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**| RESEARCH ARTICLE**

**The Role of Business Ethics in Entrepreneurship: An Empirical Analysis of SMEs in KSA**

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**| ABSTRACT**

This study examines the role of business ethics in the entrepreneurial endeavors of small and medium-sized enterprises in the Jazan region of the Kingdom of Saudi Arabia. The research adopted a mixed-methods approach, where the primary data was collected through surveys from the targeted population (the KSA-based SMEs) and secondary data from previous literature. The survey explored the ethical practices followed by these enterprises, utilizing descriptive and inferential statistical analysis techniques such as average, weighted average, percentage, ranking methods, and regression analysis facilitated by SPSS software. The findings indicate that organizational culture and ethical leadership are the most dominant factors and SMEs largely adhere to ethical business practices in KSA. This research contributes deeper insight into the factors enhancing ethical conduct among SMEs.

**| KEYWORDS**

Business ethics, Small and medium enterprises, Kingdom of Saudi Arabia Empirical analysis.

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**1. Introduction**

Entrepreneurship is a vibrant force that initiatives economic growth and development across varied regions and economies, both nascent and advanced. Small and medium businesses are very critical in the processes of development particularly in emerging economies. These organizations generate employment opportunities by producing goods and services, fostering innovation, and creating competition, which mutually contribute to the overall economic prosperity of a region. Over the years, the domain of entrepreneurial ethics has emerged as a significant area of scholarly investigation. This is manifested by various endeavors to establish entrepreneurship as a distinct academic discipline, for instance, the organization of research conferences, the incorporation of relevant content into business school curricula, and the elaboration of specialized academic publications focused on this subject matter. (Keymolen, E. & Taylor, L. 2023; Hoang, G. et al., 2023).

Organizations often encounter complex ethical dilemmas that involve divergence between competing moral principles and values. The decisions made in these situations can have substantial consequences for individuals, communities, and society. The ethical foundations of entrepreneurship are grounded in the integration and observance of moral guidelines, sustainable business practices, social norms, and industry-specific codes of conduct, which as a whole form the ethical framework that guides entrepreneurs. (Vallaster et al., 2019; Rawhouser, H. et al., 2019; Valentine, S. et al., 2019)

The entrepreneurial initiatives of SMEs in the Kingdom of Saudi Arabia play a paramount role in the region's economic development. (Saleh & Al-Hakimi, 2022) The ethical conduct demonstrated by entrepreneurs and SME leaders is a fundamental determinant that drives the success and longevity of these vital constituents to the Saudi Arabian economy. The sustainability

and growth of these SMEs are considerably influenced by the ethical practices embraced by the business owners and managers. (Al-Khatib et al., 2002) Ethical business practices are a critical component in safeguarding the long-term viability and sustainability of SMEs in the Kingdom of Saudi Arabia. Substantial research has shown the positive influence of ethical conduct on various facets of organizational performance, customer loyalty, employee engagement, financial results, and regulatory compliance. (Teh et al., 2018)

### **1.1 Factors Influencing Business Ethics**

Several key factors affect the adoption of ethical practices by entrepreneurs and SMEs.



Figure 1: Factors influencing Business Ethics

- **Leadership:** The ethical orientation, choices, and behaviors of business owners and managers are pivotal in molding the ethical climate, policies, and practices adopted within the organization. As organizational leaders, their dedication to ethical principles, personal integrity, and the top-down approach they employ have a profound influence on the overall ethical climate fostered within the company.
- **Ethical Code & Policy of the Company:** Unethical actions or conduct by a company can undermine its established reputation and goodwill. Consequently, most organizations are highly vigilant and discerning in this regard. They issue-specific strategies to their organizational members regarding the company's business dealings.
- **Organizational culture:** An organization's accepted behaviors, shared values, and underlying assumptions can either promote or constrain ethical practices. Companies with well-established ethical cultures typically encourage employee adherence to moral principles and a shared commitment to making principled decisions.
- **Regulatory environment:** A strong regulatory framework that can drive and promote the ethical practice of business does not just mean government regulation, legislation, or enforcement mechanisms but also the necessary conducive environment to stimulate entrepreneurs and SMEs to inculcate and incorporate ethics into their business operations.
- **Transparency and Accountability:** This includes operational, performance, or policy transparency that creates trust and confidence between the organization and the key stakeholders such as customers, employees, investors, and clubs or society. Effective dissemination of critical information and open communication is also important to convey that the organization truly stands on ethics and responsible behavior.
- **Technological Stuff:** Technology is indispensable for the functioning and survival of all organizations including SMEs. The technological development of digital technologies can affect entrepreneurs' and small-to-medium enterprise's ethical behavior. Data analytics, blockchain, and artificial intelligence have the capability of producing innovative technological solutions in terms of increasing transparency and accountability in the organizational process.
- **Cultural and Social Norms:** The ethical outlooks and decision-making of entrepreneurs in the area are designed by the societal and cultural values in the society. The ethical conduct of enterprises is heavily influenced by the wider social and cultural context in which they operate, which can either facilitate or hinder the application of ethical practices within their enterprises.

- Access to Financial Resources: The availability and accessibility of financial capital for small-to-medium enterprises can affect their ability to invest in ethical practices and sustainable business models. Entrepreneurs with restricted access to adequate financing may encounter constraints in implementing ethical efforts or addressing ethical shortcomings within their organizations.

Exploring the complex relationship between the various contextual factors and the integration of ethical practices by small and medium-sized enterprises represents a crucial area of academic research.

This study aims to investigate the contribution of business ethics to the entrepreneurial activities of small and medium enterprises in the Kingdom of Saudi Arabia. Ethical practices constitute a critical element in safeguarding the long-term sustainability and growth of these companies, which are crucial to the economic prosperity of the region. This research aims to achieve the following objectives:

1. Explore the principal factors that form and influence the ethical conduct of SMEs operating in the KSA.
2. Assess the relative importance of these key factors in developing ethical business practices in organizations.
3. Examine the relationship between organizational mechanisms for addressing unethical behavior and the incorporation of ethical practices.
4. Investigate the connection between responsible stakeholder engagement and the integration of ethical conduct within organizations.
5. Analyze the impact of ethical leadership on fostering and embedding ethical conduct within the organizational environment.

The current investigation hypothesizes the following relationships:

- Hypothesis 1: The ethical concern of senior executives is positively correlated with improved ethical discipline throughout the organization.
- Hypothesis 2: The institutional mechanisms for preventing and reporting unethical practices play a crucial role in cultivating ethical conduct across their operations.
- Hypothesis 3: The organizational ethical practices are influenced by their responsible dealings and engagement with key stakeholders.

## 2. Literature Review

The existing literature based on the role of business ethics in entrepreneurship provides valuable insights into the factors that influence ethical conduct within SMEs. The extant literature has extensively examined the relationship between business ethics and entrepreneurship, specifically in the domain of small and medium-sized enterprises ([Vallaster et al., 2019](#); [Alarjani et al., 2020](#); [Kayed & Hassan, 2010](#); [Shir & Ryff, 2021](#)). These studies have examined various aspects of entrepreneurship and ethical practices, including entrepreneurial culture, the use of AI technology, the sustainability of startups, and the orientations of SMEs directors ([Mashat, 2020](#); [Alqahtani, 2022](#); [Bunagan & Sison, 2019](#)). The individual characteristics and social connections of entrepreneurs generate values, ideals, requirements, norms, duties, and perspectives that guide their actions. These norms and values offer entrepreneurs legitimate frames of reference that shape the way of their behaviors and actions throughout the entrepreneurial process ([Robinson & Long, 1992](#); Gasse & Tremblay, 2006; [Morales et al., 2018](#); [Kolvereid & Isaksen, 2005](#)).

The study ([Mashat, 2020](#)) on the effect of AI use and knowledge on advanced entrepreneurship in Saudi small businesses found that the lack of knowledge of the need for AI in small businesses can affect their entrepreneurship. Additionally, the GEM KSA National Report, as discussed, provides an in-depth look into entrepreneurship in Saudi Arabia, covering surveys of public opinions, self-perceptions, entrepreneurial connections, and entrepreneur profiles ([GEM Global Entrepreneurship Monitor, 2023](#)). Several researchers ([Ahsan, 2018](#); [Sindi, 2015](#); [Shir & Ryff, 2021](#); [Dey & Steyaert, 2016](#)) have examined the intersections and discrepancies between morals, ethics, and entrepreneurship. The examination of the economic landscape propounds that the transparency exhibited by administrative bodies and donors facilitates the identification of various unethical practices ([Nordin et al., 2012](#)).

Exposure of SMEs is more frequent compared to large enterprise risks. Various common threats that SMEs confront were identified by the authors, such as demographic factors, lack of managerial skills, informal organizational structure, entrepreneur personality, legal risks, personnel-related risks, and risks related to the market ([Brustbauer, 2014](#); [Belas et al., 2020](#); [Falkner & Hiebl, 2015](#)). Small and medium-sized enterprises frequently face notable ethical challenges throughout their business operations and efforts to thrive in a highly competitive environment. ([Ndiaye et al., 2018](#); Turyakira, 2018; Van Wyk & Venter,

2022). [\(Ibáñez & Fernández, 2021\)](#), pointed out that small and medium-sized enterprises face serious time and resource constraints when trying to adopt strategies like considering the employees' expectations, defining ethical standards, and communicating the unacceptability of unethical behavior. This is owing to the inherent challenges and limitations associated with the size and scale of SME operations.

### 3. Methodology

A mixed methods research design was employed in this study which combined primary and secondary research sources. The first was a survey of Small and Medium-sized Enterprises based in the Jazan region of the Kingdom of Saudi Arabia. The survey questionnaire was designed and built to align with eliciting information about ethical practices pursued by SMEs, including compliance with established ethical principles, policies, and codes of conduct. The survey data was thereafter analyzed using SPSS software, whereby: regression analysis and descriptive statistical methods such as average, weighted average, ranking, and percentage to comprehend the ethical practices employed by surveyed SMEs.

To develop a comprehensive understanding of the entrepreneurial landscape in KSA, the role of business ethics, and the challenges and opportunities faced by SMEs in the region, the researchers collected secondary data from a range of existing sources. This included scholarly articles, industry reports, and government publications that contributed valuable perspectives and contextual information to complement the primary data gathered through the surveys. The secondary data enabled the researchers to acquire a more holistic and well-rounded insight into the topic, allowing them to situate the findings from the primary research within the broader context of entrepreneurship and ethics in the region.

### 4. Results

The findings from the primary data analysis revealed that the surveyed SMEs in the Jazan region of KSA generally adhere to established business ethics principles and practices in their entrepreneurial activities [\(Tende & Abubakar, 2017; Abalala et al., 2021\)](#).

Position of respondent				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Management	30	33.3	33.3	33.3
Support Staff	60	66.7	66.7	100.0
Total	90	100.0	100.0	

**Table 1: Position of respondent**

Source: Author's compilation based on questionnaire

As shown in Table 1, the majority of survey respondents, comprising 66.7% of the sample, were support staff, while 33.3% occupied management positions. This indicates that the perspectives and standpoints of non-managerial personnel were well-represented in the study.

Age of respondent				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid up to 25	16	17.8	17.8	17.8
26-45	63	70.0	70.0	87.8
46-55	6	6.7	6.7	94.4
56+	5	5.6	5.6	100.0
Total	90	100.0	100.0	

**Table 2: Age of respondent**

Source: Author's compilation based on questionnaire

The age distribution of the respondents (Table 2) indicates that the majority, comprising 70% of the research sample, were within the 26-45 age range. Meanwhile, 17.8% were 25 years old or younger, and the residual 12.2% were aged 46 or above. This age profile suggests that the SMEs in the region have a comparatively young and dynamic workforce.

**Experience of respondent**

	Frequency	Percent	Valid Percent	Cumulative Percent
Up to 1 yr	4	4.4	4.4	4.4
2-5	29	32.2	32.2	36.7
Valid 5-10	32	35.6	35.6	72.2
10+	25	27.8	27.8	100.0
Total	90	100.0	100.0	

**Table 3: Experience of respondent**

Source: Author's compilation based on questionnaire

According to Table 3, the respondents had a varied range of professional experience. The largest proportion, constituting 35.6% of the sample, had between 5 to 10 years of experience, followed by those with 2 to 5 years of experience (32.2%), over 10 years of experience (27.8%), and less than 1 year of experience (4.4%).

**Education of respondent**

	Frequency	Percent	Valid Percent	Cumulative Percent
High School	19	21.1	21.1	21.1
Graduation	15	16.7	16.7	37.8
Valid Post Graduation	11	12.2	12.2	50.0
Technical	45	50.0	50.0	100.0
Total	90	100.0	100.0	

**Table 4: Education of respondent**

Source: Author's compilation based on questionnaire

As shown in Table 4, the educational qualifications of the respondents exhibited considerable diversity. Half of the respondents (50.0%) held technical qualifications, 21.1% had a high school education, 16.7% had a bachelor's degree, and 12.2% possessed a postgraduate degree.

Hypothesis testing

Hypothesis 1: The ethical concern of senior executives is positively correlated with improved ethical discipline throughout the organization.

**Variables Entered/Removed<sup>a</sup>**

Model	Variables Entered	Variables Removed	Method
1	The senior executives demonstrate ethical concern <sup>b</sup>		Enter

a. Dependent Variable: Ethical behavior is the norm in the organization

b. All requested variables entered.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.587 <sup>a</sup>	.345	.338	.69495

a. Predictors: (Constant), The senior executives demonstrate ethical concern

**ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	22.400	1	22.400	46.381	.000 <sup>b</sup>
Residual	42.500	88	.483		
Total	64.900	89			

a. Dependent Variable: Ethical behavior is the norm in the organization

b. Predictors: (Constant), The senior executives demonstrate ethical concern

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.722	.161		4.481	.000
The senior executives demonstrate ethical concern	.667	.098	.587	6.810	.000

a. Dependent Variable: Ethical behavior is the norm in the organization

**Table 5: Regression analysis Hypothesis 1**

Source: SPSS

Regression analysis (Table 5) was conducted to test the hypothesis. The dependent variable (Ethical Norm-EN) was regressed on the predicting variable (Ethical Concern-EC) to test the hypothesis. EC significantly predicted EN,  $F(1,88)=46.381$ ,  $p<0.05$ , which indicates that EC can play a significant role in shaping EN ( $b=.667$ ). The study revealed a statistically significant positive association between the ethical concern of senior executives and the pervasiveness of ethical conduct across the organization.

The model accounts for 34.5% of the variance, and the standardized coefficient indicates a strong positive correlation of 0.587 between the two variables. These findings suggest that when senior executives exhibit a strong ethical approach, it helps cultivate a culture of ethical discipline and practices throughout the organization. This corroborates existing scholarly research accentuating the pivotal role of ethical leadership in shaping organizational culture and enhancing ethical practices at all organizational levels (Lee & Yoshihara, 1994; Ariail et al., 2021; Rubin et al., 2010).

Hypothesis 2: The institutional mechanisms for preventing and reporting unethical practices play a crucial role in cultivating ethical conduct across their operations.

#### Variables Entered/Removed<sup>a</sup>

Model	Variables Entered	Variables Removed	Method
1	The organization has mechanisms for discouraging and reporting unethical behavior. <sup>b</sup>	.	Enter

a. Dependent Variable: Ethical behavior is the norm in the organization

b. All requested variables entered.

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.483 <sup>a</sup>	.233	.225	.75189

a. Predictors: (Constant), The organization has mechanisms for discouraging and reporting unethical behavior.

#### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.151	1	15.151	26.799	.000 <sup>b</sup>
	Residual	49.749	88	.565		
	Total	64.900	89			

a. Dependent Variable: Ethical behavior is the norm in the organization

b. Predictors: (Constant), The organization has mechanisms for discouraging and reporting unethical behavior.

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	.900		5.183	.000
	The organization has mechanisms for discouraging and reporting unethical behavior.	.537	.483	5.177	.000

a. Dependent Variable: Ethical behavior is the norm in the organization

**Table 6: Regression analysis Hypothesis 2**

Source: SPSS

The regression analysis (Table 6) suggests that the existence of organizational mechanisms and processes for deterring and reporting unethical practices is positively and significantly associated with the prevalence of ethical practices across the organization. The dependent variable (Ethical Norm-EN) was analyzed using regression analysis on the predictor variable (Organizational Mechanisms-OM) to test the hypothesis. OM significantly influenced EN,  $F(1,88)=26.799$ ,  $p<0.05$ , which indicates that OM can play a crucial role in cultivating EN ( $b=.483$ ).

The regression model elucidates 23.3% of the variance, and the standardized coefficient shows a moderate positive correlation of 0.483 between the predictor and dependent variables. These results indicate that organizations that establish clear policies, systems, and processes to deter and report unethical behavior are more likely to foster a culture of ethical discipline and compliance across the enterprise. This finding aligns with existing scholarly research emphasizing the centrality of implementing robust ethical infrastructure and reporting mechanisms in facilitating ethical practices within organizations.

The insights gained from this study provide a valuable contribution to the understanding of how SMEs in Saudi Arabia can foster a culture of ethical entrepreneurship.

Hypothesis 3: The organizational ethical practices are influenced by their responsible dealings and engagement with key stakeholders.

**Variables Entered/Removed<sup>a</sup>**

Model	Variables Entered	Variables Removed	Method
1	The organization acts responsibly in dealings and engagement with key stakeholders <sup>b</sup>		Enter

a. Dependent Variable: Ethical behavior is the norm in the organization

b. All requested variables entered.



**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.340 <sup>a</sup>	.115	.105	.80771

a. Predictors: (Constant), The organization acts responsibly in dealings and engagement with key stakeholders

**ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	7.488	1	7.488	11.478	.001 <sup>b</sup>
Residual	57.412	88	.652		
Total	64.900	89			

a. Dependent Variable: Ethical behavior is the norm in the organization

b. Predictors: (Constant), The organization acts responsibly in dealings and engagement with key stakeholders

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.148	.184		6.245	.000
	The organization acts responsibly in dealings and engagement with key stakeholders	.371	.109	.340	3.388	.001

a. Dependent Variable: Ethical behavior is the norm in the organization

**Table 7: Regression analysis Hypothesis 3**

Source: SPSS

The regression analysis (Table 7) indicated a statistically significant positive association between an organization's responsible engagement and dealings with key stakeholders and the extent of ethical conduct within the organization. The dependent variable (Ethical Norm-EN) was regressed on the predicting variable (Responsible Dealings-RD) to test the hypothesis. RD was found to substantially predict EN,  $F(1,88)=11.478$ ,  $p<0.05$ , which shows that RD can play a significant role in shaping EN( $b=.371$ ).

The regression model accounts for 11.5% variance, and the standardized coefficient denotes a moderate positive correlation of 0.340 between the predictor variable (responsible dealings with key stakeholders) and the dependent variable (ethical norm). These findings suggest that organizations that prioritize ethical and responsible engagement with their key stakeholders, including customers, suppliers, and investors are more likely to cultivate a culture of ethical practices across the enterprise.

The findings of the study are consistent with scholarly research on previously established robust organizational frameworks and processes as prerequisites to ethical practices in enterprises (Baqi & Tabar, 2013; Park & Blenkinsopp, 2013; Rantung et al., 2023). To conclude, the results from this study provide empirical support for the key role that ethical leadership and organizational mechanisms play in developing an ethical conduct culture in SMEs in Saudi Arabia. The data analysis results indicate that the overall ethical climate and performance of these organizations are determined by the senior executives' orientation of ethical

practices as well as the existence of institutional safeguards against unethical behavior (Fantazy & Athmay, 2014). By drawing attention to these key elements, the study provides useful insights for SMEs in Saudi Arabia, highlighting the importance of ethical leadership and governance as a strategic imperative for sustainable business success and social responsibility.

<b>Ranking factors affecting ethical practices</b>								
<b>Parameter</b>			<b>Rank</b>			<b>Weighted Score</b>	<b>Ranking (%)</b>	<b>Rank</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>			
<i>1. Leadership</i>	17	31	18	20	4	307	22.7	2
<i>2. Organizational Culture</i>	34	14	19	11	12	317	23.6	1
<i>3. Stakeholder Expectations</i>	11	16	20	25	18	247	18.3	4
<i>4. Transparency and Accountability</i>	21	11	22	21	15	272	20.1	3
<i>5. Employee Training</i>	7	18	11	13	41	207	15.3	5
<b>Total</b>	90	90	90	90	90	1350	100	-

**Table 8: Ranking factors affecting ethical practices**

Source: Author's compilation based on questionnaire

Table 8 shows the outcomes of a survey conducted on Small and Medium Enterprises to assess the most prominent factors affecting their ethical practices. Respondents were asked to rank the five prominent factors - leadership, stakeholder expectations, organizational culture, transparency and accountability, and employee training, on a scale of 1 to 5, with 1 being of utmost significance and 5 being the least significant.

The most influential factor that emerged in the analysis was organizational culture, attaining the highest weighted score of 23.6% and ranking first in prominence. This suggests that SMEs in Saudi Arabia acknowledge the pivotal role of cultivating a robust ethical culture across the organization, characterized by norms, shared values, and behaviors that place paramount importance on integrity and responsible decision-making. The findings indicate that the ethical leadership demonstrated by leaders was identified as the second most influential factor as indicated by its weighted score of 22.7%. This suggests that the ethical orientation and behaviors of organizational leaders are considered a key determinant of ethical practices within these enterprises. (Abalala et al., 2021). Transparency and accountability were assessed to be third, highlighting the significance that Small and Medium Enterprises place on determining strong governance structures and reporting mechanisms to encourage ethical behavior and discourage unethical practices (Khurshid et al., 2015). Stakeholder expectations were considered fourth in importance, indicating that SMEs regard and recognize the notable sway that their key stakeholders can wield influence upon the organization's ethical practices and corporate social responsibility initiatives (Khurshid et al., 2015). Employee training was ranked lowest in prominence as the least prominent factor shaping the ethical practices of small and medium-sized enterprises. This implies that this particular element is relatively less emphasized compared to other key determinants of ethical conduct.

This examination contributes valuable empirical observations concerning the key factors that influence the adoption and institutionalization of ethical practices within SMEs in Saudi Arabia.

## 5. Discussion

This study provides critical insights into the role of business ethics in promoting the growth and development of Small and Medium-sized Enterprises in KSA. Results based on data analysis indicate that SMEs generally demonstrate a substantive commitment to ethical practices, affirming their crucial significance for sustainable business performance and social responsibility (Khurshid et al., 2015).

The regression analysis indicated that ethical concerns exhibited by senior executives were a significant determinant of the overall ethical climate and outcomes within these SMEs, demonstrating a moderate positive correlation (0.587). These empirical findings align with prior scholarly research that has underscored the pivotal role of ethical leadership and strong organizational

frameworks in cultivating a culture of integrity and responsible conduct across the enterprise (Alarjani et al., 2020; Islam & Alharthi, 2020). The regression analysis additionally disclosed a strong positive relationship between organizational mechanisms for addressing unethical conduct and the extent of ethical practices observed (Guest et al., 2023). Enterprises with clear policies and reporting systems are more likely to promote ethical compliance (Ghasemi et al., 2019). The moderate positive correlation(0.483) identified in the data analysis underscores the significant influence of these organizational mechanisms in shaping ethical outcomes. The findings further suggest that responsible engagement with key stakeholders is a crucial factor in shaping the ethical practices of organizations. The regression analysis corroborates this, revealing a statistically significant positive association and a moderate positive correlation(0.340). The data analysis indicates that organizations prioritizing ethical dealings with their stakeholders, tend to cultivate more robust ethical cultures. This implies that ethical conduct extends beyond an organization's internal functions and encompasses its interactions and engagements with external parties.

The empirical data derived from the survey showed the key contribution of organizational culture and ethical leadership in molding the ethical practices of small and medium-sized enterprises. The analysis resulted in the most influential factor being organizational culture (23.6%), suggesting that SMEs recognize the pivotal role of shared values and norms (Daradkeh, 2023). Furthermore, ethical leadership was considered the second most influential determinant(22.7%), highlighting the importance of leaders' ethical orientation. Notably, employee training was ranked the least prominent (15.3%) factor which implies that SMEs may prioritize other factors in informing and cultivating their ethical practices, despite the general recognition of training's importance. This contrasts with some scholarly perspectives that underscore the prominence of training programs in fostering ethical conduct. Nevertheless, some respondents asserted that small businesses emphasise work-related training skills over ethical conduct training. Additional research is needed to explore the effectiveness of different training approaches within SMEs.

This investigation provides important empirical insights into the ethical practices of small and medium enterprises in the Saudi Arabian context. The findings demonstrate that a multifaceted approach, encompassing a positive ethical culture, ethical leadership, conscientious stakeholder engagement, and robust ethical infrastructure is essential for cultivating and sustaining ethical conduct across these organizations.

## 6. Conclusion

The present research aimed to focus on the key factors that foster ethical practices within small and medium enterprises in Saudi Arabia, emphasizing the significance of a multifaceted framework. The findings reveal that organizational culture was the strongest contributor, emphasizing the crucial role of shared values and behavioral norms in creating an ethical environment. Moreover, the ethical orientation and conduct of organizational leaders were identified as a pivotal factor, indicating the impact of ethical leadership on shaping organizational practices. Other noteworthy determinants of ethical behavior revealed in the investigation were transparency and accountability mechanisms, as well as responsible stakeholder engagement. The study found that while employee training programs are generally recognized as important for cultivating ethical practices, they were relatively less emphasized by the SMEs examined, compared to other key factors. The regression analysis revealed a positive correlation between organizational mechanisms for addressing unethical conduct, and the observed prevalence of ethical practices within the enterprises examined. This underscores the importance of clear policies, accountability mechanisms, and reporting systems in fostering an ethical organizational culture. Furthermore, the study findings highlighted a statistically significant positive association between responsible engagement with key stakeholders and the development of ethical norms and practices across the organizations. This suggests that ethical conduct extends beyond an organization's internal functions and operations, encompassing its collaborative relationships with external parties as well.

The study was confined to the Jazan region and had a sample size of 90 respondents. Validation and further illuminating the empirical findings would be of high value through the investigation of a larger and heterogeneous sample across the KSA. This scholarly investigation contributes substantive empirical evidence that enhances the understanding of ethical practices within small and medium enterprises offering salient practical implications for business owners, executives, and policymakers. By underscoring the importance of ethical leadership, engaging responsibly with key stakeholders, cultivating a robust organizational culture of integrity, and implementing effective accountability mechanisms, SMEs can foster a sustainable ethical environment. Embracing ethical practices within SMEs not only bolsters their commercial viability but also reinforces a culture of social responsibility across this critical business sector in the Kingdom of Saudi Arabia. Further research may investigate the efficacy of diverse training programs in fostering ethical behavior within small and medium-sized enterprises. Moreover, examining industry-specific ethical challenges and practices could provide more nuanced insights. A deeper exploration of the cultural and regulatory landscape unique to the Kingdom of Saudi Arabia would further enrich the analytical depth.

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