



EMPLOYEES ETHICAL PRACTICES AND BUSINESS OPERATION FOR SMALL BUSINESS ENTERPRISES

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Abstract

The ethical accounting problems involve issues connected, such as the inquiry of the accounting information's environment in terms of whether all partners accept it and, on the other hand, the irregularly in spreading accounting data between stakeholders of the company's business. The study was guided by the research question that what was the relationship between employee's ethical accounting practice and the business operation. The study used a survey to collect data. Descriptive statistics and Pearson correlation test were used to analyze the data. Results show that employees in small businesses have a high ethical practice ($\mu=2.656$) at the workplace for accounting practices. The results indicate top ethical practices ($\mu=3.004$) for the reporting system from participants. The results suggest that there is a high mean ($\mu=2.678$) for the level of business operation. Therefore, the study concludes there is a significant relationship between the level of Ethical practices and business operation of employees in small business enterprises. Factors promoting ethical practices for employees show the satisfaction at the workplace and pleasant environment from supervisors and subordinates, reporting systems, corporate social responsibility, and honesty in reporting of workers. The results show that factors that indicate a high level of business operations are an excellent reputation for business performance, operations sustainability, and customer care services that make a definite competitive advantage. Findings show that there is a significant relationship between employees' ethical practices and the level of business operation. However, participants reported that there is a low ethical practice ($\mu =2.467$) for salary. Unsatisfied with the salary can lead to fraud for workers looking for compensation where it does not exist. Therefore, one of the recommendations is that managers to set up good salary strategy to prevent future unethical accounting practices that may result from incompatible salary with job requirement.

Keywords: Ethics, Employee Ethical practices, small enterprises, and business operations.



INTRODUCTION

Currently, ethical pitfalls unsettled generate corporate scandals that are causing extensive damages to the country's economy and society development. The corporate scandals were questionable for businessmen's morality in general and accountants, in particular, as an employee that guarantees the business operations. Jajjairam (2017) argued that the level of accounting profession ethics determines the accountant's responsibility. Smith and Smith (2003) indicated that unethical comportment terminates the company's ability to generate income that depends on the stakeholder's confidence in business operations sustainability.

Corporate Finance Institute (2020) reported about scandals from companies. In 2001, the Enron scandal made shareholders lose \$74 billion, and about 20,000 employees lost their functions. In 2002, WorldCom fraud of recording false entries, the chief executive officer was jailed for 25 years, 30,000 employees lost their work, and investors lost about \$180 billion. In 2009, Satyam computer services also had an accounting scandal by recording false revenues and make a wrong cash balance. These show that company ethics in accounting depend on the professional practices' human capital (accountant mainly for financial matters). Accounting scandals are unethical practices that affect company operations sustainability. However, competent, ethical practices start with management support for establishing reporting systems for business operations.

As for Todorović (2017), the accounting profession, ethical problems involve issues that are connected. The inquiry of the environment of the accounting information, whether all partners accept it, make the irregularly in spreading accounting data to the stakeholders of the company. According to James (2020), accountants' business information is essential for stakeholders' decision-making. The report will make the business cycle runs and allow investors to select the company for investments. The confidence and ethical practices of accountants are critical for business operations to gain public trust. An active, ethical practice for the reporting system is a sign of a culture of integrity for employees at the workplace to fulfill their duties.

Olson (2013) stated that ethical practices stand for the values that determine the company's sustainability of operations and inspire employees for more engagement and performance. The enterprises can no longer afford to disregard the application of business ethics. For Turyakira (2018), uninterrupted business operation failures are resulting from unethical practices, especially those associated with employees and top executives. This study investigated the employee-related factors



for ethical accounting practices and business operations. The following research questions guided the study:

- How is the employee's ethical practice in Small Enterprises?
- How is the level of business operation in Small Enterprises?
- Is there any relationship between employee's ethical accounting practice and the business operation in Small Enterprises?

LITERATURE REVIEW

Ethical practices at workplace

Ethics refers to the moral principles that positively guide and lead an individual's behavior for the conducting of an activity or action. It is a discipline in which matter of right and wrong, good and bad, virtue, and vice systematically examined in society (Lawrence & Charlotte, 2001). Unethical accounting practices show a situation when a company or worker does not follow rules of generally accepted accounting principles. According to Oseni (2011), employees' ethical behavior is vital for corporation wellbeing, while unethical accounting practices might negatively affect business operation. The workplace can make a conducive environment that will uphold the traditions of ethical norms in the company.

According to Olson (2013), workplace matters for employee's ethical practices. Accountants require positive cooperation with their supervisors to comply with the company's rules and policies for financial reporting. Ethical principles differentiate themselves from positive cultures for considerations and reaction explicitly reserved for ethical practices for company operations. Kermis & Kermis (n.d) stated that the process of accountability begins with the individual and individual's determination of what is ethical or the right thing to do in a particular situation.

Employee's practices at the workplace

According to the BBC website (2014), ethics is a system of applying moral principles that positively lead people make decisions and lead their lives. It is concerned with what is right for individuals and society and is also described as moral philosophy. Freedman (2019) stated ethics in accounting are the proper application choices concerning the planning, exhibition, and disclosure of financial management results for decision making.

Knowing the issues presented in accounting ethics help to ensure and bearing in mind some of the repercussions for the actions taken into businesses. Macdonald (2019) said that many different factors influencing structural performance come from the company's arrangement, procedures and



measures, and employee relations. The elements can inspire employees to work harder and be engaged in organizational performance. Organizations need to consider policies and regulations that prevail in human rights and ethics for equal employment.

Reporting system at the workplace

According to Byrenes (2013), business scandals have been brightened through broadcasting. Companies like Enron, WorldCom, and AIG experienced significant scandals due to unethical and illegal accountability practices. James (2020) showed that accountants are the bookkeepers to deliver accurate information about companies to the public and new stakeholders to make investment decisions and employee allowances. A good relationship between workers is a good boost for ethical practices. A sound reporting system designs employees' integrity to identify their wrongdoing and protect the company from false financial reports.

Kermis & Kermis (n.d) stated that taking responsibility for one's actions begins in the individual and transfers over to integrity in the workplace. Accountability motivates individuals and improves the focus of employees in the system; their work is reported. The reporting system encourages employees' responsibilities to avoid fraud and the absence of reports as the companies require them.

Business operation level

According to Davis (2019), a corporation's accounting organization makes the fundamental elements for business operations. The primary role of bookkeeping includes the gathering and protection of business transactions, as it relays to the firm activities. The financial information for business should be maintained in a well-organized manner and classified with vital elements for identification for managing business operations. Firestein (2001) stated that company status is the strongest determinant of any business's sustainability. But when an organization's reputation is gravely undermined, its repossession becomes uncertain.

Turyakira (2018) reported that managers of business companies must perform ethically and protect their business operations high to remain viable. He added that Small Medium Enterprise owners and their employees need to develop knowledge and be mindful of the requirement for ethical practices in business. Todorović (2017) reported that the challenges of the accounting profession daily influence professional accountants.

The study is necessary to managers, auditors, and other business-related persons to enable them to understand why ethical practices are fundamental for business operation sustainability.



RESEARCH METHODOLOGY

Research Design and Sampling

This study used correlation research design to examine the relationship between ethical accounting practices in business operations. This study targeted female and male workers or employees with various range of age purposely selected in organizations and companies. The sample size was 30 people that willingly accepted to participate in the study from 30 various small enterprises.

Data Collection Method& Instrument

The study used a survey to collect data from selected respondents. The survey was structured into three sections. The first section of the survey was about respondent's demographic information such as age range, gender, working experience, education level, and field of work. The second section contained questions about the environment of the workplace for ethical practices and reporting system. Part 3 included the value and operation of the business of Small Enterprises.

Data Analysis

The data collected were encoded and classified into tables for proper analysis and interpretation. Descriptive statistics (percentage, frequency, and mean) were used to analyze the results for the ethical practices and business operations, which were the research questions 1 and 2. Pearson correlation test was used to analyze results for the relationship between ethical practices and business operations, which was the research question 3. The mean was analyzed based on the following measurements low:

Table 1.

Mean measurement interpretation

Mean range ethical practices			Interpretation
4	Strongly agree	3.25-4.00	Very high ethical practices
3	Agree	2.50-3.25	Highethical practices
2	Disagree	1.75-2.50	Low ethical practices
1	Strongly disagree	1.00-1.75	Unethical practices
Mean range for business operation			Interpretation
4	Strongly agree	3.25-4.00	Very high level of operation
3	Agree	2.50-3.25	High level of operation
2	Disagree	1.75-2.50	Low level of operation
1	Strongly disagree	1.00-1.75	Very low level of operation



RESULT AND DISCUSSION

This section presents the results and discussion of the relationship between employees' ethical accounting practices and business operations. It was guided with three specific objectives; to identify the factors of employee's ethical practices, to find out the level of business operations, and to establish the interrelationship between ethical practices and the business operations.

Respondents Demographic Characteristics

The study looked at respondents' demographic characteristics in terms of gender, age, educational background, working experience, and field of work. The percentage and the frequency were used to describe the collected data. Results in Table 1 show that the majority (63.3%) of respondents were female, and 36.7% of the respondents were male. For the age, more than half (56.7%) of the respondents were aged less than 26 years old, 30.0% of the respondents were aged between 26 to 35 years old, 10.0% of the respondents were aged between 36 to 45 years old, and only 3.3% of the respondents were aged more than 46 years old. For education level, the results show that the majority (80.0%) of the respondents possess bachelor degrees, 10.0% of the respondents attained a master's degree, 6.7% of the respondents achieved a high school diploma. Only 3.3% of the respondents were attained doctor degree. In terms of working experience, more than three quarters (76.7%) had worked less than six years, 13.3% had working experiences between 6 years and ten years, 6.7% had work experience between 11 years and 15 years, and only 3.3% had worked more than 16 years. In the field of work, almost half (46.7%) of the respondents worked in accounting and finance department, 33.3% worked in various areas of services 10.0% worked in the marketing area, and 10.0% worked in the management section,



Table 2.

Respondents Demographic Characteristics

		Frequency	Percent
Gender	Male	11	36.7
	Female	19	63.3
Age	Below 26	17	56.7
	26-35	9	30.0
	36-45	3	10.0
	46 and above	1	3.3
	Education	High school Diploma	2
Background	Bachelors' degree	24	80.0
	Master's degree	3	10.0
	Doctor degree	1	3.3
Working experience	1-5	23	76.7
	6-10	4	13.3
	11-15	2	6.7
	16 and above	1	3.3
Field of work	Accounting&Finance	14	46.7
	Marketing	3	10.0
	Management	3	10.0
	Other	10	33.3

Workers' Ethical Practices at workplace

The first research question of the study was to identify the factors of employee's ethical practices in Small Enterprises. Results in Table 3 indicate the mean and interpretation summary of the environment affecting workers' ethical practices. The study results indicate that the participants support with high ethical accounting practices performing well their jobs ($\mu=2.833$) with happiness, following workplace rules and policies ($\mu=2.700$), good workplace environment ($\mu=2.700$) created by supervisors, company social responsibility ($\mu=2.700$). However, participants reported that there is low ethical practice ($\mu=2.467$) for salary according to their jobs, they are not satisfied with them. Therefore, their ethical practices when it comes to salary. Employees have a tremendous ethical practice ($\mu=2.656$) at the workplace for accounting practices.



Table 3.

Workers 'Ethical Practices at workplace

	μ	Interpretation
1. I am satisfied with my job workplace rules and policies	2.700	High Ethical Practices
2. My manager creates a good working environment	2.700	High Ethical Practices
3. I like my job activities	2.833	High Ethical Practices
4. My salary is based on my job description	2.467	Low ethical Practices
5. My company has good corporate social responsibility program	2.700	High Ethical Practices
Average	2.656	High Ethical Practices

Reporting system at the workplace

Findings in Table 4 indicate that the mean and its interpretation of the reporting system shows high ethical practices from workers. The study results indicate high ethical practices ($\mu=3.004$) for the reporting system from participants.

Table 4.

Reporting system at workplace

	μ	Interpretation
1. I follow my organization reporting system	2,567	High Ethical Practices
2. My report is always approved by my supervisor for accuracy	3,133	High Ethical Practices
3. I follow accepted standards to present information from financial statement	3,167	High Ethical Practices
Average	3.004	High Ethical Practices



Business operations

The second research question was to analyze the level of business operation. Results in Table 5 show a high level of business operation reported by participants from companies. The results indicate a high ethical practice for the reporting system ($\mu=2.678$) for the level of business operation.

Table 5.
Business operation

	μ	Interpretation
1. My organization has good reputation for activities performance	2,567	High
2. My organization has been operating for long time financially healthy with profit	2,933	High
3. My organization has strong customer care services standards	2,533	High
Average	2.678	High

Relationship between Ethical Practices of Employees and the level of Business Operations

The third objective is to establish the relationship between the ethical practices of employees and the level of business operation.

Table 6.
Relationship between Ethical Practices of Employees and level of Business Operations

	Good reputation for activities performance	Operating for long time financially healthy with profit	Strong customer care services standards
Satisfied with my workplace rules and policies	.710** ,000	.364* ,048	.421* ,021
Manager creates a good working environment	.690** ,000		.380* ,038
Organization has good corporate social responsibility	.632** ,000	.530** ,003	.493** ,006
I follow my organization reporting system	.584** ,001	.528** ,003	.450* ,013
My report is always approved by my supervisor for accuracy	.474** ,008	.560** ,001	
My Enterprise follows accepted standards to present information from financial statement	.443* ,014	.395* ,031	

Findings in Table 6 show the relationship between the ethical practices of employees and the level of business operation. There is a very significant positive correlation between good reputation for activities performance and satisfaction at the workplace ($r=.710$), good working environment with the manager ($r=.690$), organization corporate social responsibility ($r=.632$), follow accounting reporting



system ($r=.584$), reporting approval by supervisor ($r=.474$), and significant relationship with accepted standards to present financial statements ($r=.443$).

There is a very significant positive correlation between Operating for long time financially healthy with profit and reporting approval by supervisor ($r=.560$), organization corporate social responsibility ($r=.530$), satisfactory accounting reporting system ($r=.528$), satisfaction at the workplace ($r=.710$), and significant relationship between accepted standards to present information from financial statement ($r=.395$) and good working environment with the manager ($r=.365$).

There is a very significant positive correlation between strong customer care services standards and organization corporate social responsibility ($r=.493$), and significant relationship between satisfactory reporting system ($r=.450$), satisfaction at the workplace ($r=.421$), good working environment with the manager ($r=.380$). Therefore, the last research question about relationship reveals that there is a significant correlation between ethical practices of employees and the level of business operation

DISCUSSIONS AND CONCLUSION

A public accountant must maintain a neutral relationship with management and all other persons who feel the consequences of an authorized public accountant auditing for financial statements. Results show that employees in small businesses have a high ethical practice ($\mu=2.656$) at the workplace for accounting practices. The results indicate high ethical practices ($\mu=3.004$) for the reporting system from participants. This means that employees are positively motivated to do their work following the principles of reporting. The findings are also supported by Macdonald (2019), who stated that many different factors influencing structural performance were the company's arrangement, following the procedures and measures, and mainly the employee's relationship at the workplace. This means that collaboration with one another makes things. However, participants reported that there is a low ethical practice ($\mu =2.467$) for salary according to their jobs, they are not satisfied with them. Unsatisfied with the salary can lead to fraud for workers looking for compensation where it does not exist. The results show that there is a high mean ($\mu=2.678$) for the level of business operation. This implies that employees in small businesses are doing well in terms of performance to sustain business operations. The results correlate what Turyakira (2018) reported that managers of business companies need to perform ethically and protect their business operations high to remain viable.

There is a very significant statistical positive correlation between good reputation for activities performance and satisfaction at the workplace rules and policies ($r=.710$), good working environment with the manager ($r=.690$), organization corporate social responsibility ($r=.632$),



follow accounting reporting system ($r=.584$), reporting approval by supervisor ($r=.474$), and significant relationship with accepted standards to present financial statements ($r=.443$).

. This implies that small businesses have a good environment for workers that, as it is well established, employees make useful reports following the reporting systems in place. The results show that the higher the reputation of business operations, the higher the reporting system and relationship between supervisor and subordinates at the workplace. The findings go along with the results of the James (2020) survey, which indicates that accountants play a significant role in the bookkeepers' ability to deliver accurate information about companies to the old and new stakeholders make investment decisions. Further, he shows that a good relationship between workers is a good boost for ethical practices. And good reporting system designs employees' integrity to identify their wrongdoing and protect the company from false financial reports.

There is a very significant positive correlation between operating for a long time financially healthy with profit and reporting approval by supervisor ($r=.560$), organization corporate social responsibility ($r=.530$), and satisfactory accounting reporting system ($r=.528$). This means that the higher the employees perform well their responsibilities, and social responsibility, the greater is the level of business operations sustainable. Kermis & Kermis (n.d) argued that taking responsibility for one's actions begins in the individual and transfers over to integrity in the workplace. This shows that accountability improves the focus of employees in the system their work is reported to. The authors indicated that the reporting system encourages employees' responsibilities to avoid fraud. This implies that the reporting system is essential for employees' ethical practices.

There is a very significant positive correlation between strong customer care services standards and organization corporate social responsibility ($r=.493$), and significant relationship between satisfactory reporting system ($r=.450$), satisfaction at the workplace rules and policies ($r=.421$), good working environment with the manager ($r=.380$). The results are supported by Oseni (2011), who stated that employees' ethical behavior is essential for corporation wellbeing, while unethical accounting practices might negatively affect business operation. The workplace environment can affect the practices of ethical norms in the company.

Therefore, the study concludes there is a significant relationship between the level of Ethical practices and business operation of employees in small business enterprises. Factors promoting ethical practices for employees show the satisfaction at the workplace and pleasant environment from supervisors and subordinates, reporting systems, corporate social responsibility, and honesty in reporting of workers. The results show that factors that indicate a high level of business operations are an excellent reputation for business performance, operations sustainability, and customer care services that make a definite competitive advantage. Based on the study findings, the study recommended:



- The small business managers to strengthen a pleasant workplace environment, adapt corporate social responsibilities, and provide ethical educational programs to enhance workers' performance.
- The managers to set up good salary strategy to prevent future unethical accounting practices that may result from incompatible salary with job requirement.
- The small business stakeholders to promote the implementation of standard reporting systems to avoid employees to commit unethical action.

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