

Exploring Business Ethics and Corporate Governance Practices in SMEs: A Case of Glen View Area 8, Harare

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Dedicated to the late Mr. Daniel Somane a brother and mentor who passed away before this paper was published. Your encouragement and wise words will forever be missed. RIP Daniel.

ABSTRACT: This paper sought to examine on business ethics and corporate governance practices in small and medium-sized enterprises operating in Glen View Area 8 in Harare Metropolitan Province of Zimbabwe. Given the current economic impasse in the country, it is but necessary to be relevant in terms of how we can utilise our local SMEs towards achieving the goals of National Development Strategy 1. Small and medium-sized enterprises (SMEs) are conduits towards job creation, economic growth and an upper middle-income economy by 2030. This research draws upon ethical and moral approaches to business that can inform the decision

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making of entrepreneurs. The research utilises a mixed-methods methodology, drawing upon qualitative data and survey data within a multiple case study format. Questionnaire surveys were distributed to owners or employees of sampled SMEs and a document analysis was also undertaken. The findings establish that business ethics and corporate governance do have an impact upon the performance, behaviour and growth of SMEs. Importantly the research highlights the importance of appropriate governance and ethical practices to the sustainability of SMEs. Evidence exists which suggests that improving ethical behaviour and corporate governance practices and standards can contribute to improved organisational performance in similar SMEs.

Keywords: *SMEs, Business Ethics, Corporate Governance, Sustainability, Organizational performance, Glenview Area 8.*

Introduction

Small and Medium Enterprises (SMEs) are critical for developing countries because of their role in economic growth and poverty reduction (Mahmood 2008). Asunka (2017) indicates that the Department of Economic Development of Dubai reports that the small and medium enterprises (SMEs) sector of Dubai comprises 95% of the businesses, 42% of the workforce and contributes to 40% of value added to the Dubai Economy. SMEs are the backbone of the EU economy - they represent 99 % of all enterprises in the EU. Some 23 million SMEs provide around 75 million jobs (European Commission, 2005), and in the UK, SMEs account for 99.9 per cent of all private sector businesses in the UK and 59.3 per cent of private sector employment. South Africa is recognized as having world class corporate governance; however, it has the highest SME failure rate amongst the developing countries (Shezi 2014). As companies globally face issues relating to transparency, accountability and timely disclosure of material information, the concept of corporate governance and business ethics has gained significant importance (Mahmood 2008). There is currently increasing pressure on business organisations to be ethical, in addition to running their operations in the most economical, efficient and effective manner possible to increase performance (Khomba & Vermaak (2021). It is important to note that modern SMEs employ people with diverse backgrounds in terms of nationality,

culture, religion, age, education and socioeconomic status. This diverse background creates ethical challenges for individuals as well as managers (Abiodun & Oyeniya 2014). In an industry where getting ahead and making money appear to take precedence over ethical decision making, it can seem difficult to understand the importance of ethical behavior and good corporate governance in SMEs. Research by Asunka (2017) shows that, SMEs in Ghana have been left out of the corporate governance idea, because all the regulations and code of best practices on corporate governance concern mostly large corporate bodies and listed firms and here in Zimbabwe our own ZimCode adopts a principles-based, rather than a rules-based approach making it to avoid taking a mandatory approach for businesses in the private sector; instead, it provides them with flexibility to adopt systems and procedures, in line with the recommended practices, that best suit their individual circumstances (Moyo 2020).

Small and Medium Scale Enterprises (SMEs)

There is no universal definition of SMEs. Countries have used various criteria to define SMEs. Ward (2005) says SME definition depends on who is defining it and where it is being defined Dzigba (2015) says that in the study carried by ILO; more than 50 definitions were identified in 75 different countries with considerable ambiguity in terminology used. The enormous variety of criteria applies includes size of workforce or capital, form of management or ownership, production techniques, volume of sales, client numbers, levels of energy consumption etc. (Poobsky 1992; Quartey and Kayanula 2000). Asuka (2017) highlights that (Lokhande, 2011) says some countries use turnover of the company to determine the size of an enterprise, whereas some use fixed investment or the number of employees, sales volume, and worth of assets (Rahman, 2001). SMEs are normally defined based on firm, size, the amount of profits, and of workers a firm employs (Zindiye et al 2012; Nyamwanza 2014). The most widely use definition of SMEs in Zimbabwe is that of SEDCO (20210) which defines SMEs as registered firms which employ a max of 100 workers and with an annual turnover of a maximum of US\$830 000. In Zimbabwe the definition is derived from the Small and Medium

Enterprises Act (Chapter 24.12) an SME is a legal business entity defined by the following variables:

- i) Number of permanent entity
- ii) Annual turnover
- iii) Value of assets excluding fixed assets.

SMEs play an important role in nation building. It is believed that as they grow and expand the economy also grows. SMEs create employment, and serve as a major tool for poverty alleviation and economic development (Adjei et al., 2014). Though there are many arguments on the overall contribution of small businesses in the new employment, it is considered as an important source for employment creation (Curran, 2000). Baumol (2004) suggests that small entrepreneurial organizations and entrepreneurs will always be considered important for growth of developing economies.

LITERATURE REVIEW

Business Ethics

According to Twomey and Jennings (2021), business ethics denotes the application of ethics to business practices. It is simply the application of general ethical rules to business behaviour (Hodgelts & Luthans (2003). According to Elbert and Griffin (2003), business ethics refers to ethical or unethical behaviour by a manager or employee of an organisation and varies from person to person, from situation to situation, and from culture to culture. Business ethics is basically the study of morality and standards of business conduct according to research. Velentzas and Broni (2010) view business ethics as the set of moral principles and values that take control over the behaviour of the organisation with reference to what is regarded as right and wrong. As such, business ethics can be seen as what is regarded as right and wrong or good and bad human behaviour in a business setting. Hence, what is regarded as right or wrong can obviously be influenced by various factors such as the type of staff and their cultural background, and will vary from business to business (Wiid, Cant & Van Niekerk 2013).

Business ethics involves how a business integrates core values such as honesty, trust, respect and fairness into its policies, practices and decision-making (Hellriegel et al (2005). Rossouw (2004) asserts that business ethics is about identifying and implementing standards of conduct that will ensure that a business does not detrimentally affect the interests of its stakeholders. For businesses to be profitable today, they must conduct their activities in such a way that they can be seen as ethical. Therefore, ethics point towards the application of morality, while morality is derived from ethics (Borade (2012). This asserts that business ethics come from the internal moral compass of right-minded business people and they demand that honesty and integrity remain at the forefront of business decisions. As a result, they require that business people adopt a set of standards or values that govern their actions and behaviors within their businesses on a daily basis. In simple terms, it means embracing the lifetime beliefs and behaviors at the very core of individuals and using these moral lessons in right living to guide actions, interactions and decisions within the business environment, as well as with external stakeholders.

The under-exploration of SME employee ethics is unfortunate as ethically sensitive employees are considered to make independent decisions that are consistent with the company's culture, objectives and values, thus improving organisational efficiency, reducing the levels of supervision required and increasing their adaptation to changing roles and responsibilities (Ethic Resources Centre 2010). The culture and working practices of a small organisation are typically influenced by the owner, manager or managing director. Through their very visible presence, their personal attitudes and behaviours will set the tone of the business and have the potential to signal to employees how seriously ethical behaviour is to be taken in the organisation. Most SMEs are not usually able to devote as many resources to building an ethical workplace culture as larger organisations. It is also with great note that the continually changing competitive environments, businesses must also find new ways of meeting competition other than the traditional ways of offering better products, or lower prices (McMurrian & Matulich 2006).

Ethical Values in SMEs are characterised by informal understandings and shared expectations among the workforce regarding how business is done. Any values and

ethical principles will often be implicit rather than formally expressed through ethics policies, codes and programmes that are familiar in large companies. Importantly, a policy will provide a context and the vocabulary for employees to raise any concerns they have with their supervisors or the directors. Research noted that 40% of employees believe that their organization has a weak ethical culture and little effort has been made to mitigate misconduct, according to the Global Business Ethics Survey (2018). The study of business ethics is evolving, just as conceptions concerning the role and status of organisations are also changing over time. Business ethics as a field of study deploys moral analysis and assessments of economic practices and activities at the economic system (macro-economic) level, the organisational (meso-economic) level, and the intra-organisational (micro-economic) level (Rossouw, 2010b:16). Business ethics focuses on what is good and right in a particular economic activity, where an organisation engages in a moral analysis and assessment of such economic activities and practices. Ethics refers to a set of rules that define right and wrong conduct and that help individuals distinguish between fact and belief, decide how such issues are defined and what moral principles apply to the situation (Hellriegel, Slocum & Woodman, 1992:146).

General Theories of Ethics

Several theories have been developed to cover issues related to business ethics. Generally, three main philosophies of ethics have dominated discussions on ethics (Rossouw, 2010d: 57-69). These three theories are Aristotle's virtue theory, Kant's deontological theory, and John Stuart Mill's utilitarian theory.

Aristotle's Virtue Theory

Aristotle's virtue theory emphasises that what matters in ethical behaviour is the integrity of an individual's character (Rossouw, 2010d:57-62). In ethics, where Aristotle laid out the essence of virtue theory, he stated that if we truly desire people to be ethical, then we must have them practice ethics from an early age. The theory is based on the premise that different goals can only be achieved if people love themselves first. It is argued that self-love is a pre-condition for reaching one's full human potential of having a sense of well-being and joy. Thus, morality depends on

the moral character of an individual. Aristotle introduced the concept of what is usually referred to as the golden mean of moderation. He believed that every virtue resides somewhere between the vices of defect and excess. That is, one can display either too little or too much of a good thing, or a virtue.

Kant's Deontological Theory

Kant's deontological theory on ethics propagates that there are objective ethical standards of behaviour that everyone should respect (Rossouw, 2010d: 62-65). People's moral actions in certain areas cannot be based on an individual's practical experiences or natural instincts and needs, but is rather based on what general society expects. For example, people who are involved in corrupt practices cannot possibly offer moral guidance. Hence, the ethical focus should not be on the individual's natural needs and inclinations, or a person's present and past experiences. Instead, it should be based on the standard for good behaviour, which is realised through pure rational reflection. Obeying objective standards of behaviour from a sense of duty would be the hallmark of moral behaviour. The development of ethical guidelines and codes of ethics are premised on this doctrine.

Mill's Utilitarian Theory

John Stuart Mill's utilitarian theory focuses on the quality of actions as propagated by the deontological theory (Rossouw, 2010d: 65-69). When making moral decisions, individuals are advised to select that action which produces the greatest amount of good for the greatest number of people. If the balance of good or happiness or usefulness outweighs that of evil, harm, or unhappiness, then the choice is a moral one. On the other hand, if the balance of evil outweighs that of good, then the choice is immoral.

Application of Business Ethics

The discussion of the business ethics dimensions are varied, depending largely on social and economic elements surrounding the small-medium enterprises concerned. The view that prevails depends on the roles that small-medium organisations are supposed to play internally and in society in general. In macro-ethics, the central

question is the fairness of the organisational choice of economic system and also ethical merit of the key elements of such a system (Du Plessis, 2010:114-127). Essentially, these key elements comprise the profit motive, private property, the limited liability of corporations, competition, and free markets. The profit motive drives output upwards. It is contended that under a centrally planned economy and in the absence of the profit motive, there is little inspiration for an individual to work harder, longer and more efficiently than the next person (Du Plessis, 2010:116).

It is up to the business owner and management in these situations to hold employees accountable for unethical behaviour, and of course, conduct themselves ethically as well. Furthermore, a workplace ethic-related dilemma might be very costly. It is also worth remembering that establishing a reputation takes time, and unjustified lawsuits over ethical issues can wreak havoc. In some circumstances, ethical difficulties can lead to bankruptcy, regardless of the size of the issue. To minimize dangers, controversies, and financial problems, it is critical for managers or managing directors to shield their companies from any ethical related issues. They require that business people adopt a set of standards or values that govern their actions and behaviors within their businesses on a daily basis.

Corporate Governance

The importance of corporate governance is apparent from the vast expansion in its literature across various fields, such as management, economics, accounting, and finance. Corporate governance is generally known as the set of actions and mechanisms by which enterprises are directed, controlled, and monitored (Larcker, Richardson, & Tuna, 2007). Major corporate scandals happened because of a lack of adherence to good corporate governance structures. The lack of corporate governance was at the root of the financial crisis that took the world by storm, rendering global instability (United States Financial Crisis Report, 2011). According to Othman & Abdul Rahman (2011) and Arjoon (2005), companies lack moral compasses for good governance, thus plaguing society at large - including shareholders and stakeholders - and causing deterioration in governance systems worldwide. Effective corporate governance requires distinct traits: accountability (of the management, board of directors, and audit committee), responsibility (of the firm

towards its investors), and transparency (in the organization's activities and structures). When compared to developed countries, developing economies face more challenges when applying corporate governance practices. According to McGee (2010), some of these challenges include: pyramid ownership structures, relation-based governance, finding active owners and skilled managers amid disseminated ownership structures, protecting and enforcing minority shareholders' rights; cultivating technical and professional know-how and depoliticizing decision-making among others.

OECD (2015) describes corporate governance as involving "a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the corporation are set, and the means of attaining those objectives and monitoring performance are determined." According to USAID (2006), the goal of corporate governance is to ensure that the corporation is always acting with integrity and transparency with financial reporting, that it is honest in its dealing with the public, customers, shareholders, and suppliers. Researchers cannot agree on a single definition of corporate governance. However, it is commonly understood as a system that structures and operates a company in order to please creditors and shareholders, satisfy employee interests, maintain customer and supplier relations, and comply with mandates and regulations (Cadbury, 2000). However, corporate governance is not just about compliance with laws and regulations; rather, it is a strategic business system that maximizes firm value on the long term, while protecting the interests of stakeholders (Gompers et. al, 2003).

Principles of Corporate Governance

Researches show that principles of corporate governance are intended to help policymakers evaluate and improve the legal, regulatory, and institutional framework for corporate governance, with a view to support economic efficiency, sustainable growth and financial stability. ASX (2007) indicates that the principles of corporate governance recognize the interests of employees and other stakeholders and their important role in contributing to the long-term success and performance of the company. The OECD (2004) cites that the principles cover six areas of corporate

governance – ensuring the basis for an effective corporate governance framework, the rights of shareholders, the equitable treatment of shareholders, and the role of stakeholders in corporate governance, disclosure and transparency, and responsibilities of the board.

Bundaleska et al (2011) suggest some policies and procedures that are advisable to small and medium businesses are as follows; a code of conduct & ethics, procedures for monitoring transactions with affiliated/connected entities (including relevant reports), procedures for identifying possible conflicts of interest and acting accordingly, transparency and disclosure procedures, and whistle blowing procedures. Asunka (2017) highlights in Dube et al (2011) propose corporate governance norms for SMEs as follows:

- i. Prepare and Publish ‘Mission Statement’ of Enterprises
- ii. Enterprise Policy Statement to Manage Business Growth
- iii. Enterprise Succession Plan
- iv. Annual Management and Accomplishment Statements
- v. Management Structure and Level of Professional Qualification relevant to Industry
- vi. Method of Accounting and Disclosure of Audited Account
- vii. Stakeholder Relations and Welfare undertaken by the enterprise
- viii. Legal and Regulatory Compliance

Sri Lanka’s institute of Chartered Accountants (2014) describe responsibility as taking correct actions with regards to the assets of the organization and to keep the organization on a strategic path that is ethical and sustainable. Sri Lanka’s institute of Chartered Accountants (2014) also describes transparency as disclosing information in a manner that enables stakeholders to make an informed analysis of the organisation’s performance and sustainability. Hawkamah Institute (2011) postulates that a SMEs’ transparency and disclosure should be structures to suit particular circumstances and ownership structure of the SMEs.

Corporate Governance and SMEs

Researchers believe that in the narrower sense, corporate governance is concerned with increasing stakeholders’ capital, while in the broader sense, it is concerned with

the well-being of society, including stakeholders. According to Sri Lanka's Institute of Chartered Accountants (2014) corporate governance is essentially about effective leadership and it can be used as a mechanism to create relevant processes, systems and controls and encourage appropriate behaviours to ensure long term sustainability of an organisation. The Sri Lanka Chartered Accountants (2014) highlight that corporate governance is important to SMEs and has the following benefits include, among other things:

- i. It helps to ensure decisions are made in the best interests of the organisation while balancing stakeholder interests.
- ii. Has the potential to significantly boost productivity, growth and job creation.
- iii. Improved leadership, decision-making and strategic vision;
- iv. Reduced vulnerability, with improved mechanisms to monitor and manage risks; and
- v. The confidence of internal and external stakeholders, enabling access to markets, finance, talent pools and potential business partners, who need assurance that the organisation is run in a responsible manner to safeguard their interests.

In many ways, stakeholders are the personal equivalent of many of the provisions of corporate governance. Corporate Governance may sound like a complex set of bureaucratic rules, but it is of great importance hence one has to understand what it really mean in practical terms for a small to medium business owner. It actually starts by looking at all of the stakeholders in a business and at how they should behave and execute their roles. In smaller businesses, many of the internal stakeholders will be in more than one of these internal groups. The challenge is to separate the powers exercised by each group to ensure that temptation is removed from those that might consider wrongdoing and to build in appropriate checks and balances to quickly allow transgressions to be discovered, should they exist.

There is a right way and a wrong way to run a business for instance some business owners or executives look for all the shortcuts and may accidentally or deliberately break the established rules, particularly in relation to taxation or financial reporting. However, trying to find loopholes and shortcuts is not worth the effort, particularly when a business owner or manager needs to remember all the twists and turns they

might take on their ill-advised journey. In our view, it is easier to do the right things from the outset rather than seeking shortcuts. The problem is that shortcuts will frequently only offer short-term benefits and most transgressors eventually get caught and suffer the full rigors of the law. Constantly looking over one's shoulder and enduring sleepless nights will prove that these tactics are just not worth it.

Moyo (2020) pointed out that within Zimbabwe, corporate governance is a fairly late occurrence and therefore, there is a shortage of research on practices of corporate governance in the nation's firms. Thus, putting into practice a well-developed corporate governance system is relatively difficult as many SMEs are inclined to operate and manage their business by themselves instead of following a definite set of policies and regulations, and thus fail to recognize the significance of corporate governance. Most SMEs are controlled by families either by owning majority of voting shares or through elaborate paramedical structures (such a structure allows families to have control over a number of subsidiaries and/or holding companies through ownership of a small equity percentage in each business).

Business owners and managers should bear in mind that without law enforcing mandatory compliance, for many companies the decision to carry out good corporate governance hinges on a cost-benefit analysis by companies to determine if compliance will boost their profits. Due to the widespread misconception that practicing good corporate governance is costly and that the cost does not justify the result, it would therefore be more appropriate to draft these standards as legislative amendments in Companies Act and not as guidelines only, to ensure the best performance and commitment to these rules. Legislative amendments could also impose penalties for failure to adhere to the principles and set benchmarks for measuring and assessing corporate governance practices in, not only public, but private companies as well.

METHODOLOGY

The study adopted a mixed-methods research methodology which included both qualitative and quantitative approaches. The qualitative methods in the study were rooted in the interpretive and phenomenological paradigms. This enabled the study to

explore and understand in depth business ethics and corporate governance practices at the SMEs at the Glen View Area 8 furniture manufacturing centre. The quantitative methods were used to quantify and measure the respondents' perceptions by means of a structured survey questionnaire.

The research study involved 160 participants comprising of all workers from the Glen View Area 8 furniture manufacturing centre. Mugenda and Mugenda (2014), Rajasekar, Chinnathambi and Philominathan (2013) and Creswell (2014) stated that a 50% sample size is appropriate for generalization of a workforce sample. Simple random sampling technique was used to select 80 participants. A list of all participants in the workforce at the manufacturing centre was established and every participant had an equal chance of being selected for the research study.

The data for this study came from qualitative and quantitative data sources. Both text and numbers were derived from questionnaires and a document analysis. The questionnaires were well structured and contained a Likert five-point scale to measure respondents' attitudes on different dimensions of the implementation of DLP. A pilot study was conducted before the actual data collection process to test the research instruments for their validity and reliability (Bolarinwa, 2015).

In order to assess the reliability of measurements, Cronbach's alpha was calculated for all items of the developed Questionnaire. Quantitative data from the participants was analysed using the Statistical Package for Social Sciences (SPSS). The results are presented in the form of tables, figures and graphs.

Using both qualitative and quantitative data enables an in-depth look into business ethics and corporate governance issues and perceptions as they specifically affect SMEs. Data source triangulation was also utilised in the study.

DATA PRESENTATION, ANALYSIS AND INTEPRETATION

The collected data were presented using tables and figures to facilitate clear summarisation and interpretation of the findings. The analysis focused on identifying patterns, trends, and relationships within the data, particularly in relation to respondents' perceptions of business ethics and corporate governance practices. The

interpretation of results was conducted in relation to the theoretical framework and existing literature, allowing for a contextualised understanding of the findings. The section concludes with a synthesis of key insights emerging from the data, highlighting how business ethics and corporate governance practices are perceived to influence organisational processes within SMEs.

Background of the Subjects

The importance of the background of the respondents was to help the writers in determining the nature of the responses obtained. The respondents' socio-demographic data concerning their ages, gender and years of experience in the SMEs helped in the analysis of the collected data.

Response Rate

The response rate was one hundred percent. According to Mugenda and Mugenda (2009) and Creswell (2014) a questionnaire response rate above 50% warrants further analysis and as such the researchers went ahead and tallied the responses which forms the results presented for each question analysed below.

Demographic Data

The study was composed of twenty eight respondents of which 50% were male and 50% were female; this showed that the researchers had considered the gender issue. Only 17.5% of the respondents were below the age of thirty years as shown in Table 4.1.2 below. Thus, the respondents were knowledgeable of the subject under investigation.

Table 1 Ages and Gender of the respondents

Age	<30	31- 40	41- 60	>60	Total	%age
Male	3	6	8	3	20	50%
Female	4	7	5	4	20	50%
%age	17.5%	32.5%	32.5%	17.5%		

Table 2 Years in service with the SMEs

Years	0-10	11 – 14	15 – 19	20 plus more
Frequency	9	11	12	8
Percentage	22.5%	27.5%	30%	20%

The sample was also composed of 77.5% of respondents who had more than ten years of services with the SMEs. The respondents were able to understand and appreciate the importance of ethics and good corporate governance in in SMEs.

Table 3 Ethics and Corporate Governance workshops attendance

Response	Yes	No
Frequency	35	5
Percentage	87.5%	12.5%

87.5% of the respondents indicated that they have attended any ethics and corporate governance workshop. Only 12.5 percent of those that have never attended such workshops are new entrants in the SMEs. Therefore, there is need for business ethics and corporate governance workshops and refresher courses.

Table 4 Highest level of academic qualification

Level of Education	Masters/Phd	Degree	Higher Diploma	Diploma	Total
Respondents	12	15	4	9	40
Percentages	30%	37.5%	10%	22.5%	100%

Source: Primary data

The results from Table 4 shows that majority of the respondents have Diploma or Higher Diploma 22.5% out of the rest of the respondents only 37.5% have degree, 30% have got masters and 10% have got higher diploma. In conclusion the respondents have got necessary knowledge of comprehending what business ethics and good corporate governance is.

Factors for Good corporate governance and service delivery

Table 5 Responses on how good corporate governance tools affect service delivery

	Degree of response									
	Strongly Disagree		Disagree		Unsure		Agree		Strongly agree	
	(f)	%	(f)	%	(f)	%	(f)	%	(f)	%
It reduces errors, fraud and misappropriations	0	0	1	2.5	1	2.5	14	35	24	60
It reduces organization risk management	0	0	0	0	2	5	10	25	28	70
It safeguard organization assets	0	0	2	5	3	7.5	9	22.5	26	65

Source: Primary data

Analysis of the results from Table 5

It reduces error, fraud and misappropriations.

The results indicated that 60% strongly agree, 35% agree, 2.5% unsure and 2.5% disagree. The mode revealed that 95% agree, implying that the respondents agree that external audit reduces error, fraud and misappropriations in organisations. This was also supported by research done by Schiuma (2013) institute that the existence of good corporate governance principles has a great positive impact on service delivery.

It reduces organization risk management

The respondents' show that 70% strongly agree, 25% agree and 5% unsure that it reduces organization risk management. The mode showed that 95% agree indicating that the respondents are in agreement that good corporate governance principles reduce organization risk management.

It safeguards organization assets

The results indicated that 65% strongly agree, 22.5% agree, 7.5% unsure and 5% disagree. The mode showed that 87.5% agree, thus, good corporate governance principles safeguard the organization assets.

Overall analysis showed that the respondents agree that the good corporate governance principles safeguard the SME's assets. Kevin (2012) expressed that good corporate governance maximize exposure to possible losses from inadequately safeguarded organisation assets.

Table 6 Operational challenges of poor corporate governance tools

	Degree of response									
	Strongly Disagree		Disagree		Unsure		Agree		Strongly agree	
	(f)	%	(f)	%	(f)	%	(f)	%	(f)	%
Weak audit result in poor financial performance	0	0	1	2.5	4	10	15	37.5	20	50
Weak audit function result in poor internal communication	0	0	1	2.5	4	10	14	35	21	52.5
Management not working as a team resulting in a few members making decisions	2	5	4	10	2	5	14	35	18	45

Source: Primary data

Analysis of results from the table 6

Weak audit results in poor financial performance

The respondents showed that 50% strongly agree, 37.5% agree, 10% unsure and 2.5% disagree. The mode reveals that 87.5% agree that poor performance in schools is a result of weak audit only 10% were not sure and 2.5% disagree the fact that weak audit results in poor financial performance.

Weak audit function result in poor internal communication

The results from the table 4.2.1 showed that 52.5% strongly agree, 35% agree, 10% unsure, 2.5% disagree. The mode indicated that 87.5% agree that the operational challenges in SMEs are caused by weak audit function as a result of poor internal communication, whereas 10% unsure and 2.5% disagree. This was also noted by

Peursem (2014) that weak internal audit leads to poor communication because the internal auditors report to both the board of directors and the senior management.

The management not working as a team resulting in a few members making decisions

The respondents revealed that 45% strongly agree, 35% agree and only 15% disagree. The mode showed that 80% are in agreement that management is not working as a team resulting in a few members making decisions while 15% are in disagree.

Fig 1 Operational challenges of poor corporate governance tools

Fig 1 shows that 100% of the respondents disagreed with the notion that there was no transparency on the selection of BOD Executive members as these were being voted in during the annual general meetings.

58% of the respondents pointed out that there were no induction workshops of new BOD members on good corporate governance thereby impacting negatively on service delivery in SMEs.

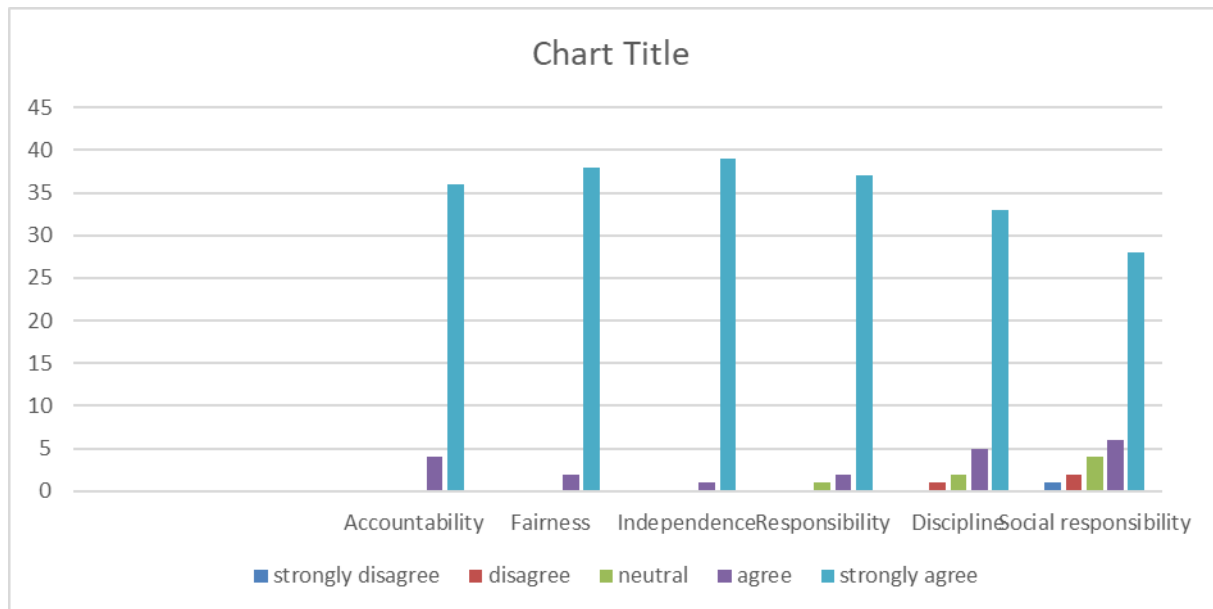


Fig 1: Good corporate governance tools

Source: Primary Data

90%, 95%, 97.5% and 92.5% of the respondents strongly agree that accountability, fairness, independence and responsibility enhance service delivery in SMEs. 82.5%

of the respondents pointed out that discipline aid service delivery while 2.5% of the participants disagree with that assertion. 70% of participants strongly agree that service delivery is enhanced by good corporate governance tool of social responsibility.

The strategies for good corporate governance to enhance good service delivery

The majority of the respondents suggested that the Government should arrange corporate governance workshops for SME Executives so that they would implement governance tools in their operations for enhancing service delivery. They also suggested that the corporate governance audits should be done regularly. These would help SMEs administrators evaluate their performance.

The ways of improving corporate governance in the public sector

The respondents suggested that the government audits on corporate governance principles can be improved by hiring qualified personnel and by increased audits inspections Respondents also pointed out that there is need to realign structural and deliberate factors in order for enhancing service delivery in education. Structural factors were policy and national in nature while deliberate factors were administrative and could be solved at local level.

Conclusion

- An investigation into the impact of corporate governance on SMEs by examining the way in which control and decision making mechanisms are organised and managed within them. The research findings, which look at the adoption of formal governance structures and ethical practices in stable organisations, identify a relationship between these aspects and the strategic direction of the business.
- Ethical behaviour, accountability, transparency and sustainability are important factors in improving governance practice in SMEs. Good governance practice is important for good management practice and gaining the trust and confidence of stakeholders.
- This paper cannot assert causality, but it provides insights to stakeholders, particularly individuals and organisations about prevailing experiences and

perceptions on business ethics and corporate governance practices in SMEs. Most importantly the paper asserts the call for appropriate, context specific and practical governance frameworks that will enhance the SMEs' success in today's competitive market environment in Zimbabwe.

Recommendations

- Small and medium-sized enterprises (SMEs), including those owned by women, need to ensure that corporate strategy and investment decisions are guided by key factors that matter for long-term value creation, including good governance and ethical practices.
- Economic volatility and rapidly changing business conditions create significant uncertainty for small and medium enterprises. Focusing on the drivers of intangible value such as innovation, employee engagement, organisational culture and relationships with stakeholders can help SMEs build organisational resilience and enhance performance.
- Governance is not limited to large public joint stock companies; it also applies to small and medium-sized enterprises (SMEs) and small enterprises owned and managed by entrepreneurs or key people in management. In these cases, it is managers who play a crucial role in ensuring good governance practice, in particular through effective internal control, transparency and high ethical standards. Training and capacity building therefore require a long-term approach.
- Consideration should also be given to other potential drivers. Integrating formal risk management into the business and anticipating future uncertainties, using tools such as scenario planning, and ensuring that the governance system is in place to respond to unexpected risks, could all help to protect the business against disruption caused by unforeseen circumstances.

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