

THE IMPACT OF GOVERNANCE ON MORAL BEHAVIOR IN SMALL ENTERPRIS

Dr. Nahla Al-Nour Muhammad Al-Makki

Principal investigator, Assistant Professor of Accounting Sciences in King Khalid University
nmaky@kku.edu.sa

Dr. Elsit Abdalla Elfadul Mukhtar

Assistant Professor of Business Administration Sciences in King Khalid University
aaalfadl@kku.edu.sa

Dr. Hala Elrashied Osman Basheer

Lecturer professor in King Khalid University
hbasher@kku.edu.sa

This research was supported by big research groups at the Deanship of Scientific Research -
King Khalid University - Saudi Arabia (RGP.2/153/43)

Abstract

The study investigated the impact of governance on moral behavior in small enterprises. The problem of the study was represented in that the principles of corporate governance are not applied in the small enterprises what leads to cause high risk to both those small enterprises and financial reporting users as well. The significance of the study is represented in that applying the principles of governance is of great importance for evaluating the current and the sustainable performance and for reducing the performance risk related to error, violation, and corruption and for dealing with unexpected crises. The study aimed to identify the impact of applying governance on work environment in the small enterprises and to enhance moral behavior in the small enterprises. The researcher adopted the descriptive analytical approach to verify the hypothesis: There is a statistically significant relationship between applying the principles of corporate governance and enhancing ethical behavior. The researchers concluded the following findings: There is a statistically significant relationship between applying the principles of governance and enhancing moral behavior. There is a statistically significant relationship between applying the principles of governance and performance risk related to error, violation and corruption and for dealing with unexpected crises in the small enterprises. The commitment to the principles of governance leads to the commitment to the moral behavior and to reaching innovative solutions. The researchers recommended the following: Principles of governance should be applied because they enhance moral behavior. Principles of governance should be applied in order to overcome performance risk related to error, violation and corruption and for dealing with unexpected crises in the small enterprises

Keywords: Corporate governance, moral behavior

Introduction

Moral is the highest objective of education as it regulates the lives of individuals and communities. There are acceptable behavioral patterns in community and others that are rejected so that the aim of education is to develop those that are accepted and to reject those that are rejected, in order to form a moral value system. Moral is a necessary thing in individuals and communities life, as it is the basis for the individual's personality balance and integration, and will development facing life requirements and making difficult decisions (Al-Smadi & Al-Zaqoul).

Study Problem

The problem of the study was represented in that the principles of governance are not applied in small enterprises, which causes great risks to those small enterprises and financial reporting users. Many small enterprises faced risk related to the payment of obligations and low profitability in the short term and financial solvency in the long term. Therefore, the study aimed to investigate the impact of applying the principles of governance in small enterprises on reducing risk and enhancing sustainable performance in small companies in the Kingdom of Saudi Arabia.

The study problem questions were as follows:

1. To what extent does the absence of applying the principles of governance affect performance risk related to error, violation and corruption and for dealing with unexpected crises in small enterprises?
2. To what extent does the absence of applying the principles of governance affect significant risk in small enterprises and financial reporting users?

Study Significance

The principles of governance are of great importance for evaluating the current and sustainable performance, as well as for reducing performance risk related to error, violation and corruption and for dealing with unexpected crises.

Study Objectives

The study aims to:

Investigate the effect of applying governance on the work environment in small enterprises and on promoting ethical behavior in small enterprises. as follow:

1. Identify the relationship between applying governance principles and performance risk related to error, violation, corruption and dealing with unexpected crises.
2. Identify the relationship between applying governance principles and risks of small enterprises and financial reporting users.

Study Hypotheses

The study attempts to verify the hypotheses:

3. There is a statistically significant relationship between applying principles of governance and performance risk related to errors, violation, corruption, and dealing with unexpected crises.
4. There is a statistically significant relationship between applying principles of governance and enhancing moral behavior.

Methodology of the Study

Method and Tools of the Study

A- Method of the Study

The descriptive analytical approach was used to measure the relationship between the role of principles corporate governance and reducing risk and enhancing sustainable performance in the small enterprises after Corona pandemic in the Kingdom of Saudi Arabia. Primary and secondary data were collected from previous literature (previous research and studies). The tool of the study was prepared; a questionnaire was designed on an electronic link, directed to a random sample of the small enterprises in the Kingdom of Saudi Arabia. The electronic link was distributed to a pilot sample of the small enterprises and specialized experts in order to benefit from their opinions and suggestions. The questionnaire validity and reliability were measured using Cronbach Scale.

B- Tools of the Study

Primary studies: Include the field study - a questionnaire.

Secondary studies: Include previous studies - books - magazines - blogs - the Internet.

Limitation of the Study

Spatial limits: the city of Khamis Mushait .

Time limits: 2022/2023.

Previous Studies

Althabhwani (2021) conducted a study entitled: The Role of Ethical Behavior on Supporting Innovative Solutions in Organizations: An Analytical Study on a Sample of Employees in Military Industrial Company Alrasheed Factory, Iraq.

The study aimed to identify the role of moral behavior in supporting innovative solutions in organizations. The study provided theoretical principles of the moral behavior and innovative solutions. The data were analyzed using SPSS. The study came up with the following findings: There is a strong direct correlation between the moral behavior and the innovative solutions. The study recommended the following: Senior management should spread the principles and components of moral behavior among employees. Focus on what is right and avoid what is wrong should be the ethical rule of work environment in order to contribute to supporting solutions innovatively. When an organization faces challenges and difficulties they represent a factor that hinder achieving its objectives.

Al-Wakeel (2021) conducted a study entitled :The Impact of Governance Principles on Job performance: An Applied Study on the Eastern Neighborhood of Nasr City, Egypt, The Arab Journal of Management, vol. 41, p. 107.

The study aimed to explore the relationship between the principles of governance and job performance in the eastern neighborhood of Nasr City, and to identify the relationship and impact of leaders' adoption of applying governance as a mediating variable of the relationship between the principles of governance and the improvement of job performance, in the eastern district of Nasr City, where the correlation coefficient value was ($r = 0.865$). There was a statistically significant direct correlation between administrative leaders and the application of governance principles, where the correlation coefficient value was ($r = 0.744$). There was a statistically

significant direct correlation between the administrative leaders adoption of applying the principles of governance and improving job performance, where the correlation coefficient value was (0.861). The results confirmed that governance contributes positively to improving the institutional performance of administrative bodies, by strengthening administrative accountability. The study recommended the following: The principles of governance should be activated in public organization through the role of leaders towards adopting basics of control, transparency, independence, responsibility, justice and social awareness and activating each standard according to application dimensions that contribute to practicing governance in public organizations. Internal environment in governmental organizations should be investigated in order to study to what extent they commit to applying the principles of governance and identify what are difficulties that challenge the application.

Sam Butcher (2013) Reducing risks through management governance.

The study aimed to investigate the role of applying governance on reducing risk. management governance will be given much more attention in coming years as boards become more proactive in managing their risks. Arrangements for employees, referred to as "management governance". Management governance will be given much more attention in the years ahead. The study conclude the following: Directors are responsible for ensuring the organization's management governance framework is adequate and working properly. There are four elements of a good management governance framework: Relevant objectives supported by appropriate incentives. Comprehensive delegated authorities. Clear policies and procedures imposing boundaries on decision-making. Appropriate internal controls and assurance mechanisms.

??

James Chen (2022), Corporate Governance Definition: How It Works, Principles, and Examples
This study aimed to investigate what is corporate governance, how It works, its principles, and examples.

The study problem was represented in that corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, senior management executives, customers, suppliers, financiers, the government, and the community.

The study concluded that practicing good corporate governance include: disclosure practices, executive compensation structure (whether it's tied only to performance or also to other metrics), risk management (the checks and balances on decision-making), policies and procedures for reconciling conflicts of interest (how the company approaches business decisions that might conflict with its mission statement), the members of the board of the directors (their stake in profits or conflicting interests), contractual and social obligations (how a company approaches areas such as climate change), complaints received from shareholders and how they were addressed, audits (the frequency of internal and external audits and how issues have been handled). While, bad governance practices include:

companies that do not cooperate sufficiently with auditors or do not select auditors with the appropriate scale, resulting in the publication of spurious or noncompliant financial documents,

bad executive compensation packages that fail to create an optimal incentive for corporate officers, poorly structured boards that make it too difficult for shareholders to oust ineffective incumbents.

Ethical Behavior Promotion Skills

The current laws often reflect common moral judgments, but not all moral judgments are included in laws. For example, all ethics that encourage to save a person from drowning are not defined by law. But with regard to robbery and murder, moral and legal standards are intertwined. Ethical behavior, simply, is beyond complying with the law. In order to attract and keep employees, in an era during which qualified and good employees are recruited constantly, dealing ethically is necessary. For the purpose of achieving success, organizations should treat their employees ethically. Little by little, organizations became aware of this need, and responded with a variety of programs to ensure high standards of ethical performance of managers and employees as well.

Organizations began preparing codes of ethics and public declarations of ethical values, training on them, rewarding employees for clear ethical behavior and establishing internal procedures for dealing with misconduct. When the objectives and actions of the organization are ethical, it cooperatively creates the triple reward system that meets objectives of all individual, organization and community. The individuals are more satisfied with work when there is cooperation and team working; therefore, they learn, grow and contribute. The organization is also more successful because it operates more efficiently. Certainly, the most beneficiary of the triple reward system is the community itself because it enjoys better goods and services, citizens who are more able and capable, and a general climate of cooperation and progress.

Organizational decisions about what is right or wrong are rarely easy for organizations to make, as they are often conflicting. As long as the criterion on which organizations base their decisions is the basis for previous decisions, and because of the pressures of time, religious and social systems, and the broader economic values of community, so, such decisions cannot be simple.

The topic of morals and ethical behavior according to an objective view involves intellectual connotations that carry meanings of various colors. It also involves the diversity of knowledge sources that analyzed the paths of ethical behavior, the difference in the level of analysis, its components in the science of organization, the expectation of the multiplicity of its manifestations in the science of strategic management, its broad horizons and the need for it in the future in building and crystallizing its ideal and realistic perceptions in particular.

Ethics are standards for behavior and moral judgment that differentiates right from wrong, and therefore morals are values, beliefs, and ethical rules that govern the way those interested in the organization should act each towards other. It constitutes an important part of the cultural values of the organization. The organization cannot practice acts that cause damage to its reputation, and does not allow employees to take advantage of their positions to carry out immoral acts. Accordingly, creating an ethical organizational culture is one of the main priorities of the organization; managers create an ethical culture by creating personal commitment that supports ethical values and transferring them to subordinates.

All organizations are expected to follow ethical values because the advantages of ethical behavior are beneficial to the organization and community as well. One of the most important influences of

moral rules is the legislation of personal interest; in order to understand the reason for the need to legislate personal interest, there is the example of communal land, which is land owned by everyone in the city or state and it is normal for anyone to use it because it is a free resource. Accordingly, all owners would set their cattle on the land to promote their personal interests; as result the land would become barren and exposed to the influences of wind and rain. Therefore, the acting for personal interest would cause collective disaster. The same thing can happen in organizations. If individuals are left to their own whims, they will seek to achieve their personal objectives and harm those interested in organization, employees and the public. Similarly, powerful unions may raise wages too high in the long run so that the organization becomes uncompetitive. Ethical values and rules control behavior that is based on personal interest and which may threaten the collective interests of community. They determine the required forms of behavior and desired ends such as honesty and justice.

Ethics is a branch of philosophy that attempts to establish a logical and systematic set of principles that define what is ethical behavior and what is not. Some people name ethics moral philosophy. Ethnologists also discussed the extent to which the moral system is absolute or relative. Moral absolutism (i.e. absolute) indicates that the moral system is permanently applied to all individuals wherever they are. Advocates of moral relativism indicate that moral behavior is so whenever the individual or community says so. Relativists view morality as based on personal feelings or opinions and reject the view that moral judgments have objective validity. In the middle of the road between absolutism and relativism, ethics and moral judgments have undergone changes throughout the course of human history; what is right or wrong at a certain point in the development of the social system may be wrong or correct at another point in its development.

According to this view, moral systems arise with the requirements of the social system so that individuals in that system can behave in ways that they judge to be acceptable. In recent years, some companies have adopted codes of ethics and conduct, which relate to individual behavior and organizational behavior as well. But it is not easy to work with these codes in today's world, which is characterized by flexible labor markets and flexible companies. Many specialists referred to the personal effects of working in the new capitalism; they expressed conservations about the method of employment based on favoritism and indifference, and that individuals should accept the reality of temporary employment for a short period of time, but the price of this system will be expensive in human terms.

The question is if there are good reasons that drive individuals and organizations to follow ethical behavior, why there are many unethical behaviors?

The reasons are:

1. Slipping into the morals of the individual: According to theories, individuals learn moral principles and rules when they mature, and morals are learned from family, friends, religious institutions, schools, specialized professional associations, and other organizations. And individuals learn from their experiences to distinguish between right and wrong. In general, if your environment from which you learn is unethical, then your behavior will be unethical in most cases, and vice versa. The same applies to individuals within the organization.

2. The mere pursuit of self-interest: We often challenge moral issues when we weigh our personal interests against the effects our actions will have on others. Organizations with poor economic performance that are struggling to survive will be more likely to engage in immoral and illegal acts, and many other organizations will also do so if given the opportunity.

3- External pressures: Many studies found that the possibility of criminal and unethical behavior increases when the individual feels external pressure on performance. Shareholders pressure on managers, otherwise they lose their jobs, pushes them to unethical behavior, and competitors pressure on the organization for the purpose of forcing it to conclude unethical agreements such as fixing prices. With the intention of achieving high profits under the pretext of not affecting customers, the social costs of unethical behavior are difficult to measure, but they are easy to see in the long run. It is reflected in organizations that suffer from mismanagement, and when a new competitor appears who refuses to enter the game, the poorly managed organization will begin to collapse.

Intelligence is one of the general concepts related to the cognitive ability of individuals and their ability to think, justify, understand, remember, and obtain knowledge from various cognitive sources, and it is the ability to perceive, learn, and make effective and influential decisions in the life of the individual. On other types of intelligences despite its association with other types of intelligence such as emotional intelligence, the development of the role of corporate governance to adopt business ethics and social responsibility in the contemporary business environment (how effective corporate governance is in adhering to business ethics and social responsibility in family businesses in order to achieve sustainable development

Role of Governance

The role of governance is represented in the following:

1- Restoring confidence to the international financial community, especially during crises and after scandals; the focus was on the professional aspects of business performance, and in this context, appears the call for adopting the principles of corporate governance on managerial and accounting standards. The International Association of Accountants called members to present their comments on the paper that covered accountants' efficiency.

2- It gives detailed instructions that can be applied in repeated cases.

3- Maren Bender Gast, Chair of the Ethics Committee of IFAS, pointed out the importance of applying ethical rules. It provides a conceptual framework to help managers identify and assess threats and respond by adhering to the basic principles.

He added that we believe that the methodology of preventive measures serves the public interest more than the previous methodologies based on well-known managerial and professional norms that cannot cover all conditions.

Alaa (2019) Definition

Alaa pointed out that governance systems have no value without adherence to the ethical principles recognized in the business world by all levels of senior management, employees, and all the rest of the internal and external stakeholders of the organization, under an ethical environment and climate that supports commitment to them by all parties. The desire to maximize returns and profits

never conflicts with ethical dealings by all stakeholders. Any achievement of gains from working unethically is considered short-term gains; as ethical principles are also considered one of the tools used in fighting the three types fraud (corruption, embezzlement, and manipulation of information) and unethical practices as well. The commitment to ethical principles became one of the indicators used in evaluating the competitiveness of corporate business and considered a strategic component for the survival and continuity of business, and thus enhancing ethical principles in community.

Pillars of Governance

First: Ethical behavior, that is, ensuring behavioral commitment through the commitment to ethics and rules of rational professional conduct, balance in achieving the interests of all parties associated with the institution, transparency in presenting financial information, carrying out social responsibility and maintaining a clean environment.

Second: Control and accountability, that is represented in the role of stakeholders in the institution, which includes:

- Public regulatory bodies such as the Capital Market Authority and the Central Bank.
- Direct controlling parties, they are the shareholders, board of directors, audit committee, internal auditors, and internal auditors.
- Other parties, they are suppliers, customers, consumers, depositors and lenders.

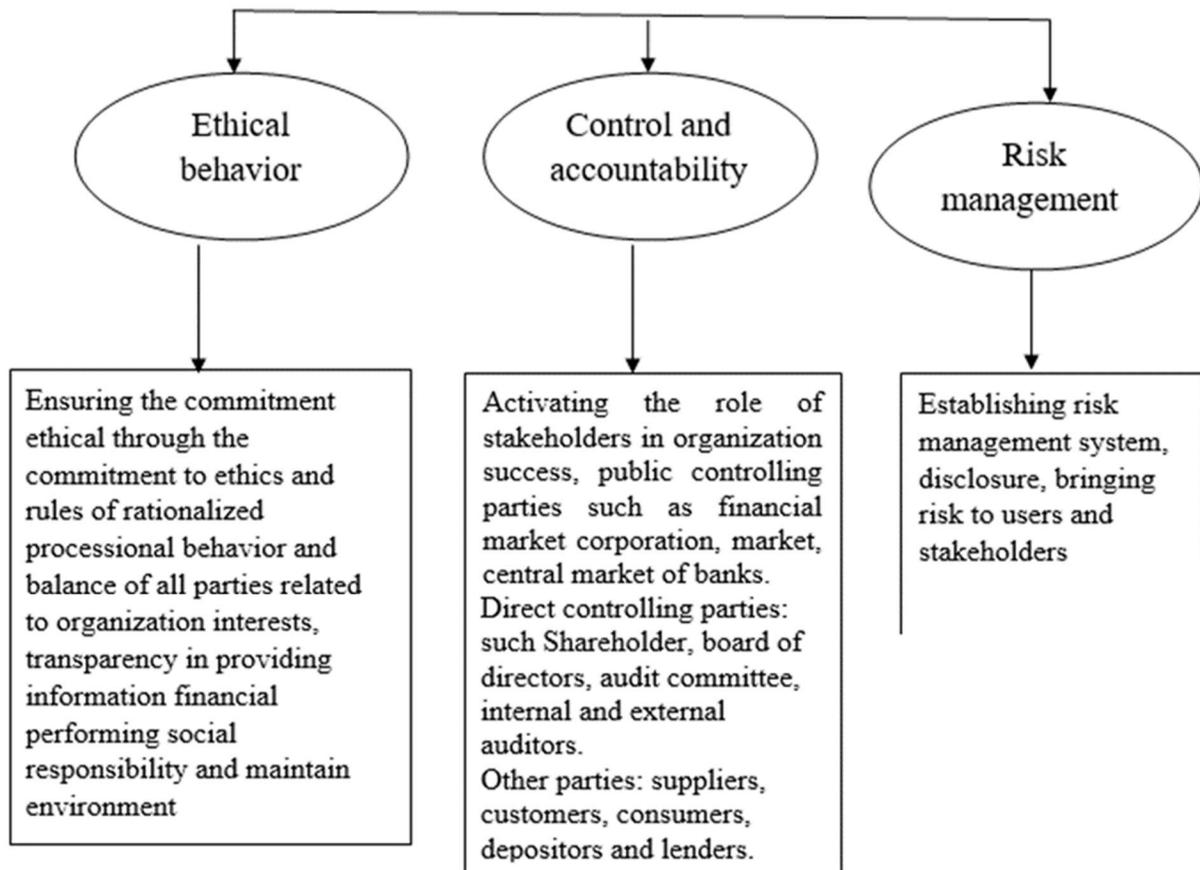
Third: Risk management, that includes setting up a risk management system, disclosing and bringing risks to users and stakeholders.

Risk management includes setting up a risk management system, disclosing and communicating risks to users and stakeholders.

Business organizations operate in a competitive environment influenced by government laws and legislation, prevailing social values and norms.

Laws impose certain ethics and set standards for organizations' behavior. Legislations help in controlling organizations; behavior and make it meeting the accepted standards.

Government legislation and laws and social norms and values give an idea of the nature of the dominating moral climate, which affects ethical behavior.



Influences of Ethical Behavior

| Director as individual | Organization | External environment |
|--|---|--|
| - Family influence - Religious values - Personal standards and needs | - Policies records - Supervisors and colleagues behavior - Organizational culture | - Government legislations - Social norms and values - Industrial ethical climate |
| <p style="text-align: center;">Ethical behavior</p> | | |

Commitment Governance Principles and improvement of Work Environment

Applying the principles of governance is important in improving work environment. The Organization for Economic Cooperation and Development (OCD) formulated six principles of great importance in improving work environment, namely they are:

First principle: To ensure the existence of a basis for an effective framework for corporate governance. This principle contributed to strengthening the work environment by enhancing the

transparency and efficiency of markets. The legal and regulatory requirements are compatible with the provisions of the law and enforceable, in addition to clarifying the division of responsibilities between the supervisory and regulatory authorities.

Principle Two: To protect shareholders' rights. This principle facilitates the exercise of shareholders' rights and improves the work environment. This principle includes sub-principles:

1. The right to provide safe methods for registering ownership, transferring ownership of shares, obtaining information related to the company on a regular basis, participating and correcting.
2. The right of shareholders to be adequately informed about decisions related to changes and amendments in the Articles of Association, amendments to the Articles of Association, and the authorization to issue capital increase shares.
- 3- Shareholders' right to vote and to hold shareholders' general assembly meetings.
- 4- To disclose the capital structure and efficiency and transparency of market's performing its functions in controlling companies.

Principle Three: Fair and equal treatment of all shareholders.

This principle includes equal treatment for all shareholders, which has an important impact on improving the work environment through the following:

1. Equality in providing information to different categories.
2. Equal treatment for equal categories of shareholders, defending their legal rights, disclosing the interests of board of directors and managers, and compensation if their rights are violated.

Principle Four: Protection of the stakeholders rights: This principle contributed to improving the work environment by protecting stakeholders from bondholders, banks and employees as defined by the law, respecting their rights and the means of their participation, and ensuring their access to relevant information.

Principle Five: Disclosure and transparency:

This principle includes principles that contributed to improving the work environment, such as achieving disclosure and transparency in a timely manner and in a manner consistent with the accounting and financial quality standards related to the establishment of the company and its objectives, the right of the majority in terms of shareholding, voting rights, members of the Board of Directors and their remuneration, executive managers, salaries, benefits, financial and operational results, performance, ownership, and reviewing the lists The annual financial audit by an external auditor and the expected significant risk elements.

Principle Sixth: Responsibilities of the board of directors: This principle promoted the improvement of the work environment by including the accountability of the board by the company and the shareholders. The tasks of the board is to review and direct the company's strategy, annual budgets, capital spending, activity plans, set performance objectives, follow up on implementation, select executive managers, decide the salaries and benefits granted to them and follow-up evaluation of the company's affairs.

Work Ethics in Small Businesses

The most important means of establishing work ethics in small enterprises include:

1. Developing self-control: it means that the employee watches Allah Almighty before the official watches him, and takes into account the national interest before the personal interest. This control prevents treason and helps the honesty.
2. Developing accurate regulations that prevent individual judgments.
3. The good example:

The importance of governance in promoting ethical behavior in small enterprises:

Ethical behavior is the commitment of individuals of organization to a set of values and standards adopted by community in distinguishing between what is good and what is bad,; the commitment to applying the corporate governance system as a system for managing a small enterprise, and tightening control over it in order to achieve the objectives of the establishment and allow it to continue communicating with funding sources.

The ethical behavior of employees that is devoid of personal considerations, the development of ethical and professional behavior to reduce negative phenomena and disrupt performance, thus enhancing ethical behavior at work in small enterprises and codifying ethical codes that are referred to in the event of a difference in behavioral and ethical aspects, as it helps in applying the governance system.

Study Procedures

Tool of the Study

The tool of the study is the means that the researcher uses to collect data about the phenomenon investigated. there are many tools used in the field of research to collect the information and data necessary for the study. This study adopted a questionnaire to conduct the field study. The questionnaire included the statements that measure the role of corporate governance on the moral behavior in the small enterprises.

Population and Sample of the Study

Population of study means the total number of elements the researcher wants to generalize the results related to the issue investigated.

The population of this study consisted of the small enterprises including commercial, service and industrial enterprises in the city of Khamis Mushait. The population of this study comprises the employees working in the small enterprises. The study sample was selected deliberately this is the non probable sample that researcher to obtain opinions or information which would received only from the meant category. The study sample consisted of (120) enterprises; the questionnaire was distributed to a random sample of the small enterprises, (98) of the questionnaire were answered which was (81.7%) of the sample.

Questionnaire Validity and Reliability

Validity and reliability of a scale means that the scale gives the same results with a probability equal to the value of the coefficient if it is re-applied to the same sample). Cronbach's Alpha coefficient is used to measure the stability. The following table shows Cronbach Alpha coefficients for the statements related to the two hypotheses:

Table (1): Reliability coefficients of the scale statements according to Cronbach Alpha

| Study aspects | Statements number | Reliability coefficient |
|------------------|-------------------|-------------------------|
| Hypothesis one | 9 | 0.86 |
| Hypothesis two | 9 | 0.87 |
| Total statements | 18 | 0.88 |

Source: Prepared by the researcher using SPSS

Table (1) above shows the results of the reliability test; Cronbach Alpha values for all aspects of the study greater than (60%), this means that there is a very high degree of stability for all questionnaire aspects individually or as a whole. Cronbach Alpha value of the overall scale was (0.88) which means very high reliability, therefore, the statements of the scales adopted by the study were characterized by internal stability so, the answers of the statements can be based on to achieve the study objectives and analyze the study results.

Fourth: Characteristics of the Study Sample

The frequency and percent for the distribution of the characteristics of the study sample:

Data Analysis and Results

Field Study Procedures

Firstly: Study Population and Sample

Analysis of the Study Sample Demographic Information

1. Study sample distribution according to age

Table (1): Age distribution of the study sample

| | Frequency | Percent |
|---------------------|-----------|---------|
| From 25 to 35 years | 38 | 38% |
| From 36 to 45 years | 35 | 35% |
| From 46 to 55 years | 27 | 27% |
| Total | 100 | 100 |

Source: Prepared by the researcher using SPSS

The table (1) above shows the age distribution of the study sample; there were (38%) of the study sample individuals their age (25 – 35) years old, (35%) of them their age (36 to 45) years, (27%) of them their age (46 to 55) years; therefore most of the study sample individuals their age (25 to 35) years old.

2. Study sample distribution according to marital status

Table (2): Marital status distribution of the study sample

| | Frequency | Percent |
|----------|-----------|---------|
| Married | 68 | 68% |
| Single | 29 | 29% |
| Divorced | 1 | 1% |
| Widowed | 2 | 2% |
| Total | 100 | 100 |

Source: Prepared by the researcher using SPSS

The table (2) above shows the marital status distribution of the study sample; there were (68%) of the study sample individuals married, (29%) of them single, (2%) widowed, and (1%) them divorced; therefore most of the study sample individuals were married.

3. Study sample distribution according to education level

Table (3): Education level distribution of the study sample

| | Frequency | Percent |
|-----------|------------|---------|
| Secondary | 7 | 7% |
| Bachelor | 54 | 54% |
| Master | 32 | 32% |
| Doctorate | 7 | 7% |
| Total | 100 | 100 |

Source: Prepared by the researcher using SPSS

The table (3) above shows the education level distribution of the study sample; most of the study sample individuals (54%) were bachelor degree holders. there were (39%) of the study sample individuals were postgraduates master and doctorate degrees holders, and (7%) of them were secondary certificate holders.

4. Study sample distribution according to years of experience

Table (4): Years of experience distribution of the study sample

| | Frequency | Percent |
|-------------------|-----------|---------|
| 5-10 years | 32 | 32% |
| 11-15 years | 31 | 31% |
| 16-20 years | 9 | 9% |
| 21 years and more | 28 | 28% |
| Total | 100 | 100% |

Source: Prepared by the researcher using SPSS

The table (4) above shows the distribution of the study sample according to the years of experience; most of the study sample individuals (63%) their experience (5-15) years, (9%) of them their experience (16-20) and (28%) of them their experience (21 years and more).

Table No. (5) Frequency and percent distribution of the statements for the hypothesis one: There is a statistically significant relationship between applying the principles of governance and performance risk related to error, violation, corruption, and dealing with unexpected crises in small enterprises.

| Statement | Strongly agree | | Agree | | Neutral | | Disagree | | Strongly disagree | |
|-----------|----------------|---|----------|---|----------|---|----------|---|-------------------|---|
| | Fre q | % | Fre q | % | Fre q | % | Fre q | % | Fre q | % |

| | | | | | | | | | | |
|--|----|----|----|----|----|----|----|----|---|---|
| 1. Applying the principles of governance leads to achieving efficiency of managerial and accounting practices. | 50 | 50 | 46 | 46 | 4 | 4 | 0 | 0 | 0 | 0 |
| 2. Applying the principles of governance leads to increasing the rate of job commitment . | 19 | 19 | 39 | 39 | 23 | 23 | 17 | 17 | 2 | 2 |
| 3. Applying the principles of governance enhances the information accurateness and trust. | 17 | 17 | 29 | 29 | 23 | 23 | 26 | 26 | 5 | 5 |
| 4. Applying the principles of governance contributes to raising morale and | 22 | 22 | 59 | 59 | 14 | 14 | 4 | 4 | 1 | 1 |

| | | | | | | | | | | |
|---|----|----|----|----|----|----|----|----|---|---|
| psychologic al comfort. | | | | | | | | | | |
| 5. Applying the principles of governance contributes to achieving security and safety among employees. | 33 | 33 | 50 | 50 | 10 | 10 | 7 | 7 | 0 | 0 |
| 6. Applying the principles of governance improves the mental image of the employee. | 17 | 17 | 34 | 34 | 14 | 14 | 27 | 27 | 8 | 8 |
| 7. Applying the principles of governance enhances the competitive environment . | 36 | 36 | 49 | 49 | 9 | 9 | 5 | 5 | 1 | 1 |
| 8. Commitmen t to the principles of governance helps to reaching | 36 | 36 | 38 | 38 | 12 | 12 | 13 | 13 | 1 | 1 |

| | | | | | | | | | | |
|--|-----|---------|-----|---------|-----|---------|-----|---------|----|--------|
| innovative solutions. | | | | | | | | | | |
| 9. Commitment to the principles of governance leads to performing the social responsibility and maintain clean environment . | | | | | | | | | | |
| | 28 | 28 | 37 | 37 | 20 | 20 | 15 | 15 | 0 | 0 |
| Total | 258 | 28.67 % | 381 | 42.33 % | 129 | 14.33 % | 114 | 12.67 % | 18 | 2.00 % |

Source: Prepared by the researcher using SPSS

Table No. (5) shows the following:

Most of the study sample individuals (71%) agreed with all the statements of the aspect of (hypothesis one), (14.67%) of them disagreed with the statements, while (14.33%) of them did not give determined answers.

Table No. (6) Frequency and percent distribution of the statements for the hypothesis two: There is a statistically significant relationship between applying the principles of governance and enhancing ethical behavior.

| Statement | Strongly agree | | Agree | | Neutral | | Disagree | | Strongly disagree | |
|---|----------------|----|----------|----|----------|----|----------|----|-------------------|---|
| | Fre q | % | Fre q | % | Fre q | % | Fre q | % | Fre q | % |
| 1. Applying the principles of governance contributes to self-control in | 23 | 23 | 37 | 37 | 16 | 16 | 19 | 19 | 5 | 5 |

| | | | | | | | | | | |
|--|-----------|-----------|-----------|-----------|----------|----------|----------|----------|----------|----------|
| difficult situations. | | | | | | | | | | |
| 2. Applying the principles of governance contributes to dealing fairly with everyone. | 44 | 44 | 37 | 37 | 15 | 15 | 3 | 3 | 1 | 1 |
| 3. Applying the principles of governance reduces information manipulation and embezzlement. | 50 | 50 | 43 | 43 | 4 | 4 | 3 | 3 | 0 | 0 |
| 4. Applying the principles of governance contributes to providing an environment of innovation and creativity. | 52 | 52 | 44 | 44 | 4 | 4 | 0 | 0 | 0 | 0 |
| 5. Applying the principles of governance contributes to business continuity. | 50 | 50 | 46 | 46 | 2 | 2 | 2 | 2 | 0 | 0 |
| 6. Applying the principles | 27 | 27 | 44 | 44 | 18 | 18 | 10 | 10 | 1 | 1 |

| | | | | | | | | | | |
|---|----|----|----|----|----|----|----|----|---|---|
| of governance Contributes to adopting higher practices for the business environment. | | | | | | | | | | |
| 7. Commitment to the principles of governance leads to enhancing rules of good professional conduct. | 56 | 56 | 36 | 36 | 6 | 6 | 2 | 2 | 0 | 0 |
| 8. Commitment to the principles of governance leads to adherence to good morals. | 10 | 10 | 22 | 22 | 36 | 36 | 26 | 26 | 6 | 6 |
| 9. Commitment to the principles of governance helps in reaching innovative solutions. | 25 | 25 | 54 | 54 | 16 | 16 | 4 | 4 | 1 | 1 |

| | | | | | | | | | | |
|-------|-----|-------|-----|-------|-----|-------|----|------|----|------|
| Total | | 37.44 | | 40.33 | | 13.00 | | 7.67 | | 1.56 |
| | 337 | % | 363 | % | 117 | % | 69 | % | 14 | % |

Source: Prepared by the researcher using SPSS

Table No. (6) shows the following:

Most of the study sample individuals (77.77%) agreed with all the statements of the aspect of (hypothesis two), (9.23%) of them disagreed with the statements, while (13%) of them did not give determined answers.

Table (7): Descriptive statistics of the statements for the hypothesis one

| Statement | Mean | Sig. | SD | Sequence |
|---|-------------|------------|-------------|----------|
| 1. Applying the principles of governance leads to achieving efficiency of managerial and accounting practices. | 3.25 | أوافق | 1.25 | 5 |
| 2. Applying the principles of governance leads to increasing the rate of job commitment. | 4.14 | أوافق | 0.853 | 1 |
| 3. Applying the principles of governance enhances the information accurateness and trust. | 3.95 | أوافق | 1.04 | 2 |
| 4. Applying the principles of governance contributes to raising morale and psychological comfort. | 3.78 | أوافق | 1.02 | 3 |
| 5. Applying the principles of governance contributes to achieving security and safety among employees. | 3.51 | وافق | 1.08 | 4 |
| 6. Applying the principles of governance improves the mental image of the employee. | 3.72 | أوافق | 1.04 | 4 |
| 7. Applying the principles of governance enhances the competitive environment. | 3.54 | أوافق | 1.18 | 5 |
| 8. Commitment to the principles of governance helps to reaching innovative solutions. | 4.20 | أوافق بشدة | 0.876 | 4 |
| 9. Commitment to the principles of governance leads to performing the social responsibility and maintain clean environment. | 4.40 | أوافق بشدة | 0.710 | 5 |
| Total | 3.72 | أوافق | 1.04 | 4 |

Source: Prepared by the researcher using SPSS

Table (7) above shows the following:

1. The mean of each of the statements that express the hypothesis one is greater than the hypothetical mean (3); this confirms that the study samples individuals agreed with all of the statements for the hypothesis two.
2. The most significant statement of the hypothesis one from the respondents' point of view is: (Commitment to the principles of governance leads to adherence to good morals); as the mean of their answers to the statement was (4.30) and the standard deviation was (0.876). The least significant statement in terms of their agreement (Applying the principles of governance reduces information manipulation and embezzlement); as the mean of their answers to the statement was (3.51) and the standard deviation was (1.08).
3. The mean of all statements was (3.72) and the standard deviation was (1.04); this confirms that most of the study sample individuals agree with all statements of the hypothesis one.

Table (8): Descriptive statistics of the statements for the hypothesis two

| Statement | Mean | Sig. | SD | Sequence |
|---|------|---------------|-------|----------|
| 1. Applying the principles of governance contributes to self-control in difficult situations. | 3.86 | أوافق | 0.964 | 8 |
| 2. Applying the principles of governance contributes to dealing fairly with everyone. | 4.46 | أوافق بشدة | 0.702 | 2 |
| 3. Applying the principles of governance reduces information manipulation and embezzlement. | 3.04 | محايد | 1.06 | 9 |
| 4. Applying the principles of governance contributes to providing an environment of innovation and creativity. | 3.98 | أوافق | 0.816 | 6 |
| 5. Applying the principles of governance contributes to business continuity. | 4.14 | أوافق | 0.876 | 4 |
| 6. Applying the principles of governance Contributes to adopting higher practices for the business environment. | 3.90 | أوافق | .0716 | 7 |
| 7. Commitment to the principles of governance leads to enhancing rules of good professional conduct. | 4.01 | أوافق | .0676 | 5 |
| 8. Commitment to the principles of governance leads to adherence to good morals. | 4.48 | أوافق بشدة | 0.577 | 1 |
| 9. Commitment to the principles of governance helps in reaching innovative solutions. | 4.44 | أوافق بشدة | 0.640 | 3 |

| | | | | |
|-------|------|---------------|-------|--|
| Total | 4.21 | أوافق بشدة | 0.796 | |
|-------|------|---------------|-------|--|

Source: Prepared by the researcher using SPSS

Table (8) above shows the following:

1. The mean of each of the statements that express the hypothesis two is greater than the hypothetical mean (3); this confirms that the study samples individuals agreed with all of the statements for the hypothesis two.
2. The most significant statement of the hypothesis two from the respondents' point of view is: (Commitment to the principles of governance leads to adherence to good morals); as the mean of their answers to the statement was (4.48) and the standard deviation was (0.577). The least significant statement in terms of their agreement (Applying the principles of governance reduces information manipulation and embezzlement); as the mean of their answers to the statement was (3.04) and the standard deviation was (1.06).
3. The mean of all statements was (4.21) and the standard deviation was (0.796); this confirms that most of the study sample individuals strongly agree with all statements of the hypothesis two.

Findings and Recommendations

The researchers came up with the following findings:

1. There is a statistically significant relationship between applying principles of corporate governance and enhancing moral behavior.
2. There is a statistically significant relationship between applying principles of corporate governance and performance risk related to error, violation and corruption and for dealing with unexpected crises in the small enterprises.
3. The commitment to the principles of corporate governance leads to the commitment to the moral behavior and to reaching innovative solutions.

Recommendations:

The researchers recommended the following:

1. Principles of corporate governance should be applied because they enhance moral behavior.
2. Principles of corporate governance should be applied in order to overcome performance risk related to error, violation and corruption and for dealing with unexpected crises in the small enterprises.
3. Principles of corporate governance should be applied because the commitment to them leads to the commitment to moral behavior and to reaching innovative solutions.

This research was supported by big research groups at the Deanship of Scientific Research - King Khalid University - Saudi Arabia (RGP.2/153/43)

References

- Alaa Fayrouzi Maliki (2019), College of Economics and Management.

- Althabhwai Amir Abdelkareem (2021), The Role of Moral Behavior on Supporting Innovative Solutions in Organizations: An Analytical Study on a Sample of Employees in Military Industrial Company Alrasheed Factory, Iraq, University Islamic College Journal, Almnhel Publishing.
- Bob Amal & Budibra Ekram (2005), The Impact of Ethical Behaviors on the Application of Governance Principles, Algeria.
- Egyptian Banking Institute (2005), Financial Concepts in Governance System at Banks, Cairo, Egypt.
- Hany Mohamed Khalil, The Effect of the Application of Corporate Governance on Audit Gap.
- Manal Muhammad Al-Wakeel (2021) The Impact of Governance Principles on Job performance: An Applied Study on the Eastern Neighborhood of Nasr City, Egypt, The Arab Journal of Management, vol. 41, p. 107.
- Salah Zain Al-Deen, (2008), The Role of Corporate Governance in Increasing Egyptian Market efficiency, Damascus University.
- Sam Butcher (2013) Reducing risks through management governance.
- Walaa Zaid Al-Smadi & Rafi Aqeel Al-Zaqoul, Predictability of Moral Intelligence about Ethical Behavior among Yarmouk University Students.