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## THE LEVEL OF BUSINESS ETHICS OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE VISEGRAD GROUP

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### Abstract

The aim of the paper is to define and compare the significant attributes in the field of business ethics according to the size of the firm, gender and education of entrepreneurs in the SME segment in sum in the V4 countries. The empirical research, which was aimed at identifying the attitudes of small and medium-sized firms, was conducted in June 2022 in the Visegrad Four countries (Czech Republic, Slovakia, Poland and Hungary). The data collection was carried out by the external firm. Statistical hypotheses were tested through descriptive statistics, chi-square and Z-score at  $\alpha = 5\%$  significance level. The attitudes of SMEs towards the following statements were examined: ST1: I consider ethics in business important; ST2: I consider the ethical implications of my decisions when managing my business; ST3: I feel good when I behave ethically in business; and ST4: Our company enforces rules of ethical conduct in business. We find that the level of agreement with these statements is high. We did not find statistically significant differences in responses based on defined demographic characteristics.

*Keywords:* small and medium-sized enterprises, business ethics, age of the firm, gender and education of entrepreneurs

### 1. INTRODUCTION

Small and medium-sized enterprises (SMEs) play an important role in the

economy of virtually every country in the world. These enterprises have specific characteristics. According to Fetisovová et al. (2012) this is related to limited capital

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strength, the limited market in which they operate and the higher riskiness of the business. "On the other hand, however, they are more flexible, have closer contact with customers, can adapt more quickly to their new needs, and are of great importance for employment in the economy." Within the current trends in the development of the socio-economic system, business ethics is playing an increasingly important role in the SME segment (Pizzi et al., 2020). Historically, the attributes of business ethics have been studied primarily in the large firm environment, but gradually the SME sector has also grown in scholarly interest.

This article examines some of the determinants of the application of business ethics, assesses its level and compares selected factors by firm size, gender and education of entrepreneurs in the Visegrad Four (V4) countries.

The structure of the study is divided into 3 parts. The first part of the study presents the views of selected authors in the context of the main objective of the paper. The second part contains the aim of the research, a description of the methodology and a description of the empirical research data. The third section presents the results of the empirical research and a discussion of the issue. In the conclusion, the main results of the research are formulated.

## **2. BUSINESS ETHICS AND ITS SIGNIFICANT FACTORS**

Business ethics addresses the material conflict between the interests of entrepreneurs and the interests of other people that arise from entrepreneurial activities (Fassin et al., 2011; Kolk, 2016). It is a reflection of ethical principles into all

business activities. This reflection can relate to the basic ideas of the company, its decision making, but also to specific areas such as marketing, finance, labour relations and environmental protection (Fiala, 2005). The business ethics of SMEs is determined by several factors, such as the specific characteristics of the SME, the motivation of people to do business and, above all, the personal characteristics of the owner of the company and his/her approach to dealing with business ethics activities.

SMEs differ significantly from large firms because they employ fewer people, have limited financial and human resources, possess a lack of knowledge and use informal firm organization (Fernandez & Camacho, 2016; Mayanja & Perks, 2017; Savur, 2017; Dvorsky et al., 2020; Metzker & Zvarikova, 2021). These firms are usually managed by the owner, whose personality traits determine the firm's culture and the implementation of business ethics practices.

Since money is a significant motivation for entrepreneurship, it can be assumed that the desire for profit will be in conflict with adherence to business ethics. According to Fuller and Tian (2006), responsibility and ethics represent the personal attitude of the entrepreneur and are inseparable. This view is also stated by other authors who emphasize that SMEs' business ethics activities reflect the values, character, attitudes, education, and family background of the owner-entrepreneur (Vivier, 2013; Savur, 2017). Arend (2013) argues that SMEs depend on their good "ethical standing" on the one hand because they need to survive (they need to gain and maintain the trust of their customers, supply chain partners and work closely with their close communities), on the other hand they face the temptation to push the level of ethics in

the firm down in order to survive.

Studies in several areas of SME entrepreneurship have shown that there are differences in the attitudes of entrepreneurs according to the size of the firm, gender and education of the entrepreneurs. Çera et al. (2019) examined the relationship between firm size and the perceived importance of social factors by entrepreneurs in a sample of 641 SMEs in the Czech and Slovak Republics. The authors reported that larger firms perceived the impact of social factors on entrepreneurship better. In another study, Belas et al. (2019), for example, found that larger firms and entrepreneurs with secondary education had a more positive view of the impact of government bureaucracy on entrepreneurship; entrepreneurs with secondary education more positively evaluated R&D infrastructure than entrepreneurs with university education; larger firms more strongly agreed with the statement that the state financially supports entrepreneurs, etc. Belas et al. (2020a) also report that larger firms within the segment perceived their own intensity of entrepreneurial activities more intensively in the Czech Republic and Slovakia; larger firms and entrepreneurs with higher education more intensively apply a participative management style; larger firms and entrepreneurs with higher education perceive better the evaluation and motivation of employees in the firm. Çera et al. (2020) examined the effect of firm size on the application of the CSR concept in a sample of 454 SMEs in the Czech Republic and 368 firms in Slovakia. According to the authors, firm size does not affect the implementation of CSR.

Similar studies exist in the field of business ethics. Zsigmond et al. (2021) examined selected attributes of business

ethics in Slovakia. According to the authors, there is a relationship between firm size and the existence of ethical institutions; qualification affects ethical behaviour, while gender and age do not affect ethical behaviour and there is no relationship between firm size and unethical behaviour. Belas et al. (2020b) investigated SMEs' attitudes towards business ethics and found that there are differences in perceptions between men and women. The authors reported that women had a more positive perception of the attitude that entrepreneurs should consider the moral and ethical implications of their decisions

Mura et al. (2021) investigated the impact of emotional intelligence and ethics on knowledge sharing in Central European countries. According to the authors, gender has an effect on the level of emotional intelligence, education and age do not have an effect on emotional intelligence. The authors conclude that the occurrence of unethical behaviour does not depend on the size of the firm. For successful and long-term survival, SMEs should start working on creating policies and procedures that stimulate ethical values. Through appropriate ethical practices, SMEs can boost their image in the society and build trust among socially sensitive and stakeholders, or create a stimulating ethical climate support the firm's overall performance and strategy (Mazharul Islam & Alharthi, 2020).

### **3. AIM, METHODOLOGY AND DATA**

The aim of the paper is to define and compare the significant attributes in the field of business ethics according to the size of the company, gender and education of

entrepreneurs in the SME segment in the V4 countries.

The empirical research, which aimed at identifying the attitudes of small and medium-sized firms, was conducted in June 2022 in the Visegrad Four countries (Czech Republic, Slovakia, Poland and Hungary).

The data collection was carried out by the renowned external firm MNFORCE using the "Computer Assisted Web Interviewing" (CAWI Research Method) according to a questionnaire developed by the research team. The questionnaire could be filled in by the owner or the top manager of a small or medium-sized enterprise (SME; hereafter referred to as the respondent).

In the Czech Republic, the total number of respondents was 347. The structure of respondents in terms of firm size was as follows: 157 (45.2%) micro enterprises, 107 (30.8%) small enterprises and 83 (23.9%) medium enterprises. Of the total Czech respondents, 47.3% were female and 52.7% were male. Educational level of respondents: 63 (18.2%) respondents reported primary or secondary education without matriculation, 181 (52.2%) respondents with completed secondary education with matriculation, 32 (9.2%) university education - Bachelor's degree, 65 (18.7%) university education - Master's degree/engineering degree, 6 (1.7%) university education - Doctoral degree.

In the Slovak Republic, the total number of respondents was 322. The structure of respondents in terms of company size was as follows: 167 (51.9%) micro-enterprises, 86 (26.7%) small enterprises and 69 (21.4%) medium-sized enterprises. Of the total Slovak respondents, 52.8% were female and 47.2% were male. Educational level of respondents: 30 (9.3%) respondents reported primary or secondary education without

matriculation, 164 (50.9%) respondents with completed secondary education with matriculation, 19 (5.9%) university education - bachelor, 100 (31.1%) university education - master/engineering, 9 (2.8%) university education - doctoral.

In Poland, the total number of respondents was 381. The structure of respondents in terms of company size was as follows: 180 (47.2%) micro enterprises, 106 (27.8%) small enterprises and 95 (25.0%) medium enterprises. Of the total Polish respondents, 51.2% were female and 48.8% were male. Educational level of respondents: 7 (1.8%) respondents reported primary or secondary education without a high school diploma, 129 (33.9%) respondents reported secondary education with a high school diploma, 73 (19.2%) higher education - Bachelor's degree, 162 (42.5%) higher education - Master's degree/engineering degree, 10 (2.6%) higher education - doctoral degree.

In Hungary, the total number of respondents was 348. The structure of respondents in terms of company size was as follows: 174 (50.0%) micro enterprises, 98 (28.2%) small enterprises and 76 (21.8%) medium enterprises. Of the total Hungarian respondents, 54.9% were female and 45.1% were male. Educational level of respondents: 7 (2.0%) respondents reported primary or secondary education without a high school diploma, 145 (41.7%) respondents reported secondary education with a high school diploma, 114 (32.8%) respondents reported higher education - bachelor's degree, 78 (22.4%) respondents reported higher education - master's degree/engineering degree, and 4 (1.1%) respondents reported higher education - doctoral degree. Age structure of respondents: 132 (38.0%) under 35 years, 119 (34.2%) aged 36-45 years, 61

(17.5%) aged 46-55 years and 36 (10.3%) aged over 55 years.

In this paper, we will assess respondents' attitudes by firm age, gender and education towards these statements aggregated across all V4 countries:

ST1: I think ethics in business is important.

ST2: I consider the ethical implications of my decisions when running a business.

ST3: I feel good when I behave ethically in business.

ST4: Our company enforces rules for ethical behaviour in business.

Based on the method of expert estimation, we set the following statistical hypotheses:

**H1:** At least 80% of SMEs agree with statement ST1.

**H1a:** There are no statistically significant differences in the overall pattern of responses and in respondents' affirmative responses to ST1 by firm size, gender and respondents' education.

**H2:** At least 80% of SMEs agree with the statement of ST2.

**H2a:** There are no statistically significant differences in the overall pattern of responses and in the positive responses of respondents to ST2 by firm size, gender and education of respondents.

**H3:** At least 80% of SMEs agree with the statement ST3.

**H3a:** There are no statistically significant differences in the overall pattern of responses and in the positive responses of respondents to ST3 by firm size, gender and education of respondents.

**H4:** At least 80% of SMEs agree with the statement of ST4.

**H4a:** There are no statistically significant differences in the overall pattern of responses and in respondents' affirmative responses to ST4 by firm size, gender and education of respondents.

The statistical hypothesis was tested through descriptive statistics, chi-square and Z-score at  $\alpha = 5\%$  level of significance. If the p-value is greater than or equal to 0.05 the null hypothesis is confirmed. If the p-value is less than 0.5 the null hypothesis is rejected. Calculations were made using freely available software on the internet.

#### 4. RESULTS, DISCUSSION AND CONCLUSION

The following tables present the results of the research, including the verification of each scientific hypothesis.

H1 has been confirmed (Table 1). On average, 92.33 SMEs in the V4 countries agree with the ST1 statement. It is natural that ethical behaviour belongs to the basic interpersonal aspects. Society sets certain boundaries, principles that one must (or should) follow. Therefore our result is not surprising. H1a has been also confirmed. There are no statistically significant differences in the overall pattern of responses and in the respondents' affirmative responses to ST1 by firm size, gender and respondents' education. This only confirms the above dogma. The only exception is the comparison of firms by size. We find that larger firms more strongly agreed that they consider ethics important in business. In this context, it should be added that several

studies (e.g. Metzker & Zvarikova, 2021) confirm that the larger the company, the greater the extent to which it is committed to ethical conduct and social responsibility.

H2 was confirmed (Table 2). On average, 90% of SMEs in the V4 countries agree with the ST2 statement. H2a has been also confirmed. The research confirmed that there are no statistically significant differences in the overall pattern of responses and in respondents' affirmative responses to ST2 by firm size, gender and respondents' education. Here we see the same analogy with the hypotheses evaluated above. Most entrepreneurs considering ethics important in

business, automatically take into account the ethical aspects of their decisions in managerial practice (running business).

H3 has been confirmed (Table 3). On average, 88.33% of SMEs in V4 countries agree with the ST3 statement. Almost 89% of entrepreneurs have a positive feeling when acting ethically, which corresponds with the results of hypotheses H1 and H2. H3a has been only partially confirmed. The research showed that there are statistically significant differences in the overall pattern of responses if we compare firms according to their size and according to the education of the respondents. Larger enterprises have a

*Table 1. ST1 survey results by company size, gender and education of respondents*

ST1: I think ethics in business is important.	Micro/SMEs 678/720	Men/Women 678/720	SE / UNI 726/672	Z-score p-value Micro/SMEs Men/Women SE/UNI
1. Totally agree	408/379	370/417	403/384	0.0819
2. Agree	210/295	258/247	261/244	0.7795
3. Disinterested	53/38	43/48	57/34	0.1585
4. Disagree	6/6	6/6	5/7	
5. Totally Disagree	1/2	1/2	0/3	
Chi-square: p-value:	<b>0.0020</b>	0.6635	0.1594	
Percentage of positive responses	91/94	93/92	91/93	
Average value of positive answers in %	<b>92.33</b>			

Note: Micro - means micro-enterprise (from 0 to 9 employees), SME-small and medium enterprise (from 10 to 249) employees, SE - respondents with secondary education, UNI - respondents with university degree.  
Source: Author.

*Table 2. ST2 survey results by company size, gender and education of respondents*

ST2: I consider the ethical implications of my decisions when running a business.	Micro/SMEs 678/720	Men/Women 678/720	SE / UNI 726/672	Z-score p-value Micro/SMEs Men/Women SE/UNI
1. Totally agree	301/297	287/311	307/291	0.9442
2. Agree	310/351	321/340	303/264	0.6455
3. Disinterested	61/65	65/61	76/47	0.2983
4. Disagree	4/4	4/4	9/11	
5. Totally Disagree	2/3	1/4	1/7	
Chi-square: p-value:	0.8022	0.7033	0.3032	
Percentage of positive responses	90/90	90/90	89/91	
Average value of positive answers in %	<b>90.00</b>			

Source: Author.

higher number of affirmative responses. In terms of education comparisons, it seems that there is a larger number of agreeing responses for secondary education than for university education. This finding could be interesting and does not correspond with Dobeš et al. (2019). At the same time, there are no statistically significant differences in respondents' positive answers to ST3 by firm size, gender and respondents' education.

H4 has been confirmed (Table 4). On average, 86% of SMEs in the V4 countries agree with the ST4 statement. It is not surprising, based on previous results, that not only do managers enforce ethical practices and behaviours in business praxis, but also

the firm as a whole enforces the rules of ethical behaviour in business. H4a has been also confirmed. We found that there are no statistically significant differences in the overall pattern of responses and in respondents' affirmative responses to ST4 by firm size, gender and respondents' education.

The aim of the paper was to define and compare the significant attributes in the field of business ethics according to the size of the company, gender and education of entrepreneurs in the SME segment in the V4 countries. We examined the attitudes of SMEs towards the following statements: ST1: I consider ethics in business important; ST2: I consider the ethical implications of

Table 3. ST3 survey results by company size, gender and education of respondents

ST3: I feel good when I behave ethically in business.	Micro/SMEs 678/720	Men/Women 678/720	SE / UNI 726/672	Z-score p-value Micro/SMEs Men/Women SE/UNI
1. Totally agree	352/328	320/360	337/343	0.3222
2. Agree	247/320	289/278	303/264	0.4654
3. Disinterested	64/59	57/66	76/47	0.1902
4. Disagree	12/8	8/12	9/11	
5. Totally Disagree	3/5	4/4	1/7	
Chi-square: p-value:	<b>0.0328</b>	0.5978	<b>0.0159</b>	
Percentage of positive responses	<b>88/90</b>	90/87	<b>88/90</b>	
Average value of positive answers in %	<b>88.83</b>			

Source: Author.

Table 4. ST4 survey results by company size, gender and education of respondents

ST4: Our company enforces rules for ethical behaviour in business.	Micro/SMEs 678/720	Men/Women 678/720	SE / UNI 726/672	Z-score p-value Micro/SMEs Men/Women SE/UNI
1. Totally agree	320/300	295/325	321/299	0.2846
2. Agree	256/326	288/294	308/274	0.9920
3. Disinterested	79/77	80/76	77/79	0.4593
4. Disagree	14/9	12/11	16/7	
5. Totally Disagree	9/8	3/14	4/13	
Chi-square: p-value:	0.0615	0.1107	0.0609	
Percentage of positive responses	85/87	86/86	87/85	
Average value of positive answers in %	<b>86.00</b>			

Source: Author.

my decisions when managing my company; ST3: I feel good when I behave ethically in business; and ST4: My company enforces the rules of ethical behaviour in business.

We found that the level of agreement with these statements is high. Therefore it could be generalized that entrepreneurs in Slovakia, the Czech Republic, Poland and Hungary consider ethical behaviour in business to be important and the majority (more than 90%) do so. We did not find statistically significant differences in responses based on defined demographic characteristics. In future research, we will focus on quantifying these differences across all Visegrad Group countries.

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## НИВО ПОСЛОВНЕ ЕТИЧНОСТИ МАЛИХ И СРЕДЊИХ ПРЕДУЗЕЋА У ВИШЕГРАДСКОЈ ГРУПИ

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### Извод

Циљ рада је да се дефинишу и упореде значајни атрибути у области пословне етике према величини фирме, полу и образовању предузетника у сегменту МСП у збиру у земљама В4. Емпиријско истраживање, које је имало за циљ да идентификује ставове малих и средњих предузећа, спроведено је у јуну 2022. године у земљама Вишеградске четворке (Чешка, Словачка, Пољска и Мађарска). Прикупљање података је извршила екстерна фирма. Статистичке хипотезе су тестиране путем дескриптивне статистике, хи-квадрата и Z-скора на  $\alpha = 5\%$  нивоу значајности. Испитани су ставови МСП према следећим изјавама: СТ1: Етику у пословању сматрам важном; СТ2: Узимам у обзир етичке импликације мојих одлука када управљам својим послом; СТ3: Добро се осећам када се понашам етички у послу; и СТ4: Наша компанија спроводи правила етичког понашања у пословању. Сматрамо да је ниво слагања са овим изјавама висок. Нисмо пронашли статистички значајне разлике у одговорима на основу дефинисаних демографских карактеристика.

*Кључне речи:* мала и средња предузећа, пословна етика, старост фирме, пол и образовање предузетника

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