SOUTHERN AFRICAN PERCEPTIONS OF THE MORAL OBLIGATIONS AND OBJECTIVES OF CORPORATIONS

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ABSTRACT

The question of whether or not Southern African countries should adopt a shareholder, a stakeholder, or another approach to corporate governance is relevant both to debates on corporate governance convergence, and the development of the region. Such normative arguments, however, are predicated upon some descriptive understanding. This paper investigates the claims of descriptive moral relativism, that there are differences in moral judgements between individuals/groups, by comparing the beliefs put forward by a group of black Southern African professional accounting students regarding the obligations and objectives of corporations to the underlying morality of the Anglo-American model of corporate governance. While differences were identified with the traditional theoretical Anglo-American model of corporate governance in which social responsibilities are limited or denied, fewer differences were evident when considering a more moderate Anglo-American model in which stakeholder concerns are considered. The relationship of a corporation with its community remains a possible area of difference.

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Development in Southern Africa cannot be seen apart from its history of colonialism, struggles for independence, desperate socio-economic conditions and prevailing cultural and/or traditional values. Since the advent of a true democracy (from 1994) in South Africa, the region's economic powerhouse, the potential for development of the region as a whole, has, however, increased. Calls for an 'African Renaissance' by former South African president Thabo Mbeki (Mbeki, 1998), the establishment of the Southern African Development Community (in 1992) and the New Partnership for Africa's Development (in 2001) all point to the prospect of successful, autonomous, African development of Southern Africa.

By virtue of their colonial histories, corporate structures in Anglophone Southern Africa have largely resembled the corporate structures of the UK. In South Africa in particular, capital markets play a central role in corporate governance, with the Johannesburg Stock Exchange playing much the same role as its counterparts in other Anglo-American jurisdictions. Other Southern African countries operate in the same or similar fashions, albeit with less active markets. There are some indications that the Southern African context has been taken into account in some corporate governance reforms, and previous reviews of corporate governance in South and Southern Africa have characterised it as following more of an 'inclusive', stakeholder oriented approach (Rossouw, 2005; West, 2006).

The convergence of corporate governance systems around the world is a topic of considerable study and debate, and has been framed in a number of different ways. While Hansmann and Kraakman (2001) consider the Anglo-American model to be superior and convergence to this model as having already occurred, others provide alternative views, such as those involving concepts of path dependency (Bebchuk and Roe, 1999) and the role played by culture (Licht, 2001; Licht *et al.*, 2005). The idea that corporate governance systems could vary by culture suggests cultural relativism, and West (2009) has provided another interpretation in which corporate governance convergence is viewed in terms of the descriptive, meta-ethical and normative aspects of moral relativism (West, 2009). This paper follows this perspective, with particular reference to descriptive and normative moral relativism.

The question of whether or not Southern African countries should adopt an Anglo-American shareholder approach, a stakeholder approach, or some other approach to corporate governance is clearly relevant. Such normative arguments, however, are predicated upon some descriptive understanding. This paper specifically investigates the claims of descriptive moral relativism, that there are differences in moral judgements between individuals/groups, by comparing the beliefs put forward by a group of black Southern African professional accounting students regarding the obligations and objectives of corporations to the underlying morality of the Anglo-American model of corporate governance. There has been no previous research in this area, and the findings suggest some areas that would be worthy of further consideration and study, with implications for the argument of normative moral relativism.

The paper begins by providing an overview of the relevant claims and arguments of moral relativism, and how they relate to the debate on corporate governance convergence. This is followed by a brief description of the research methodology and then the results of the interviews.

1. CORPORATE GOVERNANCE CONVERGENCE AND MORAL RELATIVISM

A detailed review of the moralities that underlie the dominant models of corporate governance, and how moral relativism can be applied to the debate on corporate governance convergence was provided by West (2009). This section provides a brief overview of this and how it applies to the current research study.

Definitions and descriptions of Corporate Governance are varied, and amongst others, include:

> "Corporate governance is the system by which business corporations are directed and controlled" (OECD, in Clarke (2004, p.1));
>
> "Corporate governance is about the exercise of power over corporate entities" (Tricker, 2000, p.xiii);
>
> "corporate governance is a fancy term for the various influences that determine what a company does and does not do or should and should not do" (Clifford Nelson, President of the American Assembly, quoted in Tricker (2000, p.xviii));
>
> "a major purpose of the corporate governance system is to provide legitimacy to those who manage corporations" (Weiss, quoted in Tricker (2000, p.xviii));
>
> "Corporate governance is concerned with holding the balance between economic and social goals and between the individual and communal goals." (Sir Adrian Cadbury, quoted in Clarke (2004, p.2)).

In some areas, discussion of corporate governance is limited to the first of these, and addresses only the internal structures of corporations. However, the focus on internal structures can sometimes mask the underlying relationship between the corporation and other groups in society. A broader view of corporate governance includes issues such as Corporate Social Responsibility, which deals with the relationship that the corporation maintains with its local communities and the environment. It also brings into question the *raison d'être* of the corporation itself.

Within this broader understanding of corporate governance systems, the question of to whom a corporation has obligations, and what objectives a corporation should follow is central. The distinctions between the shareholder and stakeholder models of corporate governance are most apparent here. In the traditional shareholder model, as espoused by Milton Friedman (1970), "the social responsibility of business is to increase its profits", as long as it stays with the 'rules of the game'. Corporate governance in this context is concerned primarily with the 'agency problem' (see Jensen and Meckling (1976) and Fama (1980)). Corporate obligations are limited to those which benefit shareholders, and the maximisation of shareholder wealth is the paramount (and possibly the only acceptable) corporate objective. Despite some adverse publicity, this approach is not necessarily immoral or amoral, and as discussed by West (2009, p.110), can be linked to a utilitarian moral philosophy that seeks to maximise the overall amount of happiness or wellbeing. In contrast, Evan and Freeman (1993) advocate a stakeholder model that is based on Kantian moral philosophy, in which stakeholders are considered as ends in themselves, rather than as a means to increased profits. Further distinctions have been made, including that between descriptive, instrumental and normative stakeholder theory (Donaldson and Preston, 1995), and Goodpaster's (1991) 'strategic stakeholder synthesis' and 'multi-fiduciary stakeholder analysis'.

While descriptive questions of whether or not convergence is occurring is clearly of importance (Clarke (2004, p.205) considers that these are the "greatest contemporary theoretical and policy debates in corporate governance"), the normative question of whether there *should* be such convergence must clearly also be considered. As indicated above, corporate governance models reflect the relationships between corporations and society. Implicit in these relationships are values that effectively prescribe the objectives and obligations of corporations. Convergence of such models across societies entails convergence of these values, and convergence of the objectives and obligations of corporations. This question is of particular importance in post-apartheid South Africa, which has inherited corporate structures that resemble those in Anglo-American jurisdictions, and that are geared towards the maximization of shareholder wealth, yet must deal with calls for increased corporate responsibilities to other parties, based on concepts such as social justice and traditional African values (see West (2006) for a more detailed discussion on the potential conflict).

MORAL RELATIVISM

Gowans (2004) describes the three types of moral relativism as follows[1]:

"*Descriptive moral relativism*: As a matter of empirical fact, there are deep and widespread moral disagreements across different societies, and these disagreements are much more significant than whatever agreements there may be."

"*Meta-ethical moral relativism*: The truth or falsity of moral judgments, or their justification, is not absolute or universal, but is relative to the traditions, convictions, or practices of a group of persons."

"*Normative moral relativism*: We should not interfere with the actions of persons that are based on moral judgments we reject, when the disagreement is not or cannot be rationally resolved."

Descriptive moral relativism refers to the existence of "deep and widespread disagreements" as empirical fact (the statement on significance is largely tautological), and a body of evidence has been accumulated through anthropological studies that can support this. Meta-ethical and normative moral relativism, however, present claims that fall largely within the realm of philosophical analysis. Although there are differences in terms of the academic discipline involved, there are clear connections between these types of moral relativism. These can be summarised as follows (Gowans, 2004):

- Empirical support for descriptive moral relativism is not sufficient to justify meta-ethical moral relativism;

- Empirical support for descriptive moral relativism is, however, necessary to justify meta-ethical moral relativism (at least in its most common forms);

- Normative moral relativism is implied by the support for descriptive moral relativism and meta-ethical moral relativism.[2]

To clarify, West (2009, p.113) notes that,

"The path from descriptive, through meta-ethical, to normative moral relativism cannot be established as logically necessary. If it is established that there are significant moral disagreements concerning certain issues, it does not necessarily follow that there is no absolute or universal moral truth on these issues. Similarly, if it is established that there is no absolute or universal moral truth on an issue, it does not necessarily mean that we should refrain from interfering with the actions of those that express moral judgements that differ from our own."

He goes on to reframe the claims of moral relativism with specific regard to corporate governance:

"*Descriptive moral relativism:* There is moral disagreement with regard to the relationship between the corporation and society, including the objectives and obligations of corporations, and as expressed in differing models of corporate governance.

Meta-ethical moral relativism: There is no absolute or universal moral truth regarding the relationship between the corporation and society. That is, differing models of corporate governance can claim to be morally right.

Normative moral relativism: Implied by the above, it is morally wrong to impose a model of corporate governance on a society that maintains widespread moral disagreement with the values underlying that model. This would also apply to interference with another society's corporate governance model. This is subject to the disagreement being unable to be rationally resolved." (West, 2009, p.113)

As mentioned earlier, the reasoning is not deductive and hence the argument is not conclusive. However, the following important relationships are identified (West, 2009, p.113):

- If descriptive and meta-ethical moral relativism can be justified, then normative moral relativism is significantly strengthened.

- Similarly, if either descriptive or meta-ethical moral relativism cannot be justified, then normative moral relativism is significantly weakened.

- If descriptive moral relativism cannot be justified, this not only weakens normative moral relativism, but renders it redundant.

- If descriptive moral relativism can be justified, but meta-ethical moral relativism cannot, the claim that one can interfere in the actions of those that are based on differing moral judgements may still be justified.

Within this framework, evidence that can contribute to understanding whether or not the claim of descriptive moral relativism can be justified is both useful and necessary when considering the normative argument. The purpose of this paper is to contribute to this by comparing the beliefs put forward by a group of black Southern African professional accounting students regarding the obligations and objectives of corporations to the underlying morality of the Anglo-American model of corporate governance

2. METHODOLOGY

A series of face-to-face semi-structured interviews were conducted with 16 black Southern African students during October 2008. Semi-structured interviews were chosen as these allow for an emphasis on "how the interviewee frames and understands issues and events – that is, what the interviewee views as important in explaining and understanding events, patterns and forms of behaviour" (Bryman, 2004, p.321). The students volunteered from two different educational institutions in Johannesburg and Pretoria, and all were enrolled in courses that enable them to eventually qualify as professional accountants. Eight of the students were from South Africa, six from Botswana and four from Zimbabwe. The researcher was not, at the time, directly associated with any of the students through any teaching position. The interviews were all recorded with the consent of the students. The interviews ranged from approximately 20 minutes to just over an hour in length and were recorded using a digital voice recorder. The interviewees were all second or third-year undergraduate students undertaking an accounting major which could lead to eventual professional qualification. The interviewees did not in general have any full-time work experience; five were female, nine were male.

Professional accounting students were chosen firstly due to the close relationship between accounting and corporate governance, evident in the joint emphasis on internal controls, audit committees and the importance of accountability and transparency. Secondly, professional accounting students represent a fairly homogeneous group as their education is tightly regulated and they typically share similar career prospects.

The interviews were aimed specifically at gaining an understanding of how the interviewees perceive the obligations and objectives of corporations, and whether they believe traditional African values to have a role in modern corporations. The interview questions are shown in the Appendix. As the aim of the research is primarily descriptive, the data analysis focused on providing a thorough, summarised, account of the views of the interviewees regarding the ways in which they perceive the obligations and objectives of corporations. Three principal areas are presented in the following section, these include how the interviewees perceived the extent of corporate obligations, corporate priorities and the role of traditional African values. These are addressed in turn.

3. RESULTS

3.1 THE EXTENT OF CORPORATE OBLIGATIONS

The majority (14 of the 16 interviewees) clearly indicated their belief that corporations have widespread moral obligations. A number of different stakeholder groups were recognised, including shareholders/investors, employees/workers, the community, suppliers, customers, government agencies, the environment, pressure groups, activists and political parties.

Considering the impact of multi-national corporations, one interviewee (#15) even mentioned obligations to countries and world markets. In a number of cases the obligations were more general in nature and were directed towards society at large.

As second and third-year students, many of the interviewees had undertaken a course in Business ethics, which includes a consideration of stakeholder and shareholder approaches to corporate governance. This was evident in comments made when discussing the extent of a corporation's moral obligations. Several interviewees referred to an 'inclusive' approach, which echoes the terminology used in the second King report (the South African corporate governance report issued in 2002)[3]. One interviewee (#8) specifically mentioned a Milton Friedman that "advocated for corporations to do whatever they want..." and rejected an approach in which corporations are accountable to shareholders only (an approach specifically advocated in the second King report).

While most of the general comments regarding the moral obligations of corporations did indicate a preference for widespread obligations across a range of stakeholders and to society at large, there was one notable dissenting view. Interviewee #4 expressed a belief that the emphasis on social responsibility issues was excessive (that the second King report had gone "overboard ... in terms of some of the social responsibility stuff"), that efforts at poverty alleviation did not seem to have had the desired results (with the implication that CSR efforts are futile), and identified problems with measuring CSR performance. She supported the view that corporations should be required to operate within the legal framework and should not mislead others, as well as the requirements concerning non-executive directors and the separation of the chairperson and chief executive officer. She also noted that the progressive tax regime could be seen as "a bit extreme", indicating displeasure with the prospect of working hard and then being taxed at a rate of 45 percent. This interviewee's views are notable not only for the fact that they suggest alignment with the traditional shareholder oriented, Anglo-American approach to corporate governance, but also in the way that she identified herself as being very much in the minority, even stating that her viewpoint "sounds really evil...". This serves to confirm the observation that the majority reflect a preference for widespread moral obligations to a range of stakeholders.

The moral obligations of corporations were further investigated by considering the motivating factors underlying the interviewees' views, and by their specific comments concerning whether or not corporations should sacrifice their profits to achieve moral goals, and whether they have obligations beyond those prescribed by law. The interviewees' views in these areas are described in turn.

MOTIVATING FACTORS

Several different motivating factors were evident that underlie the overall view that corporations have widespread moral obligations. These include the belief that interacting with others will prove beneficial to the corporation (that this will "get us where we want to go" (#3)), as well as the perception that corporations need to compensate, or "give back" (#16) to the community or society as a whole.

The impact that corporations have was appealed to as a reason for widespread moral obligations. Interviewee #2 claimed that corporations "have an impact on society and at times they have a negative impact on society, and they actually have to do something to compensate for the negative impact they pose on society." Interviewee #8 recorded how his view had changed:

> "I always thought that companies should actually be for the shareholders and then, now I realise that they have a greater impact on the greater society. I mean, the shareholders, they knew when they invested that business is always risky and sort of like a gamble, but it has a greater impact on people who look up to businesses as sources of goods and services and sources of income in terms of employees."

One interviewee (#9) was notable in that he took the requirement for widespread moral obligations further than as a response to corporate impact, insisting that corporations

> "actually should get in there and do it because they have visions, they have visions for their society, for their countries and for themselves. Because, it actually begins with the company, like me as a company, what constitutes this company, what are we living by, what spirit are we sharing, what are we bringing to the table for the people of this country..."

A number of interviewees emphasised how stakeholder groups and the corporation affect each other, and how the corporation does not exist in isolation, but is embedded in society:

> "... the society affects it and it also affects the society." (#11)

> "Although there are external factors, the internal will affect the external and the external will affect the internal ..." (#10)

> "... if you are running a business you don't run it on a little island somewhere without any people. You are affected by the community and the community is affected by you." (#15)

In some cases the community was recognised as the stakeholder group from which other stakeholders (such as investors, customers and employees) were drawn. The importance of the interaction and interdependence of the various stakeholder groups, with the community identified in particular, was then used to justify widespread corporate moral obligations. This can be seen clearly in comments by interviewees #11 and #14:

> "... you've got kids growing up, going to school, you know, and some of them their dream is to work at that factory and then you damage their lives at a young age, they can't even make it, you know." (#11)

> "If the community's there everything else will fall into place. Because if you look after your community then of course the environment you would also look after as well, and the employees as part of the community as well, and then the profits in the long run would be ..." (#14)

Overall, the rationale for widespread corporate moral obligations is based on an awareness of the corporation's place in society – its impact, the interaction and interdependence of various stakeholder groups, and the wider community. This contrasts with the Anglo-American model of corporate governance in which the motivation for any corporate moral obligations is typically limited to the increase of profits and ultimately shareholder wealth.

SACRIFICING PROFITS

Specific comments dealing with whether a corporation should ever sacrifice profits in order to meet its moral obligations were given by 11 interviewees. All indicated that, in the appropriate circumstances, it would be morally permissible for a company to sacrifice its profits in order to address certain other moral obligations. There was a clear recognition, however, that sacrifices could present a conflict with shareholder interests, business objectives and/or long-term profit-making (which was seen as necessary for corporate survival). As interviewee #5 observed:

> "A company went into business not to become a charity organisation, it went in to make money, so ultimately that is its guiding principle. If it wanted to be a charity it would have gone and started a charity."

This recognition served, however, to frame the circumstances in which sacrifice was permissible (and in some cases morally required) rather than suggest that no sacrifice be made. For example, despite the profit-making objective emphasised by interviewee #5 above, he considered donations to be acceptable, depending on the community, and where they are made on behalf of "everybody that is making that company grow". To mitigate the apparent conflict, some interviewees stressed that such sacrifices should only be short-term in nature, while others identified a need to balance competing interests and achieve a compromise or agreement across different stakeholder groups.

The acceptability of making certain sacrifices was sometimes coupled (by four interviewees) with the observation that this would have positive consequences for the company. In some cases this was expressed as improving relationships with stakeholder groups such as employees or the local community, in others it was seen as creating a positive corporate image:

> "Because they need to pump money back into inputs for their products and services as well as pump money into marketing and into social responsibility schemes so that it improves their image." (#7)

One interviewee recounted how a company had taken a single day to clear some land and create a soccer pitch for the local community, and "even today they still praise that company for doing that" (#11).

The size of the sacrifice was specifically mentioned by two interviewees (#11 and #13), with the insistence that the sacrifice need not be of a great magnitude ("Sometimes society doesn't ask much" (#11)), but that all companies should be able to make some sacrifice.

The purpose of the sacrifice was almost invariably towards local social issues. Some interviewees noted that the company's response could vary from environment to environment, or community to community, and in one case the poor conditions of Southern Africa were alluded to:

> "I mean if you look at a company that reports billions of profits, and they exist in a society where the primary school kids, they walk barefoot on the land..." (#11)

This interviewee also provided a non-financial slant on the benefits from such a sacrifice, noting that “sometimes you just have to lose a little bit to get a smile from someone” (#11).

In a similar manner to the general comments made regarding the extent of corporate obligations, the motivation for requiring a sacrifice of profits can be linked to the place that the company takes in society and the interdependence of the various stakeholders:

> “an organisation can’t be a multi-million dollar organisation and then run it in a place where, a community where it is run down, and then expect to just ‘no, ok, no, we have our millions, we just want to make the profits, get as much money out of these people as possible’”(#13).

> “if we are taking good care of the community or the environment in which we are situated we are able to operate in it for longer periods and then we can make up maybe for that money that maybe we have lost, having invested in the environment or in the community in which we are located...” (#6)

The Anglo-American model of corporate governance would typically consider sacrificing profits to achieve objectives other than increasing shareholder wealth unfavourable at best. Although there is some recognition amongst the interviewees of the need to make profits, and some awareness that sacrificing profits may ultimately benefit the company, there is also a wider awareness of the specific context in which the company exists, and various stakeholder relationships that is more aligned to the stakeholder model of corporate governance.

THE LAW

Comments concerning corporate morality and the law were made by 13 of the interviewers. Of these, 12 were asked if they thought that corporations had a moral obligation to go beyond what is prescribed by law. Eight answered this in the affirmative and four in the negative. A number of interviewees commented on the difference between morality and the law, and used this to argue for corporate obligations that go beyond the law. This included the observation that the law is reactive and develops as a response to actual events, as well as the view that the law provides a minimum standard but that this is insufficient in really addressing the issues that may affect various stakeholders. Interviewee #15, for example, noted that,

> “... it’s all good and well to say, yes, workers must wear their masks, but do you actually have an environment that actually protects them, and you are concerned about their wellbeing? Are you actually concerned about your employee’s wellbeing or are you just more concerned about staying within what the legal parameters say you should?” (#15)

Those interviewees that considered that corporations should go beyond their legal obligations provided varying reasons for this view. The negative consequences of a corporate responsibility that is limited to legal compliance were alluded to, but not specifically identified. Instead, these were anticipated in general terms, such as “... in the end it is going to backfire on them ...” (#1) and “... it creates a bit of [a] negative vibe in the company” (#15).

In some cases positive consequences of going beyond the law, such as increased market share and increased productivity, were identified (and corporate obligations limited to the degree to which they actually result in such positive consequences). In other cases a wider social and/or community motivation was apparent. Interviewee #11 believed that it is the responsibility of corporations to develop an awareness and understanding of the social and ethical norms of the society within which they operate (particularly for multi-nationals). He gave the example of a corporation that sells condoms to children, which in some societies would be viewed as immoral and unacceptable while in others this could be seen as "trying to protect our kids" (#11). A few interviewees specifically identified a social imperative. When asked if it would be immoral for a corporation to limit their responsibilities to the law, for example, interviewee #5 stated that such corporations,

> "... aren't doing their best, or they aren't, for me that would be - you're not giving to the community now that you're taking away from it - you're just there to serve their own needs and nothing beyond it. They're useless to the community that they're around, ja." (#5)

Note that some interviewees did not believe that corporations have an obligation to go beyond the law, but did indicate that this could be beneficial. One (#16) believed that the second King report on corporate governance addressed these issues well and that compliance with this was sufficient and another (#4) considered that compliance with the law and 'basic ... ethical considerations" (such as not employing child labour) is acceptable. Interviewee #1 was notable for her change of opinion. Answering in the negative initially, she considered how the law is more sophisticated in America, compared to Zimbabwe, and that in countries where there is less law and order, corporations would have wider obligations.

The typical view within the Anglo-American model of corporate governance maintains that corporations should not be obliged to go beyond the law in their dealings with stakeholders, except where this would result in increased shareholder wealth. The views of the interviewees are mixed. Some interviewees clearly indicated their belief that corporations are not obliged to go beyond the law. While there was some support for corporations extending their activities beyond that required by law, this was sometimes linked to direct benefits for the company, rather than the interests of stakeholders. These suggest alignment with the Anglo-American model. However, the few interviewees that did insist on extended obligations, and that identified social reasons, provide some limited identification with a stakeholder model.

Consideration of the extent of corporate moral obligations has included not only the parties to whom such obligations are due, but also the motivations for these obligations, circumstances within which corporations should sacrifice profits and the question of whether corporations have obligations extending beyond the law. The interviewees' views are aligned to the stakeholder model of corporate governance in a number of ways, including their belief that corporations have fairly widespread moral obligations to a range of stakeholders, and that this is based at least partly on the corporation's position in society and the independence of various stakeholder groups. These factors are also seen to justify sacrificing profits in the right circumstances. This stakeholder perspective is somewhat restrained, however, by the mixed views concerning whether corporations have an obligation to go beyond the law in their dealing with stakeholders.

3.2 CORPORATE PRIORITIES

STAKEHOLDER GROUPS

Following discussion on whether or not corporations have moral obligations, most interviewees were asked if they could rank the different stakeholder groups in terms of their importance regarding the moral obligations of corporations. Although there was no consensus, the most consistent response (seven interviewees) was that a ranking would not be possible, and that corporations should instead achieve a balance across stakeholders, there should be equality and/or no preference should be given. This was supported by beliefs that a ranking would be unfair, that the stakeholder groups all affect each other and/or the community (and that a ranking would thus have negative overall consequences), and that equality is part of morality: "... you cannot address equality if there is a sense of hierarchy" (#10). The difficulties associated with achieving equality and balance were, however, acknowledged. One interviewee (#5) suggested that increased stakeholder engagement, including interaction amongst the different stakeholder groups themselves, could be one way of resolving the potential conflict. He did note that this did seem idealistic, but nevertheless worth pursuing.

Other interviewees did provide a ranking, with the primary position varying between the community, customers, employees and shareholders. One interviewee (#15) supported his prioritising of the community with the observation that this group did not have recourse to a contract to protect their rights.

Despite the emphasis on a wide consideration of stakeholders, the traditional prioritising of shareholder interests was present, with four interviewees clearly placing shareholders at the top of a ranking. Interviewee #4 acknowledged the increasing pressure on corporations to accommodate a wide range of stakeholder concerns, but noted that "If you are going to neglect your shareholders to care for your community then you have no balance ... I think it would actually be immoral." Although interviewee #13 expressed the view that "... a company that just follows shareholders would pretty much be dooming itself to some extent", he prioritised shareholder interests and suggested that corporations should "pay attention to what other stakeholders say". He also pointed out that in circumstances such as those in Zimbabwe, a wide consideration of stakeholder interests could be considered a luxury, "... you can't really give back when you can't break even" (#13).

As the Anglo-American model insists on shareholder dominance, the wide consideration of multiple stakeholder groups expressed by the interviewees, even taking into account the prioritisation of shareholders in some cases, suggests alignment with a stakeholder model.

CORPORATE OBJECTIVES

A specific question addressing which corporate objectives would generate the most moral benefit was included on the interview schedule. Although there was a general acknowledgement that profit-making is necessary for a business to survive and to ensure its growth in the long term, this was frequently combined with observations concerning the importance of stakeholder groups such as employees and the community:

> "in order for me to make a profit I am going to have to look after my community first" (#14)

> “... if one of your objectives is maximise profits at all costs, it’s going to be at the cost of your employees. If your employees are dissatisfied, your employee staff turnover is going to be exponential, you won't be able to deliver the kind of product you want, which means you won't be getting the profits that you want to in any case.” (#15)

> “... alongside making profits, obviously you have to make profits, they probably should have as objectives maybe, like, making the society a better place ... or let’s say when they take in employees, they shouldn’t only do it because they need somebody to get the work done, but take it as the society needs to get enhanced, people need to be lifted a little bit, make their lives better so that we are creating jobs rather than putting people to use; and that should be as an objective ... to make the lives of people, you know, society that they develop the company in, better.” (#2)

Interviewee #5 clearly regarded profit-making as the objective that would generate the most moral benefit, but immediately placed this in a wider context:

> “The company would be useless if - it wouldn’t be able to look after the environment if it wasn’t making a profit, it wouldn’t be able to look after its employees if it wasn’t making a profit. So ultimately it all starts there.” (#5)

Several interviewees prioritised other, non-profit-making objectives, such as addressing social and environmental concerns as corporate citizens, the community, or employee concerns. However, these were sometimes linked to long-term growth of the corporation and may not necessarily indicate that profit-making was not considered a valid objective, but that moral benefits were more closely associated with addressing other stakeholder issues. The manner in which profits are made was mentioned on several occasions as of particular moral concern, with reference to specific moral issues such as arms dealing, or the impact on the community.

In contrast to the awareness of community and employee issues indicated above, one interviewee (#4) clearly emphasised the more traditional primacy of shareholder interests (including the idea that this will result in increased overall happiness):

> “They are there to make money and some good and trusting people said ‘ok, we will give you the money that you don’t have, and you will generate it and make more money and everybody will be happy’. Now don’t [go] and use my money and give it to some church doing heaven knows what, like, yes yes, they should give every now and then, but I am saying at the end of the day they can’t embark on activities that will impact negatively on shareholder wealth ...”

And:

> “I would be very angry if I was a shareholder and I find out that the company is, well, doing some morally good stuff, you know, but in that year they say ‘guys, no dividends because well, you know, we don’t have that much more money to distribute’...”.

Overall, however, there was a general acknowledgement of the importance of profit-making for the long-term success of the corporation, but the importance of the community and employees in the activities of the corporation is emphasised. This again reflects a stakeholder orientation rather than the Anglo-American model.

PROFIT-MAKING

Following the discussions concerning the moral objectives of corporations, 15 interviewees were directly asked if they considered profit-making to be a moral objective in itself, or if they thought it to be either moral or immoral. No interviewees considered profit-making to be immoral, unless it was conducted outside the law or 'at any cost', which could then involve the exploitation of other stakeholder groups. Rather than regarding profit-making in itself as either moral or immoral, moral concern was more frequently expressed over the manner in which profits are made (and in one case, how profits are used). As expressed by interviewee #5,

> "So it's an objective, it's a good objective to have. Whether it's moral or immoral - I don't think you'd stay in business if, if you're making a loss, so it's just an objective to have. How you go about it is where we decide whether it's moral or immoral ..."

Profit-making itself was justified as being the reason for the corporation's existence and was seen as necessary for the continued existence of the corporation. A link between profit-making and shareholder interests was made by several interviewees, specifically in terms of the duty that a corporation has towards its shareholders:

> "... we have a tacit agreement where shareowners gave us their money and we promised to increase the value for them. So, if we don't, then we've sort of breached an agreement there and that would be immoral." (#6)

However, profit-making was not justified solely by the corporation's long-term needs and a duty to shareholders. Several references were made to the positive benefits that can accrue from profit-making for other stakeholders:

> "... because it's good if you're going to do something about that profit that is going to benefit everybody else, then it's good." (#1)

Interviewee #9 recognised that stakeholders would benefit primarily through taxation, while interviewee #8 specifically considered profit-making to be an 'impetus', or 'incentive', that would enable corporations to address social and environmental issues. He considered there to be a natural inclination to 'help' social and environmental causes, while also acknowledging that CSR activities do have a financial cost which thereby requires continued profit-making.

The overall idea that profit-making is necessary and important, but exists alongside an equally important concern for other stakeholders (as indicated in the discussions on corporate obligations and objectives above), was expressed clearly by interviewee #6:

> "The primary objective I believe is to maximise wealth for the owners ... We would have, what I can call secondary objectives, which are equally as important but are not the basis for forming a company. We have only spoken of creating a good name, of improving the environment in which the company is located, also having a motivated staff, market share and all those things but I believe at the end of the day the whole package is working towards increasing money for the shareowners. Doing it in a way that includes all stakeholders so that we know we enjoy sustained profits, and we can only do that if we have sort of included everyone."

The Anglo-American view regards profit-making not only as a means of meeting moral obligations to shareholders, but also as a way in which taxes are increased, enabling increased spending on social and environmental issues by government. While there was support for this view amongst the interviewees, there is also some suggestion that profit-making facilitates the wider obligations that corporations are considered to have to various stakeholder groups, a view that is more in line with the stakeholder model.

3.3 TRADITIONAL AFRICAN VALUES

The interview schedule included a specific question addressing whether or not interviewees believed that traditional African values, such as *ubuntu*[4], are relevant to modern corporations. There was very little reference to traditional African values or *ubuntu* outside of this specific interview question. This itself suggests that these values do not permeate the thinking of the interviewees regarding the obligations and objectives of corporations.

A variety of different definitions, or descriptions, of *ubuntu* were given - in some cases the interviewees were not entirely confident that their description was accurate. Yet despite differences in wording, there was a shared understanding that *ubuntu* referred to a greater consideration of others, and to living in community with others. For example,

> “Like, *ubuntu* is basically like I care for you as if you are my brother, and I wouldn’t hurt you. I value you like you're my own brother and we come from the same mother ...” (#14)

> “... *Ubuntu* is all about, you look after, what is it? Something about your neighbour and, we look after each other, it’s this community of, yes, it’s not an individual thing. You live your life as a community, and it’s very community based and you take care of each other.” (#15)

> “But basically it means that you should be like, friendly to other people. Ja, I think ... my opinion is that, the main crux of the whole idea is, like, to accommodate everyone.” (#16)

> “... there’s a saying ‘*Ubuntu Ngabantu’* – you are people through other people.” (#13)

Ubuntu was frequently mentioned alongside different traditions, religions or cultures (such as Jewish or Indian peoples), or linked to the idea of a ‘common’ or universal morality that most people would understand and appreciate. This may suggest that it may not be seen as distinct from, say, Christian values, in the workplace. When questioned, interviewees from Zimbabwe and Botswana indicated that the concept of *ubuntu* was the same in those countries as in South Africa, even if called by another name. A few interviewees, however, noted that how *ubuntu* is defined or interpreted could differ across different black South African cultures (such as Zulu and Sotho), across rural and urban communities, or even between big and small businesses.

The majority of the interviewees did express the view that *ubuntu* and/or traditional African values do have a role to play in how businesses are run. A few expressed the contrary view, claiming that *ubuntu* does not or should not affect business, with one interviewee (#4) considering that implementing *ubuntu* values in business is too extreme. The idea that these values should only be implemented where necessary was also raised by one interviewee (#3).

The actual role that *ubuntu* is seen to play varied. The most common beliefs were that *ubuntu* emphasises the importance of community, the notion of 'togetherness' and an inclusive approach whereby various stakeholders' interests are considered, and instead of people being exploited, they are taken care of. Perhaps reflecting an awareness of the diversity of South African society, a number of interviewees indicated that the application of *ubuntu* values would entail obtaining a balance and accommodating the different cultural groups, traditions or religions found in the workplace. Other ways in which *ubuntu* can affect businesses included treating employees (and others, such as investors) equally, regardless of differences in rank or position. One interviewee (#9) also mentioned how *ubuntu* would involve abandoning preconceptions that may be based on an individual's job description or profession.

A number of positive consequences were associated with implementing *ubuntu* values in businesses. These included increasing the longevity of the business, improving the image of the business by various stakeholders, with the business being increasingly valued, and ultimately increasing profits. Despite these positive consequences, *ubuntu* was generally not considered to be prevalent in businesses at present. Some interviewees (#6 and #9) clearly indicated that it is a value system from the past and it should be brought back (interviewee #6 specifically arguing that an education program is necessary to increase awareness of *ubuntu*), or that it had been eroded by modernisation and/or colonialism. Interviewee #1 believed that *ubuntu* had become a cliché and very few companies actually practised *ubuntu* ("It's like the rare jewels ... you hardly find a good diamond."). *Ubuntu* was contrasted with the poor record in improving the lives of many South African communities under the existing 'trickle-down' approach, and considering how *ubuntu* relates to employee relations, the existing South African business environment was characterised by nepotism rather than mentoring (#15).

Some interviewees identified some negative aspects of *ubuntu*. These included nepotism, polygamy, a reluctance to ever question those in senior positions and gender inequality. It is interesting to note that these were mentioned within the discussion of *ubuntu*, and not just traditional African values, and again suggests that the content and scope of *ubuntu* itself is unclear. Some negative consequences of implementing *ubuntu* values in business were also mentioned, including how companies may only use it as a public relations exercise, that too much 'sharing' could have a negative impact (without being specific) and that *ubuntu* would cause confusion and it would be better to stick to rules and arm's length relationships. This last criticism also suggests that exactly what is meant by *ubuntu* is not necessarily well understood.

Other points made regarding *ubuntu* include the observation that it would be difficult to legislate or enforce, and that it would work better at an individual rather than a corporate level. One interviewee (#14) regarded a company that offered lower prices than its competitors (as part of a market penetration strategy) as an example of *ubuntu* in action, and another (#8) reflected that companies that offered high prices would not be seen as engaging with *ubuntu*. The fact that *ubuntu* is part of black South African culture was considered to influence general expectations that society has of companies, with potential negative consequences for those companies (#2).

Lastly, when probed regarding the possible existence of traditional African values apart from *ubuntu*, that might be relevant for corporations, few interviewees could think of any. Three interviewees (#6, #8 and #10) identified the importance of extensive consultation and dialogue with all concerned before making a decision, with one of these (#6) describing this as a ‘democratic dictatorship’.

The lack of a concrete understanding of what is meant by *ubuntu* immediately suggests that the concept can at present have little relevance for corporate governance. However, the concept can nevertheless be related to the wider consideration of stakeholders, and the corporation’s existence within a network of stakeholders that was expressed separately by interviewees when discussing the moral obligations and objectives of corporations. To this extent, *ubuntu* (and traditional African values in general) can be considered to provide support for the stakeholder model. However, from the views expressed by the interviewees it would be difficult to argue that *ubuntu* or traditional African values should be a determining factor in regards to the development of an appropriate corporate governance model.

AFRICAN AND WESTERN VALUES

Following on from a consideration of the role that traditional African values and *ubuntu* may play in corporations, a follow-up question focused on whether interviewees perceived there to be differences in the ways in which African and Western (principally UK and US) businesses are run, and/or whether differences in values between these regions would warrant different corporate governance structures.

A number of the interviewees expressed the view that with increasing globalisation, there was increasing uniformity across businesses in different countries and that consequently there were no specifically different ways in which African businesses should operate. One interviewee (#13) even commented that adherence to local African traditions could impede progress and prove detrimental. Apart from implicit reference to globalisation, reference was made to a universal morality that would require certain moral obligations regardless of location, and it was noted (#5) that some disagreements could be attributed to prejudice or different customs rather than different underlying values. Interviewee #2 reflected that the values implicit in inherited laws have become normal, and also appealed to a universal morality:

> “... for some of us, like, this day and age, you grew up and the whole way of the rules and regulations that came from the UK - it’s been there since forever. So it’s, like, it’s been a part of my life since I don’t know, whenever I started knowing what is right and what is wrong. So it comes, like, what is right and wrong according to tradition is aligned to what is right and wrong according to the law which was brought from Europe. It actually doesn’t matter, it doesn’t make a difference, that it was brought from somewhere because what is wrong and right according to the law is kind of the same thing as what is right and wrong according to African traditions.”

However, interviewee #6 identified the need for a structure that reflected the South African environment. With specific regards to possible differences in moral attitudes, he considered that there are grey areas,

> “... because what is moral to a previously disadvantaged individual, for example, may not be moral to, say, a former colonial power. For example, the land issue, to a black South African it is moral for them to want to have land, but that would mean taking land away from someone, and to that person that becomes immoral. So you have a

few grey areas and I think, ja, it can sometimes, it should be, morally it should be relative, but only to the extent to which it corrects certain previous imbalances.”

For those that did indicate that some adaptation could be appropriate, this was fairly limited (to “... including employees, including society...” (#2)). Interviewee #5 believed that any adaptation to structures or systems would be overshadowed by helping the community through the company being successful or “the best that it can be”.

Although the interviewees did identify some differences between African and Western countries, there was no overwhelming insistence that African countries should have substantially different systems, based either on different value systems or on different business practices. Differences that were identified related primarily to different operating environments and social context.

4. DISCUSSION AND CONCLUSION

In broad terms, the views of the interviewees reflect a stakeholder perspective. Corporations are seen to have fairly widespread obligations to various stakeholder groups, whose interests are to be given consideration, including the community within which the corporation operates. Within this perspective, however, the importance and priority of shareholders is also made clear and the need for profits in order to ensure long-term survival is recognised. While corporations are encouraged to go ‘beyond the law’ in their relationships with their stakeholders, and in the appropriate circumstances are encourage to sacrifice their profits in doing so, corporations that do not do this are not generally considered to be immoral. In this respect the interviewees’ beliefs are at odds with the morality of the traditional shareholder perspective (such as that advocated by Milton Friedman (1970)), in which the greatest benefit is achieved through the pursuit of profit (within the confines of the law), and in which the diversion of resources to address other concerns can even be seen to be immoral (as irresponsible use of shareholder funds).

While it may be possible to conclude that the claim of descriptive moral relativism regarding the obligations and objectives of corporations is true with respect to the theoretical shareholder perspective, corporate governance in Anglo-American jurisdictions differs from this theoretical perspective in practice. The increase in CSR in recent decades, as well as issues such as stakeholder engagement and sustainability, suggest that a more moderate version of the shareholder perspective has taken hold. In this version, corporations that dedicate resources to building relationships with stakeholders that will benefit the corporation in the long run are praised. The claim of descriptive moral relativism – that there are differences between the morality of this version and the beliefs expressed by the interviewees – is far more doubtful. In some respects the views of the interviewees could be seen to correspond well with predominant views of how corporations should behave in Anglo-American jurisdictions. The area of perhaps the most difference is where the interviewees view the corporation’s relationship with its community, in particular, how the corporation is seen to be embedded in its community and how the two function interdependently. In this regard the claim of descriptive moral relativism could still be considered to be true.

The degree to which the claim of descriptive moral relativism is considered true has direct implications for the argument of normative moral relativism – that “it is morally wrong to impose a model of corporate governance on a society that maintains widespread moral disagreement with the values underlying that model" (West, 2009, p.113). In terms of the theoretical shareholder model, the evidence supporting the claim of descriptive moral relativism provides support for the normative argument, and would suggest not only that an Anglo-American model of corporate governance may not be appropriate for Southern Africa, but that the application of such a model would be morally wrong. However, when the more moderate form of the Anglo-American model is considered, the evidence for descriptive moral relativism is much weaker. Conclusions regarding the normative argument must accordingly be much weaker as well, and to the extent that the version of the Anglo-American model adopted in Southern Africa incorporates the stakeholder concerns that have become increasing prevalent in Anglo-American jurisdictions in recent years, the normative argument is weakened.

One possible area of difference remains – the relationship between the corporation and its community. Where the Anglo-American model, even in its more stakeholder oriented expressions, limits the obligations of corporations to the community to where this has improve the business' profits, longevity or sustainability, the interviewees in general considered there to be more of a reciprocal relationship, based on the consumption of local resources by the corporation. Corporations were seen to have an obligation to return something to the community, and were not seen as entities independent from the communities within which they operate. In part, this relationship with the community was linked to the socio-economic conditions of Southern Africa. It is possible therefore, that in this particular area there is more evidence of differences in moral judgements, which in turn suggests that the model of corporate governance appropriate in Southern Africa should incorporate the importance of the relationship between a corporation and its community. This would also support the argument that the imposition of a corporate governance model that does not reflect the importance of this relationship in this region would be morally wrong.

These findings and conclusion are, of course, limited by the scope of this study. It is hoped that these can be extended through further research into the views of Southern Africans regarding the obligations and objectives of corporations.

5. APPENDIX

Open-ended interview questions:

1. Do you believe that corporations have moral obligations? If so, to whom?

2. In your opinion, which corporate objectives generate the greatest moral benefit?

3. Do you think that you will have to adapt to a different set of values in corporate life?

4. Do you believe that you hold a different morality to your fellow students regarding business issues?

5. Do you think traditional African values and ubuntu are relevant to modern corporations?

6. Do you think that there are differences in the ways people from different racial groups run businesses?

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[1] Although Gowans refers to differences between societies and groups, these claims can equally refer to differences between individuals.

[2] Gowans (2004) states that normative moral relativism should not be considered as a 'form' of moral relativism, but rather as a thesis implied by the other two forms.

[3] Since the interviews were conducted a third King report on corporate governance has been published.

[4] The term *ubuntu* refers to a communitarian moral philosophy that is typically reflected in the phrases "I am because you are", or "I am, because we are; and since we are, therefore I am" (Mbiti, 1989, p.110).