

An Examination of the Link Between Business Ethics and Corporate Governance Principles of Smes Kwazulu Natal, South Africa: Application of Shareholder Theory

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Abstract

This study examines the relationship between business ethics and corporate governance principles in small and medium-sized enterprises (SMEs) in the KwaZulu Natal region of South Africa. It aims to understand how ethical behavior and practices within SMEs can promote good corporate governance, using the framework of shareholder theory. The study employs a quantitative research design, collecting data from a sample of 217 active SMEs through a close-ended questionnaire. The data is analysed using statistical methods, including chi-square tests, Spearman ranked correlation coefficient, and regression analysis. The results indicate a significant positive correlation between business ethics and corporate governance in SMEs, emphasizing the importance of ethical conduct in maximising shareholder value while considering broader ethical implications. Based on the findings, several recommendations are provided. SMEs should prioritise the development of robust ethical frameworks, promote a culture of integrity and accountability, and invest in ethical leadership development. Collaboration and knowledge-sharing among SMEs can facilitate the adoption of ethical practices. Policymakers and regulatory bodies should recognise the significance of business ethics and corporate governance in SMEs and provide support and incentives for their implementation.

Keywords: Business ethics, corporate governance, SMEs, Ethics, Shareholder theory