neljaks alapeatükis (vt joonis 1). Esimene alapeatükk analüüsib ettevõtete valitsemist kontseptuaalsel tasemel. Avatakse peamiste mõistete sisu ja seosed eri mõistete vahel. Seejärel tuuakse teises alapeatükk välja väikeste eraettevõtete eripärad ning nende mõju ettevõtete valitsemisele. Kolmas alapeatükk käsitleb ettevõtte tulemuslikkuse mõõtmise mitmetahulisust. Neljas alapeatükk seob kokku esimeses kolmes alapeatükis käsitletud teemad ning esitab doktoritöö uurimisküsimused.



Joonis 1. Kirjanduse ülevaate struktuur.

Ettevõtete valitsemise kontseptuaalne ülevaade

Ettevõtete valitsemine on ettevõtete suunamise ja kontrollimise süsteem (Cadbury, 1992). Erinevate **valitsemise mehhanismide** abil (Ward *et al.*, 2009) jagatakse ettevõtte omanike, nõukogu ja juhatuse vahel võim, rollid ja vastutus-alad (Roe, 2004). Vastav rolli- ja võimujaotus mõjutab ettevõtte tiptasemel tehtavaid otsuseid ning seeläbi tulemuslikkust (Hambrick & Mason, 1984; Hambrick, 2007).

Valitsemise mehhanismid jagunevad **väliteks** ja **sisesteks mehhanismideks** (Walsh & Seward, 1990). Välised mehhanismid – näiteks seadusandlus, kultuuri-lised normid, äritavad – on kohaspetsiifilised ja piirkonniti erinevad, mistõttu uuritakse neid tavaliselt riikide või suuremate piirkondade tasandil (Aslan & Kumar, 2014; Millar, 2014; Schiell *et al.*, 2014; Yoshikawa *et al.*, 2014; Hooghiemstra *et al.*, 2015). Need mehhanismid mõjutavad ettevõtet väljast ja pole seega ettevõtte enda kontrolli all. Samas mõjutavad nad siseste mehhanismide valikuid, näiteks tehes mõne sisese mehhanismi mingis piirkonnas kättesaamatuks või ebamõistlikult kalliks (Doidge *et al.*, 2007). See on ka üks oluline põhjus, miks ei saa mingis geograafilises piirkonnas tehtud järeldusi automaatselt üle kanda teise piirkonda (Judge *et al.*, 2008). Sisemisi mehhanisme – näiteks juhatuse motivatsioonisüsteem, aktsionäride leping, kontrollisüsteemid – kujundavad ettevõtted endale ise, et parandada tulemuslikkust. Tulemuslikkuse parandamisel on kaks poolt: negatiivsete tulemuste vältimine ning positiivsete tulemuste toetamine. Negatiivse tulemuse tüüpiline näide on agenditeoorias (Jensen & Meckling, 1976) kirjeldatud omanike ja juhatuse huvide konflikt, millest tulevalt võib juhatuse lähtuda isiklikest, mitte omanike või ettevõtte laiematest huvidest. Sellist riski võivad vähendada näiteks juhatuse motivatsioonisüsteem, mis ühildab juhatuse ja omanike huve, tõhus kontrollisüsteem või nõukogu kontrollifunktsioon. Positiivsete tulemuste toetamise näiteks on nõukogu nõustav roll, mille raames nõukogu liikmed abistavad juhatust oma funktsionaalsete või valdkondlike kompetentsidega, kontaktide võrgustikuga või võimekusega hankida muid vajalikke ressursse. Tuginedes ressursipõhisele teorialle (Barney, 1991) ja ressursisõltuvuse teorialle (Pfeffer & Salancik, 1978) sõltub konkurentsieelse saavutamise ning kaitsmise vajalike ressursside olemasolust või välistele ressurssidele ligipääsust.

Ettevõtteid valitsetakse seega mitmete väliste ja siseste mehhanismide abil. Vastavat mehhanismide kogumit nimetatakse **ettevõtte valitsemise mehhanismide komplektiks** (i.k. *corporate governance bundle*). Erialases kirjanduses on üldiselt aktsepteeritud seisukoht, et ettevõtte tulemuslikkus sõltub mehhanismide komplektist, mitte igast üksikust mehhanismist eraldiseisvalt (Rediker & Seth, 1995; Aguilera *et al.*, 2008; Ward *et al.*, 2009; Misangyi & Acharya, 2014; Filatotchev & Wright, 2017). Nimetatud asjaolu tuleneb mehhanismide **komplementaarsuse** ja **asendatavuse** printsiipidest. Komplementaarsus tähendab, et komplektis olevate mehhanismide mõjud on omavahel interaktsioonis. Lisades komplekti täiendava mehhanismi, muutub komplekti tervikmõju. Näiteks, juhatuse oportunistliku käitumise piiramiseks ei pruugi piisata eraldiseisvalt nõukogu

kontrollfunktsioonist või omanikega huve ühildavast motivatsioonisüsteemist, kuid nende kahe mehhanismi koosmõju võib olla piisav nimetatud probleemi lahendamiseks (Ward, 2009). Asendatavus tähendab, et mehhanismid lahendavad sisuliselt sama ülesannet ning seetõttu võib ühe teise vastu vahetada, ilma et komplekti tervikfunktsionaalsus oluliselt muutuks. Näiteks, nõukogu kontrollfunktsiooni võib asendada suuromaniku kontrollfunktsiooniga (Rediker & Seth, 1995). Tulenevalt komplementaarsuse ja asendatavuse printsiipidest on võimalik luua erinevaid mehhanismide komplekte lisades või eemaldades erinevaid sisemisi mehhanisme.

Komplekti lisatavate sisemiste mehhanismide valikut mõjutab ettevõtte **kontekst**. Esiteks, ettevõtte tegevuspiirkonnas kehtivad välised mehhanismid võimaldavad või piiravad mingite sisemiste mehhanismide rakendamist. Teiseks mõjutavad valikut ettevõtte enda karakteristikud, näiteks ettevõtte suurus või elutsükli faas (Huse, 2005; Aguilera *et al.*, 2008; Filatotchev & Allcock, 2010). Ettevõtted erinevates kontekstides vajavad edukaks toimimiseks erinevaid mehhanismide komplekte (Heracleous, 2001; Huse, 2005; García-Castro *et al.*, 2013).

Mehhanismide valikut mõjutab ka mehhanismidega seotud **kulu**. Mehhanismide kulu võib olla otsene – näiteks juhatuse või nõukogu tasud – või kaudne alternatiivkulu – näiteks aeg, mille juhatuse kulutab investorsuhetele, on kadunud ettevõtte sisulise juhtimise jaoks (Aguilera *et al.* 2008). Seega, kuigi põhimõtteliselt võib mehhanismide komplekti lisada palju eri mehhanisme, et maksimeerida komplementaarsuse efekti, võivad seotud kulud jõuda tasemele, kus need hakkavad ületama saadud kasu (García-Castro *et al.*, 2013).

Väikeste eraettevõtete valitsemise eripärad

Väikeste eraettevõtete analüüsil tuleb arvestada kahe kontekstifaktoriga: 1) ettevõtted ei ole börsil noteeritud, ja 2) nad on väikese või keskmise suurusega. Järgnevalt on toodud peamised väikeste eraettevõtete eripärad ja nende mõju ettevõtte valitsemisele.

Eraettevõtte aktsiad ei ole börsil noteeritud, mistõttu üldjuhul erinevad eraettevõtte omanikkonna koosseis, ootused ja rollid börsil noteeritud ettevõtte vastavatest kriteeriumitest. Eraettevõtte omanikud on tavaliselt rohkem seotud konkreetse ettevõttega ja nende majanduslik olukord sõltub selle konkreetse ettevõtte tulemuslikkusest (Ciampi, 2015). Börsiettevõtete omanikud seevastu omavad tüüpiliselt väga väikest osalust börsiettevõttes ning nende portfellis on tavaliselt mitmeid börsiettevõtteid, mistõttu nende majanduslik olukord ei sõltu nii väga iga üksiku ettevõtte tulemustest. Kuna börsiettevõtete aktsiad on vabalt kaubeldavad, on selle omanikel mitterahuldavate tulemuste korral suhteliselt lihtne oma osalus müüa ja osta mõne teise börsiettevõtte aktsiaid (Connelly *et al.*, 2010). Eraettevõtte omanikel on osaluse müük oluliselt keerukam, mistõttu on neil motivatsioon, et kontrollida ning suunata ettevõtte käekäiku (Denis & McConnell, 2003).

Eraettevõtte omanikud omavad ettevõttes tavaliselt suhteliselt suurt osalust (La Porta, 1999) võrreldes tüüpiliste börsiettevõtte omanikega, mistõttu võimusuhted omanike ja juhatuse vahel erinevad oluliselt. Eraettevõtte (suur)omanikel on lihtsam teha soovi korral või ebarahuldavate tulemuste puhul juhatuses muutusi, et uus juhtkond viiks ettevõtet edasi omanike soovitud suunas. Börsiettevõtete juhid on tavaliselt omanike surve all, et saavutada häid lühiajalisi tulemusi, samas kui eraettevõtete omanikud on tüüpiliselt huvitatud tulemustest pikemas aja-horisondis (Huse, 2005).

Eraettevõtete omanikud on tihti ise ka juhatuse liikmed (Huse, 2005; Brunninge *et al.*, 2007). Sellest tulenevalt on omanike ja juhatuse vaheline agendiprobleem eraettevõtete puhul tavaliselt vähem oluline kui börsiettevõtete puhul, kus omanike ja juhatuse vahel on üldjuhul selgem eristus (Uhlener *et al.*, 2007; Machold *et al.*, 2011). Samas võib mitme omanikuga eraettevõtete puhul olla oluliseks küsimuseks võimalik konflikt enamus- ja vähemusomanike vahel (Denis & McConnell, 2003; Roe, 2004).

Väikestel ettevõtetel on vähemate ressursside tõttu keeruline palgata suureliikmelist juhatust, kes formuleeriks ja viiks ellu ettevõtte strateegia. Kuna väikeste ettevõtete juhatused on tavaliselt väiksemad, on seda olulisem, et juhatuses oleks sobivad inimesed just selle ettevõtte jaoks (Cowling, 2003). Igast ühest juhatuse liikmest sõltub väikeses juhatuses rohkem kui suurearvulises juhatuses. See tähendab väikeste ettevõtete omanike jaoks, et sobiva juhatuse valimine, motiveerimine ja vajadusel väljavahetamine on olulised mehhanismid ettevõtte valitsemiseks.

Üks tavaliselt vähe kasutatud ettevõtete valitsemise mehhanism väikeste ettevõtete jaoks on nõukogu, eriti tema juhatust toetavas rollis (Van den Heuvel *et al.*, 2006; Machold *et al.*, 2011). Nõukogu liikmed saaksid ettevõttele näiteks pakkuda täiendavaid spetsiifilisi teadmisi, nõustada strateegia vallas või esindada ettevõtte huve väliste huvigruppide juures. Arvestades, et väikeste ettevõtete juhatused on väiksearvulised, on selline tugi väikeste ettevõtete jaoks olulisem kui suurettevõtete jaoks (Huse, 2005). Paraku tegelikkuses piirdub väikeste ettevõtete nõukogude roll pigem seaduses nõutud formaalsete toimingutega (*ibid.*) ning võimalik lisaväärtus nõukogu olemasolust jääb piiratuks (Brunninge & Nordqvist, 2004).

Väikeste ettevõtete ressursside vähesuse tõttu on ettevõtte valitsemise mehhanismide kuluaspekt oluline piirav faktor. Mõned kulukad mehhanismid, näiteks mahukad kontroll- või raporteerimissüsteemid, mis on suurte ettevõtete puhul tavapärased, ei pruugi olla väikeste ettevõtete jaoks kättesaadavad.

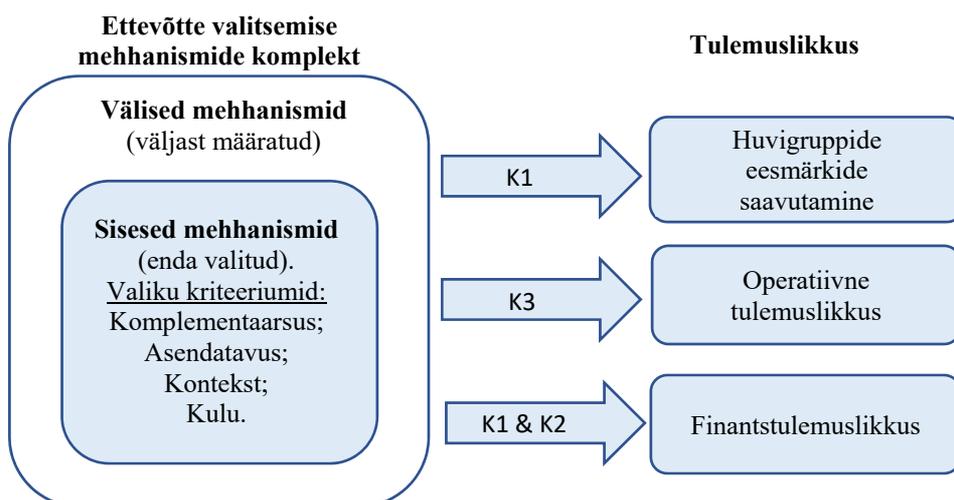
Ettevõtte tulemuslikkus

Tänapäevane ettevõtte tulemuslikkuse käsitlus on kompleksne ja mitmetahuline valdkond (Dess & Robinson, 1984; Rauch *et al.*, 2009; Richard *et al.*, 2009), mis hõlmab tulemuslikkust finantsilises, operatiivses (mittefinantsilises) ja huvi-gruppide eesmärkide saavutamise vaates (Venkatraman & Ramanujam, 1986).

Finantsnäidikud, näiteks käibe kasv või kasumlikkus, käsitlevad kitsalt ettevõtte majanduslikke eesmärke. Operatiivse tulemuslikkuse tase lisab mittefinantsilised mõõdikud, näiteks uute toodete lisamine tooteportfelli, uutele turgudele sisene mine, kvaliteedi näitajad ja klientide rahulolu. Huvigruppide eesmärkide saavuta mise dimensioon hõlmab eri huvigruppide, näiteks enamus- ja vähemusomanikud, töötajad, partnerid ja ühiskond, erinevate ning potentsiaalselt vastandlike ootuste vahel tasakaalu leidmist.

Uurimisküsimuste koostamine

Lähtudes doktoritöö eesmärgist ja tuginedes eeltoodud kirjanduse ülevaatele on püstitatud järgmised kolm uurimisküsimust (K1-K3), mis analüüsivad väikeste ettevõtete valitsemise seoseid tulemuslikkuse eri dimensioonidega (Joonis 2).



Joonis 2. Raamistik uurimaks ettevõtete valitsemise ja tulemuslikkuse seoseid. Autori koostatud.

K1: Kuidas luua väikeste eraettevõtete valitsemise mehhanismide kompleks, mis toetaks nii omanike finantseesmärkide kui ka teiste huvigruppide eesmärkide saavutamist?

K2: Kas väikeste eraettevõtete juhatuse karakteristikute ja finantstulemuslikkuse vahel on seos?

K3: Kas väikeste eraettevõtete puhul on uue juhatuse liikme määramise ja sellele järgneva ettevõtte uutele turgudele või uutesse tegevusvaldkondadesse laienemise vahel seos?

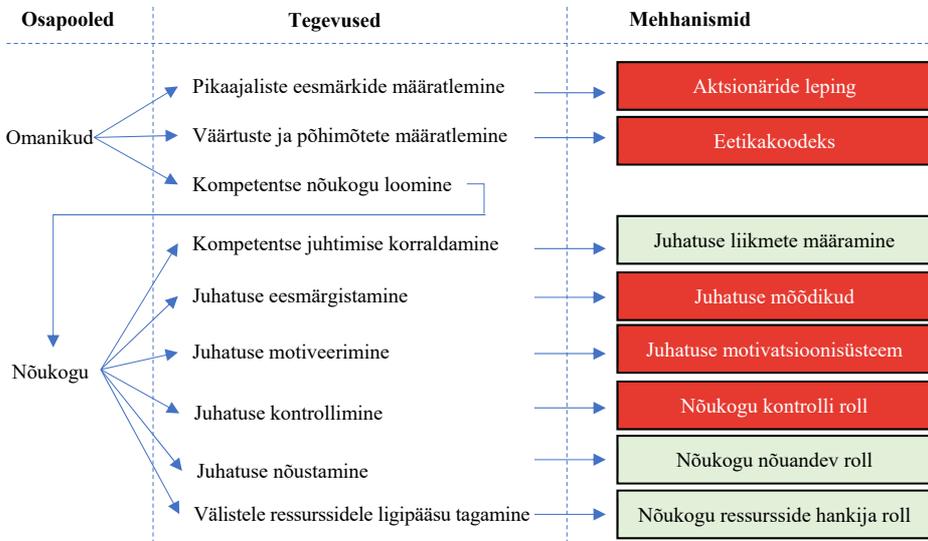
Töö tulemuste kokkuvõte

Töö tulemused on allpool esitatud uurimisküsimuste kaupa.

K1: Kuidas luua väikeste eraettevõtete valitsemise mehhanismide komplekt, mis toetaks nii omanike finantseesmärkide kui ka teiste huvigruppide eesmärkide saavutamist?

Uurimistöö raames viidi läbi kaasusanalüüs erakapitalifondis BaltCap ning uuriti, kuidas loob BaltCap ettevõtete valitsemise mehhanismi komplekti oma portfelli kuuluvatele ettevõtetele: millised mehhanismid ja miks sinna valitakse? Kuna BaltCap on professionaalne väikeste eraettevõtete omanik, on nende kogemused ja teadmised väärtuslikud nii akadeemilises kui praktilises vaates.

Selgus, et BaltCap lähtub kõigi oma portfelli ettevõtete puhul sarnasest loogikast, kuigi detailides võib olla erisusi. Joonis 3 võtab lühidalt kokku erinevate osapoolte tegevused mehhanismide komplekti loomisel. Peamiste märksõnadena võib välja tuua aktiivse omaniku põhimõtte, mis ei tähenda, et omanik osaleb tingimata ettevõtte igapäevases juhtimises, aga pigem suunab ja kontrollib ettevõtet nõukogu töö raames. Omanik osaleb aktiivselt ettevõtte pikaajaliste eesmärkide ning tööpõhimõtete määramisel ning juhatare toetamisel nõukogu erinevates rollides.



Mehhanismi fookus



Väärtuse kaitsmine



Väärtuse loomine

Joonis 3. Väikeste eraettevõtete valitsemise mehhanismide komplekti koostamise põhimõtted. Autori koostatud.

K2: Kas väikeste eraettevõtete juhatuse karakteristikute ja finantstulemuslikkuse vahel on seos?

Uurimistöö raames analüüsiti logistilise regressiooni meetodil seoseid erinevate juhatuse liikmete karakteristikute ning finantstulemuslikkuse vahel. Tabel 2 esitleb analüüsitud sõltumatute muutujate lõikes saavutatud tulemused: kas tuvastati statistiliselt oluline positiivne või negatiivne seos, või ei olnud seos statistiliselt oluline. Tulemused on esitatud üldkogumi kohta ning täiendava analüüsina jagatuna suuruse ning vanuse järgi gruppidesse. Kokkuvõtlikult võib analüüsist järeldada, et mõnede analüüsitud karakteristikute puhul on tuvastatud statistiliselt oluline seos muutuja ning finantstulemuslikkuse vahel. Üldkogumi puhul tuvastati, et finantstulemuslikkusega oli negatiivne seos juhatuse suurusel ning mitme eri ettevõtte juhatuses osalemisel. Positiivne seos tuvastati juhatuse liikmete vanuse ning omanike ja juhatuse kattuvuse ning finantstulemuslikkuse vahel. Juhatuse liikmete soolise heterogeensuse, juhatuse liikmete juhatuses oldud aja ja omanike kontsentratsiooni puhul oli seos finantstulemuslikkusega statistiliselt ebaoluline.

Tabel 2. Seosed juhatuse karakteristikute ja finantstulemuslikkuse vahel.

Muutuja	Üldine tulemus	Ettevõtte suurus		Ettevõtte vanus	
		Väiksemad ettevõtted	Suuremad ettevõtted ⁸	Nooremad ettevõtted	Vanemad ettevõtted
Juhatuse suurus	Negatiivne	Negatiivne	Ebaoluline	Negatiivne	Ebaoluline
Juhatuse sooline heterogeensus	Ebaoluline	Ebaoluline	Ebaoluline	Ebaoluline	Ebaoluline
Juhatuse liikmete vanus	Positiivne	Ebaoluline	Ebaoluline	Ebaoluline	Ebaoluline
Mitmes juhatuses osalemine	Negatiivne	Negatiivne	Negatiivne	Negatiivne	Ebaoluline
Juhatuse liikmete kogemus	Ebaoluline	Positiivne	Ebaoluline	Ebaoluline	Ebaoluline
Omanike kontsentratsioon	Ebaoluline	Ebaoluline	Ebaoluline	Ebaoluline	Ebaoluline
Omanike ja juhatuse kattuvus	Positiivne	Positiivne	Positiivne	Positiivne	Positiivne

Allikas: Autori koostatud. Tabeli koostamisel on lähtutud p-väärtuse olulisuse nivoost $p < 0.01$.

⁸ Ettevõtted grupis “suuremad ettevõtted” vastavad jätkuvalt väikeste ja keskmise suurusega ettevõtte kriteeriumitele.

K3: Kas väikeste eraettevõtete puhul on uue juhatuse liikme määramise ja sellele järgneva ettevõtte uutele turgudele või uutesse tegevusvaldkondadesse laienemise vahel seos?

Doktoritöö raames analüüsiti logistilise regressiooni meetodil seoseid uue juhatuse liikme määramise (sõltumatu muutuja) ning sellele sündmusele järgneva eri tüüpi strateegiliste muutuste (sõltuvad muutujad) vahel. Strateegilisteks muutusteks olid ettevõtte laienemine uude tegevusvaldkonda, ekspordi alustamine või juba eksportivate ettevõtete puhul täiendavatele eksporditurgudele sisenemine. Analüüs tuvastas seoseid uue juhatuse liikme määramise ning osade nimetatud strateegiliste muutuste vahel, kuigi seoste tugevus varieerus. Statistiliselt kõige tugevam seos leiti uue juhatuse liikme määramise ja sellele järgneva ekspordiga alustamise vahel. Statistiliselt oluline seos oli ka uue juhatuse liikme määramise ja uutesse tegevusvaldkondadesse laienemise vahel, kuigi seos oli statistiliselt nõrgem kui ekspordiga alustamise puhul. Täiendavatele eksporditurgudele laienemise puhul oli seos statistiliselt ebaoluline.

Doktoritöö teoreetiline panus

Doktoritöö panus teoreetilisse kirjandusse on kokkuvõtlikult järgmine:

1. Doktoritöö panustab ettevõtete valitsemise kirjandusse uurides **väikeste ja keskmise suurusega eraettevõtete valitsemist**. Nimetatud segment on võrreldes suurte börsiettevõtete segmendiga vähe uuritud (Uhlaner *et al.*, 2007, Li *et al.*, 2020).
2. Doktoritöö keskendub suhteliselt vähem uuritud **Kontinentaal-Euroopa** taustsüsteemis tegutsevatele ettevõtetele ja panustab sellega võrdlevasse ettevõtete valitsemise kirjandusse (e.g. Aguilera & Jackson, 2010; Schiell *et al.*, 2014; Yoshikawa *et al.*, 2014; Hooghiemstra *et al.*, 2015; Clarke, 2016).
3. Doktoritöö analüüsib **ettevõtete valitsemise ja vastutustundliku ettevõtluse kokkupuutepunkte**, mis on suhteliselt vähe uuritud valdkond (Jain & Jamali, 2016), eriti väikeste eraettevõtete segmendis (e.g. Estapé-Dubreuil *et al.*, 2016; Jamali *et al.*, 2017; Amos, 2018; López-Pérez *et al.*, 2018).
4. Doktoritöö panustab kirjandusse analüüsides **kuidas** ettevõtteid valitseda professionaalsete eraettevõtete omanike tervikliku ettevõtte valitsemise mehhanismide komplekti näitel. Kui valdavalt keskenduvad ettevõtte valitsemisega seotud analüüsid erinevate karakteristikute kvantitatiivsetele analüüsidele, siis uuringuid, mis keskenduksid ettevõtete valitsemise protsessidele ja osapoolte rollidele, on vähe (Li *et al.*, 2020).
5. Doktoritöö panustab **ettevõtete valitsemise ja ebaõnnestumiste kirjandusse** analüüsides vähe uuritud väikeste ja keskmise suurusega eraettevõtete segmenti (Ciampi, 2015; 2017).
6. Doktoritöö panustab **ettevõtete valitsemise ja strateegiliste muutuste kirjandusse** uurides, kuidas on seotud muutused väikeste ja keskmise suurusega eraettevõtete valitsemises ja ettevõtete strateegilised muutused.

7. Doktoritöö näitab, et väikeste eraettevõtete valitsemise puhul ei ole agendi-teooria peamise alusteooriana optimaalne ega piisav, vaid tuleks tugineda **täiendavatele teooriatele** nagu näiteks ressursisõltuvuse teooria ja ressursipõhine teooria. Doktoritöö toetab seega järeldusi, mida on teinud ka mitmed teised uurijad, näiteks Uhlaner *et al.* (2007), Aguilera *et al.* (2008), Huse *et al.* (2011) ja Li *et al.* (2020).

Töö praktiline tähtsus

Lisaks teoreetilisele panusele omab doktoritöö ka praktilist tähtsust.

1. Doktoritöö esitleb professionaalsete väikeste eraettevõtete omanike poolt loodud ettevõtte valitsemise mehhanismide komplekti, mis võib sobida aluseks ka teistele väikeste eraettevõtete omanikele. Komplekti nüansse võib olla vajalik kohandada vastavalt iga ettevõtte kontekstile, kuid selle üldine raamistik ja loogika on asjakohane.
2. Doktoritöö näitab aktiivse omaniku rolli tähtsust. Aktiivne omanik ei pea tingimata osalema ettevõtte igapäevases juhtimises, aga võib väljenduda ka osalemises eesmärkide seadmises ja strateegia koostamises ning juhtkonna toetamises eesmärkide saavutamisel.
3. Ühe aktiivse omaniku rolli näitena analüüsib doktoritöö, kuidas omanik saab muuta ettevõtte kurssi tehes muutusi juhatuse koosseisus.
4. Doktoritöö näitab nõukogu erinevaid rolle ja nende tähtsust ettevõtte valitsemises ning väärtuse loomises. Nõukogu on suhteliselt alakasutatud ressurss väikeste eraettevõtete valitsemises, kuid tal on potentsiaali luua märksa suuremat väärtust.
5. Doktoritöö analüüsib ettevõtete tulemuslikkuse mõõtmise mitmedimensionaalsust, näitab eri dimensioonide tähtsust, omadusi ning seoseid eri dimensioonide vahel. Omanike, nõukogu ja juhatuse liikmete teadlikkus neist aspektidest on oluline ettevõtete tegevuse eesmärgistamisel ning ettevõtte valitsemise mehhanismide komplekti koostamisel.
6. Doktoritöö näitab varasema ekspordi kogemuse olulisust ekspordi alustavate väikeste eraettevõtete puhul. Teadlikkus sellest asjaolust on oluline nii ettevõtete omanikele juhatuse liikmete värbamisel, aga ka poliitikakujundatel näiteks ekspordi toetavate poliitikameetmete kujundamisel.

Piirangud ja soovitud edasisteks uuringuteks

Tulenevalt uurimismetoodikas tehtud valikutest kehtivad doktoritööle mõned olulised piirangud, millega tuleks tulemuste tõlgendamise arvestada.

Esiteks, kuna ettevõtete valitsemise temaatika on väga lai ning nüansirohke, siis ei ole töös mahupiirangute tõttu detailselt käsitletud kõiki võimalikke ettevõtte valitsemise mehhanisme ning nende mõju tulemuslikkusele. Töö kvantitatiivsed analüüsid käsitlevad juhatuse liikmete karakteristikute seoseid finants-

tulemuslikkusega ja juhatuse koosseisus tehtavate muutuste seoseid operatiiv-tulemuslikkusega. Muid mehhanisme ei ole käsitletud võrreldava detailsusega.

Teiseks, doktoritöö käsitleb väikeste eraettevõtete valitsemist Kontinentaal-Euroopa taustsüsteemis ja teeb seda Eesti ettevõtete näitel. Kuigi üldised institutsionaalsed mõjud Kontinentaal-Euroopa süsteemi kuuluvatel riikidel on sarnased, siis detailides (näiteks seadusandlikud nüansid vms.) võib olla erinevusi, millega tuleb arvestada kandes Eesti ettevõtete näitel leitud tulemusi üle teiste Kontinentaal-Euroopa riikide ettevõtetele.

Väikeste eraettevõtete valitsemise edasiseks uurimiseks on mitmeid võimalusi. Näiteks tasuks uurida muude valitsemise mehhanismide seoseid ettevõtete tulemuslikkusega. Lisaks võiksid tulevased uuringud püüda analüüsida põhjuslikke seoseid ettevõtete valitsemise ja tulemuslikkuse muutujate vahel. Käesoleva doktoritööga sarnaseid uuringuid tasuks teha ka muudes Kontinentaal-Euroopa süsteemi kuuluvates riikides, et tuvastada ja analüüsida võimalikke erisusi. Samuti tasub uurida samu teemasid muudes institutsionaalsetes süsteemides, nt Anglo-Ameerika mudel, kus erinevused väliste mehhanismide vahel on suuremad, mistõttu võib eeldada, et ka sisemised mehhanismid erinevad olulisemalt võrreldes käesolevas doktoritöös leituga.

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