Moral relativism and corporate governance convergence

by

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Summary

This thesis investigates how the different aspects and claims associated with moral relativism can be applied to the issue of corporate governance convergence. The question of how corporate governance models may be converging around the world is considered within the law, finance and management literature. To date, however, there has been no detailed consideration from a moral perspective of whether such convergence should occur. This study investigates this question, using South Africa as a case study, through an analysis of the claims of Descriptive, Metaethical and Normative moral relativism. South Africa is selected as a useful case study in the light of its colonial heritage, complex demographics and the ongoing project of post-apartheid 'nation-building'.

Different moral philosophies can be identified that underlie the predominant models of corporate governance around the world. The differences between these moralities can be expressed in terms of differences in the prescribed moral obligations and objectives of corporations. The claim of Descriptive moral relativism is that there are significant differences in moral judgement between groups or individuals. In the context of South African corporate governance, the principal area of interest concerns moral judgements that reflect corporate obligations and objectives that differ from those that underlie the shareholder model evident in Anglo-American jurisdictions. This was investigated in three ways: firstly, through a literature study that identified existing evidence of moral judgements relevant to corporate governance in South Africa; secondly, through a quantitative survey of a group of professional accounting students in South Africa; thirdly, through a series of semi-structured interviews with professional accounting students in South Africa. In all three cases there was some, albeit limited, evidence to support the claim of Descriptive moral relativism.

The claim of Metaethical moral relativism is that there is no single 'true' or 'correct' morality, but that morality is relative to different groups or individuals. Applied to corporate governance, this claim was investigated firstly by examining the arguments that a particular corporate governance model is morally superior and thus universally applicable, as well as by considering the extent of moral agreement on the issue. Secondly, the positions of prominent supporters of moral relativism were considered in terms of how these could be applied to the issue of corporate governance convergence. It was concluded that universalist claims in support of particular models of corporate governance are largely insufficient, and that a limited relativist approach is more plausible.

The claim of Normative moral relativism is that one should not interfere with the actions of another where these are based on different moral judgements. Although the claims of Descriptive and Metaethical moral relativism have implications for the normative claim, the normative claim does not necessarily follow. Adopting a value of tolerance or accommodation (from the work of David Wong) can, however, strengthen the normative argument. It was concluded then that based on the evidence of this study, and within its limitations, it is morally wrong to impose an Anglo-American model of corporate governance on South Africa.

Key terms:

Anglo-American model, Business ethics, Convergence, Corporate governance, Ethics, Morality, Relativism, Shareholder, South Africa, Stakeholder

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List of abbreviations

ATBEQ	Attitudes towards Business Ethics Questionnaire
AU	African Union
CIMA	Chartered Institute of Management Accountants
CSR	Corporate social responsibility
GDP	Gross Domestic Product
IFRS	International Financial Reporting Standards
JSE	Johannesburg Stock Exchange
NEPAD	New Partnership for Africa's Development
NIE	Newly industrialised economies
OECD	Organisation for Economic Co-operation and Development
SAICA	South African Institute of Chartered Accountants
SAIPA	South African Institute of Professional Accountants
TRC	Truth and Reconciliation Commission
VIF	Variance Inflation Factor

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Chapter 1: Moral relativism and corporate governance convergence – a research agenda

"Whatever each city judges to be just and honourable really is just and honourable for that city, as long as this remains that city's custom and belief"

- Protagoras (paraphrased by Kahn (2003, p.4))

Moral[1] philosophy is the branch of philosophy in which questions of good and evil, right and wrong are raised. Moral relativism is that area of moral philosophy in which the question of whether what is good or right varies from person to person, from society to society, or from culture to culture is considered. As the quotation above, paraphrased from Plato's *Theaetetus* of the fourth century B.C., suggests, moral relativism is not a recent idea. When societies and cultures have come into contact with each other through conquest or trade, the question has often been raised and in the twentieth century anthropological studies (such as those of Ruth Benedict (1934a, 1934b), Franz Boas (1940) and Melville Herskowits (1948)) significantly questioned the plausibility of a single, universal morality. Amongst philosophers, however, moral relativism has more often been discussed in the context of metaethics, and with regard to moral judgements in general, although Gowans (2008) does note some recent application of moral relativism to medical ethics. The present study investigates how moral relativism can be applied to a single issue of business ethics: that of corporate governance convergence. South Africa is presented as a case study of how moral relativism can be applied to this issue.

Moral relativism is one of many topics in business ethics. To date, the concept has found application in cross-cultural business studies that have identified cultural differences, and with regard to the responsibilities of multinational corporations (see, for example, Bowie (1993), Donaldson & Dunfee (1999), Hofstede (2001) and Donaldson & Werhane (2008)). Some consideration of how moral relativism can be applied to the issue of corporate social reporting has been provided by Lewis & Unerman (1999), while Licht and others have raised cultural relativism as an issue within the corporate governance literature (Licht, 2001; Licht *et al.*, 2005). However, where Licht and his co-authors apply some of the theories of cross-cultural business studies to the issue of corporate governance, a more structured application of moral relativism to corporate governance has not yet been performed. In this context, the present study makes its primary contribution to the field of business ethics - through the provision of a detailed and structured application of the claims and arguments of moral relativism to the specific issue of corporate governance convergence with regard to South Africa.

The purpose of this chapter is to introduce the theoretical concepts that underlie the study and to articulate the research agenda that is followed in subsequent chapters. The first section provides the theoretical introduction by (1) describing the different claims of moral relativism, (2) providing a brief overview of what is meant by corporate governance, and how moral relativism can be applied to corporate governance convergence, and (3) introducing the South African context in which this study is situated. The second section provides detail concerning the research agenda itself and presents the research objectives, the research philosophy, approach and strategy, as well as a brief consideration of the methods used. The last section provides a brief outline of each chapter, identifying their respective contributions.

1.1 Theoretical background

Moral relativism

The problem of moral relativism is considered by Holmes (2007, p.150) to be "the central problem in ethics, one to which virtually all others eventually lead". Gowans (2008) describes the three claims of moral relativism as follows[2]:

> *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.
>
> *Metaethical 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 to support this. Metaethical 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 claims. These can be summarised as follows (Gowans, 2008):

- Empirical support for Descriptive moral relativism is not sufficient to justify Metaethical moral relativism;
- If Descriptive moral relativism is rejected, there would be little support for Metaethical moral relativism;
- Support for Descriptive moral relativism and Metaethical moral relativism, together with a value of tolerance or accommodation, can support the claim of Normative moral relativism.

The path from Descriptive, through Metaethical, 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 by necessity mean that we should refrain from interfering with the actions of those that express moral judgements that differ from our own.

This study is an application of these three claims of moral relativism to the issue of corporate governance convergence. The next section considers the concept of corporate governance, and how moral relativism can be applied.

Application of moral relativism to corporate governance convergence

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)).

Appealing largely to the first of the above definitions, the subject has often dealt with the internal structures of corporations. This includes the composition of the Board of Directors, the structure of the various committees, the responsibility for accounting reports and systems of internal control, and the management of risk. The focus on internal structures can sometimes mask the underlying relationship between the corporation and other groups in society. The internal structures referred to above are themselves often implemented (or at least recommended) in order to govern the relationship between the corporation (specifically management and the executive directors) and its shareholders. In some jurisdictions, the structures also regulate the relationships with other parties, such as employees and/or significant creditors.

An external corporate governance environment has developed alongside the internal structures, and provides the legal and regulatory framework within which corporations are governed. This framework includes corporate law, accounting standards, securities exchange listing requirements, labour and capital markets and even social norms (Rossouw, 2009). Within this framework the possible activities of corporations are limited, and the interests of different parties protected in different ways (see Rossouw (2009) for a more detailed discussion). The various corporate governance reports that have developed in recent decades around the world could be considered to be part of this external corporate governance environment, but with a specific focus on the internal structures of corporations required for good corporate governance.

The manner in which corporations are governed can also be viewed in terms of its relationships with society, as Rossouw (2009, p.6) observes: “the principles, regulations and directives associated with corporate governance ultimately constitute a view of the role, responsibilities and obligations of corporations within a given society". This broader view of corporate governance includes issues such as Corporate Social Responsibility (CSR), 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. Instead of an unquestioning adherence to the maximisation of shareholder wealth, other possible responsibilities of the corporation are brought to light. These can be seen at a macro level, in terms of how the corporation contributes to national economic and social goals, and at meso and micro levels, in terms of how the corporation relates with all parties that are affected by it.

Clarke (2004, p.205) states that the "greatest contemporary theoretical and policy debates in corporate governance are whether there is global convergence towards the Anglo-Saxon market-based *outsider* model of corporate governance" (emphasis in original). This descriptive question is clearly of importance (and as discussed below, a review of the corporate governance convergence literature is undertaken in chapter two). However the normative question of whether there *should* be such convergence remains unanswered, and is typically not even raised. 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 thereby entails convergence of these values, and convergence of the objectives and obligations of corporations. The normative question is then of particular importance in developing countries such as South Africa, which has inherited corporate structures that resemble those in Anglo-American jurisdictions (principally the USA and UK) that are geared towards the maximization of shareholder wealth, and yet must deal with calls for increased corporate responsibilities to other parties, based on concepts such as social justice and traditional African values.

In the context of this convergence debate, the claims of moral relativism become relevant, and can be reformulated as follows:

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.

Metaethical 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 each claim to be morally right.

Normative moral relativism: 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[3].

As mentioned above, the reasoning is not deductive and hence any argument for the normative claim that is based on support for the Descriptive and Metaethical claims is not conclusive. However, the following important relationships can be identified:

- If Descriptive and Metaethical moral relativism can be justified, then Normative moral relativism is significantly strengthened.

- Similarly, if either Descriptive or Metaethical 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 Metaethical 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.

The purpose of this study is to summarise and evaluate evidence relating to Descriptive and Metaethical moral relativism as applied to corporate governance in South Africa, and to examine the extent to which the claim of Normative moral relativism can be applied the South African context.

Criticism of moral relativism

A number of significant criticisms have been levelled against moral relativism (Williams, 1972; Rossouw & Van Vuuren, 2004, p.91; Gowans, 2008)), which require particular consideration. Firstly, there is an implicit contradiction in the argument for Normative moral relativism: the prescription that one should not interfere with the actions of those with different moral judgements is intended to be a universal moral principle, but is premised on

Metaethical moral relativism that insists that there are no universal moral principles. This contradiction is taken by some to be the death-knell for moral relativism, and some philosophers (such as Williams (1972, p.32)) consider moral relativism to be one of the most absurd views to have been put forward.

Any defence of a universal Normative moral relativism must then show why the prescription not to interfere with the actions of those with different moral judgements should be regarded as an exception to the claim that there are no universal moral principles. Regarding the application of moral relativism to corporate governance convergence it can, however, be argued that the Metaethical position does not claim that there are no universal moral principles at all, only that there is no universally morally superior model of corporate governance. In this more limited version of moral relativism, the implicit contradiction within Normative moral relativism falls away - it is possible to claim that there are universal moral principles in certain areas, but not in the area of corporate governance.

Wong (1984) provides an alternative approach, arguing that Normative moral relativism is not a universal moral principle, but is nevertheless binding when one subscribes to a value of tolerance, whereby interference is not morally permissible unless it can be justified to the other party. In a more recent (2006) work, he has suggested a value of accommodation, essential to any morality, that could provide justification for the Normative claim. In this view Wong is implicitly acknowledging a limited moral relativism to the extent that he posits certain values that are universally essential to any morality.[4] If tolerance or accommodation is accepted as a universal principle, then the Normative prescription not to interfere with corporate governance systems based on different moralities can be consistently held.

The second major criticism of moral relativism is that it stifles debate. The acceptance of Metaethical moral relativism can imply that one should not consider and debate the merits of conflicting moral judgements (Williams (1972, p.40), for example, notes that “it is possible for someone persuaded of subjectivist views to cease to care about moral issues”). This lack of debate can be seen to negate, or at least hinder the possibilities of finding solutions to moral problems. Similarly, a lack of debate and an acceptance of different moral judgements could result in the acceptance of tyrannical practices (however defined), and a rigid adherence to the status quo (particularly where a group’s morality is determined by reference to the majority, see Levy (2002, p.80)).

There are however, a number of ways in which debate need not be stifled, and where considerations of moral relativism may in fact provide further insights. Firstly, regarding social or cultural moral relativism, the morality that is characteristic of a particular society or culture is not considered ‘finalised’, and is consequently open to debate and analysis. Secondly, regarding the application of moral relativism to corporate governance where the existence of certain universal moral principles is accepted, debate over whether or not the moral principles underlying corporate governance fall within this set of universal moral principles must surely follow. Thirdly, if tolerance or accommodation is accepted an as important or necessary value, then, when faced with different moral judgements in differing circumstances, one must consider the extent to which such tolerance or accommodation is binding[5]. Lastly, to the extent that moral judgements are based upon empirical data (such as in a consideration of the consequences of an action), any assessments of these moral judgements is contingent upon the interpretation of the empirical data. The prescription of Normative moral relativism is therefore open to continual re-assessment as the empirical data, and the interpretation of the empirical data, change.

It is apparent then that although there are significant criticisms of Normative moral relativism, these are most effective when applied to an extreme moral relativism, in which claims concerning all morality are made. When dealing with a specific area of morality it is possible to maintain an argument for Normative moral relativism, albeit in a limited form. This study adopts such a limited moral relativism in its consideration of corporate governance convergence.

The South African context

The limited moral relativism adopted in this study is applied to the issue of corporate governance convergence with regard to South Africa. There are a number of ways in which South Africa provides a useful case study for the application of moral relativism. Firstly, it is racially and culturally heterogeneous. The eleven official languages (Afrikaans, English, Ndebele, Pedi, Sotho, Swazi, Tsonga, Tswana, Venda, Xhosa and Zulu) provide an indication of the country’s cultural diversity. These languages, however, only reflect Black and White racial groups, and there are significant Coloured (of mixed race) and Asian (predominantly Indian) populations. The 2010 mid-year population estimates (Statistics South Africa, 2010) estimate the population to be 79% Black African, 9% Coloured, 3% Indian / Asian and 9%

White. As a country with significant cultural diversity, investigation into how values may be relative to different cultural groups is appropriate.

Secondly, from the first European settlement in 1652 the country (or parts of it) had been administered as a Dutch and then British colony, and in 1910 became a dominion of the British Empire. Racial segregation was practiced throughout the colonial period, and became increasingly formalised in the twentieth century. From 1948 until 1994 a policy of separate racial development (apartheid) was official policy and strictly enforced. Accordingly, at the end of apartheid in 1994, South African society remained racially and culturally divided. Eze (2010, p.104) refers to South Africa prior to 1994 as being a “state without a nation”, and the years since 1994 have seen substantial efforts at promoting inter-racial reconciliation, unity, and a focus on ‘nation-building’. In 1998, then deputy-president Thabo Mbeki described South Africa as a country of two nations:

> “One of these nations is white, relatively prosperous, regardless of gender or geographic dispersal. It has ready access to a developed economic, physical, educational, communication and other infrastructure … The second and larger nation of South Africa is black and poor, with the worst affected being women in the rural areas, the black rural population in general and the disabled” (Mbeki, 1998b).

While there is evidence of a growing Black middle class, the basic inequalities identified by Mbeki in 1998 persist in 2010. Where White South African society has a European heritage that has influenced the legal and economic infrastructure of the country, the heritage of Black South African society is one of resistance and struggle against White dominance. The system of corporate governance that has been adopted in South Africa reflects the British legal heritage as well as concerns that can be associated with Black South African society (see West (2006), and section 2.4 in chapter two).

In this context of historical conflict and tension, consideration of the claims of Descriptive and Metaethical moral relativism, and the implications for the normative argument are both important and relevant. Answering the question of how the values that underlie corporate governance vary, both within South Africa, and between South Africa and Anglo-American jurisdictions can provide support for or against the claim of Descriptive moral relativism. Answering the question of whether or not a single corporate governance morality can be justified addresses the claim of Metaethical moral relativism. Consideration of the evidence and arguments for both Descriptive and Metaethical moral relativism, together with other values such as tolerance and/or accommodation addresses the claim of Normative moral relativism. Ultimately, evidence and arguments that address the claim of Normative moral relativism have a practical relevance in the ongoing development of corporate governance in post-apartheid South Africa.

The discussion above illustrates both how the claims of moral relativism can be applied to corporate governance convergence, and how South Africa provides a useful case study for such application. The following section presents the research agenda that is followed in this study.

1.2 Research agenda

This section presents the research objectives, followed by an overview of the research philosophy, approach and strategy, and lastly a brief consideration of the research methods used in the study.

Research objectives

As noted above, this study is an application of moral relativism to corporate governance convergence, with regard to South Africa. Considering the different claims of moral relativism discussed above, as well as the South African context, the primary research objective can be formulated as follows:

Primary research objective

To summarise and evaluate the evidence relating to Descriptive and Metaethical moral relativism as applied to corporate governance in South Africa, and to examine the normative claim that it is morally wrong to prescribe the Anglo-American corporate governance model in South Africa.

Secondary research objectives

This primary research objective can be broken down into a number of secondary objectives. The claim of Descriptive moral relativism is concerned with the existence of moral disagreement, and there are many approaches that can be taken in investigating this claim. The secondary objectives below reflect several of these approaches, and include both an investigation into existing evidence of moral disagreement, as well as an empirical investigation into the views of South African professional accounting students[6].

Professional accounting students were chosen for several reasons. Firstly, there is a close relationship between professional accountants and corporate governance that is evident in the inclusion of audit committees and rigorous systems of internal control in corporate governance reforms, and the overriding concern for accountability and transparency, much of which is addressed through the development of appropriate accounting standards. The spectacular corporate failures of recent years have also frequently involved accountants, both in their perpetration and discovery. Secondly, professional accounting students represent a fairly homogeneous group as their education is tightly regulated and they typically share similar career prospects. As such, the group is amenable to investigations into moral differences and allows for effective analysis of differences between subgroups.

A single, separate research objective addresses Metaethical moral relativism and Normative moral relativism. The secondary research objectives are as follows:

1. *Descriptive moral relativism.*

   1.1 To study the relevant literature and summarise existing evidence of distinct or different moral judgements in South Africa regarding the objectives and obligations of corporations;

   1.2 To identify the extent to which professional accounting students in South Africa of different racial groups agree regarding the objectives and obligations of corporations;

   1.3 To identify the extent to which professional accounting students in South Africa agree with the Anglo-American model of corporate governance regarding the objectives and obligations of corporations;

   1.4 To understand how Black professional accounting students in South Africa perceive the objectives and obligations of corporations.

2. *Metaethical moral relativism.* To study the relevant literature and summarise existing evidence that there is no universally moral form of corporate governance.

3. *Normative moral relativism.* To examine the claim that it is morally wrong to prescribe the Anglo-American corporate governance model in South Africa. (Based on the outcome of secondary research objectives 1 and 2).

More detail on the choice of respondents for research objectives 1.2, 1.3 and 1.4 is provided in chapter four, which deals with the methodology adopted to achieve these objectives. Note that where research objectives 1.2 and 1.3 focus on identifying agreement (and, by implication, disagreement) in moral judgements, research objective 1.4 focuses on how a specific group perceives the objectives and obligations of corporations in more detail. The following section considers the research philosophy, approach and strategy that underlie the achievement of these research objectives.

Research philosophy, approach and strategy

Saunders *et al.* (2000, p.85) depict the research process in five layers: Research philosophy, Research approaches, Research strategies, Time horizons and Data collection methods. The first three of these are considered in this section and the last two in the subsequent section on Research methods.

Research philosophy

Research philosophy refers to the epistemological stance and assumptions of the researcher. In this study, it is assumed that it is possible to objectively evaluate the strengths and weaknesses of the relevant claims and evidence, and to arrive at a conclusion regarding the claim of Normative moral relativism. The researcher is thus considered independent of the claims and their supporting evidence, able to come to objective conclusions.

The view that emphasises the independence of the researcher and the objectivity of knowledge is typically referred to as positivist research philosophy (Saunders *et al.*, 2000, p.85). Referring to positivist philosophy in social science, Neumann (2003, p.71) describes it as “an organized method for combining deductive logic with precise empirical observations of individual behaviour in order to discover and confirm a set of probabilistic causal laws that can be used to predict general patterns of human activity”. With regard to the claim of Descriptive moral relativism in particular, it is assumed that independent moral views exist, that individuals hold such views, and that they are accessible and can be assessed through questioning. Although the current study is concerned with describing rather than predicting moral perceptions, the aim is to be able to generalise the results within the limits of the methods used. A positivist research philosophy is therefore considered appropriate and is adopted in addressing research objectives 1.2 and 1.3.

There are, however, significant weaknesses in a purely positivist research philosophy. In the process of collecting and analysing data, the concepts under study need to be operationalised, and the data collected must be converted to numerical scores before statistical comparisons can be made. These processes do not necessarily address the concept under study adequately. A deeper view of moral agreement and disagreement would take into account the ways in which individuals deal with potentially conflicting moralities, and avoid attempts at reducing moral perceptions to numerical scores. Accordingly, a more interpretive research philosophy is also adopted (in addressing research objective 1.4) which pays more detailed attention to how the individual perceives the morality underlying corporate governance and how he/she deals with any potential moral conflicts.

Research approach

Saunders *et al.* (2000, p.87; see also Neuman, 2003, p.51) present two research approaches: deductive and inductive. In the deductive approach, consideration of the relevant theory and the formulation of research objectives lead to the generation of research hypotheses. The data collected is then used to empirically test the hypotheses. In the inductive approach the process is reversed and the data collected (based upon relatively undefined theoretical concepts) is used to generate viable theories.

Both Descriptive and Metaethical moral relativism present claims that can be confirmed (or rejected) by the consideration of appropriate evidence. Accordingly, although the claims do not amount to theories, a deductive research approach is adopted in the sense that the results of the investigations carried out will inform the claims of Descriptive and Metaethical moral relativism. As noted in section 1.1 above, the overall argument for Normative moral relativism is not a sound deductive argument. However, the argument nevertheless follows the rules of deductive logic, and the results of the investigations into Descriptive and Metaethical moral relativism will then inform the claim of Normative moral relativism.

Research strategy

Saunders *et al.* (2000, p.92) list the following eight different research strategies: experiment, survey, case study, grounded theory, ethnography, action research, cross-sectional and longitudinal studies, and exploratory, descriptive and explanatory studies. Following Mouton (2001), literature studies and philosophical analysis are also considered elements of research strategy. The research strategies adopted are indicated below, along with a consideration of the empirical / non-empirical, and quantitative / qualitative nature of the study.

Before addressing the research objectives directly, the morality of the various models of corporate governance is analysed and summarised by means of a descriptive and explanatory literature study.

Research objectives 1.1 and 2 are both non-empirical as they refer to existing evidence that can be summarised and evaluated in support of certain claims. They are achieved through the use of literature studies and philosophical analysis that link the relevant literature to the claims of Descriptive and Metaethical moral relativism.

Research objectives 1.2, 1.3 and 1.4 refer to the determination of the moral views of professional accounting students, and are descriptive and empirical in nature. Primary data that relates to the claim of Descriptive moral relativism was gathered through the use of surveys, involving a quantitative questionnaire and qualitative interviews. The combination of quantitative and qualitative methods provides a form of triangulation to the extent that they both contribute to providing evidence for the same overall research objective (that of Descriptive moral relativism).

Research objective 3 involves non-empirical philosophical analysis that draws on the results of the studies conducted in the achievement of secondary objectives 1 and 2 above. The achievement of this objective also identifies practical implications and possibilities for further research.

The other strategies identified by Saunders *et al.* were not considered relevant as they either draw upon an inductive research approach (grounded theory) or do not correspond well with a descriptive study (experiment, action research).

Research methods

Following the research philosophy, approach and strategy outlined above, this section presents an overview of the actual techniques employed.

In order to achieve research objectives 1.1 and 2, thematic literature studies were conducted. Details regarding the sources consulted and the relevant time horizons are provided in the relevant chapters (see section 1.3 below).

In order to achieve research objectives 1.2, 1.3 and 1.4, both quantitative and qualitative empirical studies were undertaken, involving samples of professional accounting students in South Africa. These studies were synchronic rather than longitudinal. Although the latter are undoubtedly relevant, the focus is on the extent of current moral disagreements, rather than possible changes over time. Longitudinal studies are consequently considered to fall beyond the scope of this study. Further details on the research methods, including population and sampling, variables, research instruments and methods of data analysis are provided in chapter four.

1.3 Chapter outline[7]

This section provides an overview of the different chapters and the contributions made therein. A visual representation of the research strategy and chapter outline is presented in Appendix one.

This chapter has provided the theoretical basis that underlies the application of moral relativism to corporate governance convergence presented in this study. This was followed by an articulation of the research agenda, outlining the research objectives, philosophy, approach, strategy and methods adopted.

The next chapter provides a review of the predominant models of corporate governance around the world and the issue of corporate governance convergence. The moralities, and the moral differences, that underlie the principal models are identified. The chapter enables a more thorough understanding of how moral relativism is relevant to the issue of corporate governance convergence, providing a background for subsequent chapters. It also contributes to the existing literature by considering corporate governance and corporate governance convergence in terms of its underlying morality.

Chapter three presents the findings from a literature study concerning existing evidence of moral disagreement regarding corporate governance in South Africa. As such, it addresses research objective 1.1, as presented in section 1.2 above.

Chapter four presents the detailed research methods used in both of the empirical studies involving professional accounting students in South Africa. This provides the context for the findings of the empirical studies that are presented in subsequent chapters. The chapter also contributes to the existing literature through the development of a questionnaire survey instrument concerning moral differences related to corporate governance.

The results of the quantitative survey of professional accounting students in South Africa are presented in chapter five. This specifically addresses research objectives 1.2 and 1.3, as presented in section 1.2 above.

The results of a series of qualitative interviews with professional accounting students in South Africa are presented in chapter six. This specifically addresses research objective 1.4, as presented in section 1.2 above.

In chapter seven, the claim of Metaethical moral relativism regarding corporate governance convergence is considered in detail, through a literature study and philosophical analysis. This chapter addresses research objective 2, as presented in section 1.2 above.

The final chapter summarises the findings of chapters three to seven, which provide evidence for or against the claims of Descriptive and Metaethical moral relativism regarding corporate governance convergence in relation to South Africa. The implications for the claim of Normative moral relativism are then considered and the applicability of this claim in the South African context is evaluated, thereby addressing research objective three, as presented in section 1.2 above. This chapter also notes some limitations of the study, and highlights possible areas of further research.

Chapter 2: Corporate governance models and their morality

For 10 years, the United States enjoyed the longest economic expansion in the country's history. What could go wrong? Morality went wrong.

- William J. McDonough, Chairman of the USA Public Company Accounting Oversight Board, 2005.

This comment by William McDonough was made in relation to the 2001 stock market crash and the corporate scandals of Enron, WorldCom and others. It suggests that deficiencies in morality can have serious economic consequences, and that therefore the successful functioning of corporations and the economy has some sort of moral foundation. While the principles of responsibility, accountability, fairness and transparency (identified by the Millstein report presented to the Organisation for Economic Cooperation and Development (OECD) on 27 March 1998) are commonly held out as corporate governance 'virtues', differences prevail in how these are applied, to whom, and to what extent. The purpose of this chapter is to review the various models of corporate governance around the world, identifying and highlighting the moral aspects of these models and how the models may differ in moral terms. Moral judgements that can be related to corporate governance models can then be identified. These judgements, in turn, become the focal points for the claims and arguments of moral relativism. As indicated in chapter one, for the purposes of this study the concept of corporate governance is considered in its broader sense: the relationship between the corporation and society. The wide nature of the topic, together with the considerable academic interest that it has attracted (across a variety of disciplines), ensures that it is not possible within the space of a single chapter to adequately review all of its aspects[8]. Accordingly the review is limited to those aspects of corporate governance models that are relevant for an assessment of their morality.

The corporate governance literature frequently refers to corporate governance models as Anglo-American, European or Japanese. These terms, however, do little more than denote a geographic location. Other terms that are frequently used to differentiate models of corporate governance include shareholder / stakeholder, exclusive / inclusive, and outsider / insider. As these terms have more conceptual content, an understanding of these is necessary before an appreciation of the different models is possible. The chapter therefore begins with a review of the theoretical distinctions applicable to corporate governance models. This is followed by overviews of the Anglo-American model and the Continental European and Japanese models. In each case this is accompanied by an identification of the moral principles implicit in the models. A brief discussion of other models from transitional economies and developing nations follows. The convergence debate is then presented and the chapter concludes with a summary of the moral judgements relevant to corporate governance models.

2.1 Theoretical distinctions

Shareholder / Stakeholder

In the spheres of ethics and management, the most common distinction between corporate governance models is the degree of their orientation towards either shareholders, or all stakeholders (Freeman & Reed, 1983; Goodpaster, 1991; Donaldson & Preston, 1995; Turnbull, 1997; Letza *et al.*, 2004). Within corporate governance models with a shareholder orientation the corporation can be considered to amount to no more than an extension of its owners, who are identified as the shareholders. Executive management are employed (as agents) to act on behalf of the shareholders (as principals), and are expected to follow their ultimate objectives for the corporation. Although the relationship between shareholders and executive management is not explicitly governed by any contract, the priority given to shareholder interests is justified with reference to the financial risk borne by shareholders, who participate in the net assets of the corporation only after all obligations are accounted for, as well as by the shareholders' power to appoint and remove directors. There is a potential conflict between the interests of executive management and the shareholders, which is often the focus of corporate governance reforms (see the discussion of the agency problem on p. 21 below).

Within such a shareholder model the goal of the corporation is to maximise shareholder wealth through the provision of goods or services, and responsibility and accountability is both required and limited to the shareholders alone. The primacy of shareholder wealth is evident in the fact that financial reporting is typically addressed to the shareholders (or 'members'), and in management's focus on earnings per share figures and share prices. Decision-making should always be to the ultimate benefit of the shareholders and unless corporate activities can generate benefits for the shareholders they should not be undertaken.

This has significant implications for activities that fall within the domain of Corporate Social Responsibility (CSR), including donations, community upliftment projects, and environmental impact and restoration. Milton Friedman (1970) took issue with calls for increased CSR and in *The social responsibility of business is to increase its profit*s, argued that the role of the corporation should be solely economic. Friedman argued that when executives spend resources on social concerns to the detriment of company profits, they are effectively both imposing and allocating a tax on the shareholders. This tax administration is conducted outside established political processes that are set up to ensure that the interests of the general public are considered as far as possible. Tax collection and social expenditure should thus rather take place through these established political processes. Friedman also argues that while executives may be experts in business they cannot necessarily be considered qualified to effectively discharge social responsibilities. He insists that the responsibility of business should therefore be limited to maximising profits, within the legal and ethical rules of society.

In contrast, the stakeholder model is based on a view of the corporation as a social entity that has responsibility and accountability to a variety of stakeholders. Freeman & Reed (1983, p.91) propose a wide sense of the term ‘stakeholders’, which includes all those that may affect or are affected by the corporation’s objectives, and a narrow sense which includes any group or individual that is dependent upon the corporation (including shareholders / owners, some suppliers, customers, and employees). The stakeholder view holds that the role of the corporation is not merely financial, nor solely economic, but includes social and environmental objectives and that the corporation should be more accurately described as a “vehicle for coordinating stakeholder interests” (Evan & Freeman, 1993, p.82). The concept of ‘triple-bottom line’ reporting (Elkington, 1997) has developed along these lines widening corporate accountability to include reporting of social and environmental activities alongside the full economic impact of the corporation. Concepts of corporate citizenship, CSR, and Socially Responsible Investments, as well as the integration of normative ethics within corporate relationships are all closely allied to the stakeholder view of the corporation. Unsurprisingly, this wider view of the corporation is critical of Friedman’s view that social responsibilities are not the responsibilities of business. Stone (1992, orig. 1975), for example, argues (1) that executive management have not at any point actually made any promise to shareholders and are accordingly not bound by any such promise (and even if there was such a promise, this would not preclude breaking the promise when faced with issues of significant social concern), (2) that the principal-agent description is inaccurate as this is not supported in law, and the agents do not actually seek to determine the principals' wishes, (3) that there is no reason why their role within the corporation exempts businesspeople from exercising moral concerns and responsibilities, and (4) that there are significant limitations in the market and the legal system which reduce the effectiveness of relying solely upon these institutions to ensure socially desirable behaviour.

The stakeholder model has itself been further divided into descriptive, instrumental, and normative theories (Donaldson & Preston, 1995). Descriptive stakeholder theory refers to the empirical observation that corporations have multiple stakeholders. Instrumental stakeholder theory justifies the widening of corporate responsibility and accountability by appealing to the improved efficiency, and/or ultimately greater shareholder wealth that is generated. Normative stakeholder theory refers to motivating forces for widened responsibility and accountability based on a consideration of stakeholders as having "intrinsic value" (Donaldson & Preston, 1995, p.67), which is ultimately based on certain moral philosophies, community values and traditional beliefs. Donaldson & Preston (1995) insist further that the descriptive and instrumental aspects of stakeholder theory require the normative form as their foundation.

One of the principal problems of stakeholder theory lies in how to prioritise and manage the competing interests of various stakeholders (particularly if the stakeholder groups are considered to have equal status) and make decisions that are beneficial to the corporation. Goodpaster (1991) made a distinction between a 'strategic stakeholder synthesis' in which stakeholders are considered in so far as this assists in achieving the corporation's strategic objectives, and a 'multi-fiduciary stakeholder analysis' in which stakeholders are considered as ends in themselves, worthy of a fiduciary duty similar to that owed to the company and its shareholders. Goodpaster's conclusion is that while stakeholder interests should be considered, shareholders must be given priority.

There is some overlap then between the shareholder model and instrumental stakeholder theory, in that both regard shareholders' interests as the primary goal. In practice, this is evident in the adoption of 'triple-bottom line' reporting, CSR and corporate citizenship practices in countries with a traditionally shareholder orientation, where these activities are seen as a means to enhancing shareholder wealth. In this sense there is more of a critical difference between normative and instrumental stakeholder theory than between the shareholder model and instrumental stakeholder theory.

In some circles, notably the South African corporate governance arena, ‘exclusive’ and ‘inclusive’ corporate governance models have been referred to (for example, Institute of Directors, 2002, Introduction, para. 41). This distinction is closely allied, if not identical, to the shareholder / stakeholder distinction, where the term denotes the extent of corporate responsibility and accountability. In an exclusive model, responsibility and accountability is limited to the shareholders only. In an inclusive model, all parties that affect, or are affected by the corporation are included in issues of responsibility and/or accountability.

Outsider / Insider

The outsider / insider distinction is used most commonly with reference to the legal structures and financing arrangements of corporations. The relationship between the owners and managers is central in this analysis.

In an outsider model managers direct corporations, but the equity capital is largely owned outside the corporation, by shareholders other than management. In some cases share ownership is widely dispersed across large numbers of individual shareholders, in other cases certain institutions maintain large shareholdings. Based on the assumption that each party involved with the corporation seeks to maximise their self-interest, the corporation itself is seen as a *nexus of contracts* (based on the work of Coase, 1937; Jensen & Meckling, 1976). These contracts, both implicit and explicit, are implemented to restrain self-interested behaviour, and direct it for the benefit of the organisation (typically referring to the interests of shareholders). Management are contracted to maximise shareholder wealth and are considered to act as agents for the shareholders as principals (Jensen & Meckling, 1976). However, as they have control over corporate resources, they are also expected to maximise their own benefits to the detriment of shareholders’ interests. This could occur through self-dealing, shirking or increasing their perquisites, as well as through decision-making based upon a desire to remain in power, different time horizons and different risk aversion (Denis, 2001; Lambert, 2001). Accordingly, attention overwhelmingly falls on this conflict between the interests of management and the interests of the shareholders.

Corporate governance strategies that are developed within the outsider model are thus aimed at resolving (or at least, monitoring and controlling) this ‘agency problem’ (Watts and Zimmerman (1986, p.184) note that management ultimately bear these agency costs, and are thus motivated to implement corporate governance measures themselves). Strategies to achieve this include an effectively established and functioning Board of Directors, aligning the interests of shareholders and management through the development of innovative remuneration schemes (such as share option plans), and curtailing managerial excesses with the establishment of rigorous internal control systems (Denis, 2001). Ultimately, managerial deviance can also be controlled through the market for corporate control (takeovers) and the managerial labour market (Fama, 1980); in the outsider model there is consequently a firm belief in the necessity of efficient markets.

The insider model is characterised by both ownership and control residing with a small number of shareholders and other stakeholders (Van den Berghe, 2002, p.11; Solomon & Solomon, 2004, p.149). Even for large, listed corporations, banks rather than securities markets are the principal sources of finance, and shareholdings are typically highly concentrated. Consequently, a small number of dominant shareholders are able to play an active role in the governance of the corporation, and this proximity of ownership and control should ease the agency problem that is so characteristic of the outsider model. The insider model can, however, go beyond closely-held shareholding, and other groups, such as creditors, other corporations, employees, family groups and government may contribute to the ‘insider’ group in controlling the corporation. A two-tier board structure with representation by employees and creditors is one example of how this can be implemented. The close involvement of these different groups can then shift the focus from shareholders’ interests to include the interests of other stakeholders, and/or direct the directors’ duties towards the corporation rather than shareholders. At the same time, however, this proximity can provide opportunities for abuse by powerful individual shareholders (or other stakeholders), may create conflicts between shareholder and other interests (particularly where banks play a dual role as shareholder and creditor), and minority shareholders can suffer from minimal transparency and accountability (Van den Berghe, 2002, p.11).

These models have also been referred to as market-based (outsider) or relationship-based (insider) (Solomon & Solomon, 2004, pp.149-50). ‘Market-based’ refers to the belief in the capacity of efficient labour and capital markets to resolve the agency problem; and 'relationship-based' refers to the close relationships between the corporation and the key stakeholders.

Summary

There are clear similarities between these different terms. The shareholder / stakeholder distinction can be equated to the exclusive / inclusive distinction. There is also a strong, although not a logically necessary link, between the shareholder and outsider descriptions (where the corporation's obligations to shareholders reflect the fact that they have contributed the capital and bear the financial risk), and, to a lesser extent, between the stakeholder and insider descriptions of corporate governance (where creditors may for example be involved in decision-making through a two-tiered board structure).

All of these descriptors, however, represent extremes on continua. As such, it is simplistic to categorise corporate governance models as exclusively outsider oriented or shareholder dominated, and in practice, all models display elements of both extremes. This is not to say, however, that all models fall into the same position along the continua, and significant differences between corporate governance models around the world can be identified. It is possible, then, to categorise the various models as being predominantly shareholder or stakeholder dominated, and outsider or insider oriented. Solomon & Solomon (2004) have indeed performed such an exercise (using the insider / outsider categories) for 28 countries.

The following section summarises some of the key differences in corporate governance models worldwide and identifies moral principles that can be related to these, beginning with the Anglo-American model.

2.2 The Anglo-American model

The approach to corporate governance that is dominant in the USA and the UK (as well as several other countries such as Australia and New Zealand) can be described as being predominantly shareholder (or exclusive) and outsider oriented. Originally, the corporation was a means of raising capital for endeavours that were either too risky or too expensive for individuals. In these jurisdictions, the combination of increased industrialisation (and its demand for funds) with more permissive corporate laws gave rise to rapidly increasing numbers of corporations from the mid-nineteenth through the twentieth century. As conglomerates grew, and began to wield substantial economic power, the number of their shareholders increased, with progressively smaller ownership stakes. In 1932, Berle & Means identified the separation of ownership (shareholders) and control (management) that had arisen with increasing shareholder dispersion as a significant problem[9]. Through the use of various corporate structures (such as pyramidal ownership) and mechanisms (such as proxy committees), control of the economic powerhouses was held either by a few, minority shareholders, or by executive directors themselves (who need not have held any shares).

From the 1970s in particular, corporate governance in the USA has focused on how the agency problem, resulting from this separation of ownership and control, can be resolved. Key developments include the work of Jensen & Meckling (1976) that emphasised efficient contracting and Fama (1980) who emphasised the role of efficient markets in reducing agency costs and resolving the problem of conflicting interests. These seem to have had some effect from the 1980s, which saw a rapid increase in takeover activity and the use of ‘junk’ bonds in leveraged buy-outs, as well as increased attention to aligning executive and shareholder interests through the use of executive share option schemes. Executive remuneration, particularly in the USA, increased steadily through the 1990s and 2000s, and Clarke (2007) considers the gap between executive remuneration and average worker remuneration to be one of the central concerns in American corporate governance.

The attention given to corporate governance in the USA and UK in recent decades can be linked to a series of corporate failures. In the UK, the committee chaired by Adrian Cadbury which produced the *Report of the Committee on the Financial Aspects of Corporate Governance* in 1992 (the forerunner of a range of corporate governance reports worldwide) followed the collapses of Maxwell and the Bank of Credit and Commerce International. In the USA, the scandals of Enron, WorldCom, Tyco, Adelphia and others led to the Sarbanes-Oxley Act of 2002. In both countries the corporate governance reforms have been aimed at improving the monitoring, supervision and transparency of the directors on behalf of the investors who do not have access to the corporation’s activities. Accordingly, the reforms have dealt with topics such as the role and structure of the Board of Directors, the need for independent and non-executive directors, the separation of the positions of Chief Executive Officer and the Chairman, the approval of directors’ remuneration, the adequacy of internal control systems, the role and structure of the audit committee and the need for a nomination committee.

Although the focus has been overwhelmingly on the agency problem and thus the interests of shareholders, wider issues of stakeholder responsibility have not been absent from debates in the USA and UK. Friedman's 1970 article specifically relates his concern at calls towards increased social responsibility as a legitimate corporate objective. *The Corporate Report*, produced by the Accounting Standards Steering Committee of the Institute of Chartered Accountants in England and Wales in 1975, called for reporting and accountability to all those affected by the decisions of directors (Tricker, 2000, p.xvii). Tricker (2000, p.xvii) notes, however, that political implications and the threat to managerial power resulted in the report being shelved. Although there has still been interest in stakeholder concerns, 'triple-bottom line' reporting, CSR and corporate citizenship in recent decades, the shareholder orientation remains dominant. A particularly vivid example can be seen in the statement made by the Australian Shareholders' Association after the 2004 Asian tsunami, that directors do not have the right to donate corporate funds for tsunami relief without the prior approval of their shareholders (ABC News online, 2005).

Although the Anglo-American model is referred to as a single model, there are differences in the corporate governance systems of the UK and USA (Institute of Chartered Accountants in England and Wales, 2005). These include differences in shareholder dispersion, a reluctance to separate the role of CEO and Chairman on American boards, and a commitment to corporate governance 'principles' in the UK, compared to a 'rules-based' approach in the USA. While these differences may be valid, and particularly apparent when investigating at the level of individual corporations, the significance of the similarities between these countries ensures that study of the Anglo-American model remains most useful at a macro level.

Morality

Collier and Roberts (2001, p.68) approach the ethics of the Anglo-American model as follows:

> "Within the agency view of governance there is in principle no ethics and hence no ethical problem. Instead we are confronted with an atomized self-seeking individual, who must be closely watched and can only be frightened or incentivized into taking account of the interests of others. The only ethical imperative at work here is a Friedmanesque dictum to pursue profit maximization."

This approach comments on the view of human behaviour upon which agency theory is based: that of the rational individual, who, given competing choices, will always choose that which optimises his/her economic benefits. Such a view does not permit altruism or selflessness, and if ethics essentially involves a consideration of the 'good', the 'self' and the 'other' (see Rossouw & Van Vuuren, 2004), then indeed there would not seem to be room for any ethics. The Anglo-American model, as an extension of this view by virtue of its basis in agency theory, and which expressly limits consideration of the interests of stakeholders other than shareholders, could then be thought of as having 'in principle no ethics'.

However, despite the assumption of self-interested behaviour, it does not necessarily follow that the Anglo-American model has no connection with the human 'good'. There could, for example, be 'good' consequences of such a system, the system could be instituted with 'good' intentions and imbued with 'good' principles (such as fairness and honesty), and there could be ancillary ethical implications associated with its implementation (such as the achievement of individual freedom and/or self-fulfilment). Limited corporate responsibility and accountability does not necessarily render the model either immoral or amoral.

One aspect of the morality of this 'Friedmanesque' profit maximisation refers to the classical economic models espoused by Adam Smith's (1776) *An Inquiry into the Nature and Causes of the Wealth of Nations*, and David Ricardo's (1817) theory of comparative advantage, in which the greatest economic benefits are to be generated with increased competition and increased international trade. Rational economic models demonstrate how aggregate wealth is maximised in economic conditions of perfect competition, in which buyers and sellers can enter and exit the market freely, and in which there is no, or minimal, government intervention. The corporate law reforms of the nineteenth century, particularly the introduction of companies in which the liability of shareholders is limited to their investments, contributed significantly to such economic competition and trade.

Coelho *et al.* (2003a) use the hypothetical example of mousetrap production to show how the public interest is served through open markets and the prioritisation of shareholder wealth. They consider how competition in the marketplace aims to entice consumers through three legal means: "(1) by offering better 'mousetraps' at attractive prices; (2) by offering equivalent 'mousetraps' at lower prices or more conveniently; (3) by offering products that substitute for 'mousetraps'" (p.17). The authors then argue that "customers benefit through either better traps, less expensive traps, or trap substitutes … suppliers of mice control products benefit because they have higher incomes than they would have had otherwise … even people who are not bothered by mice benefit from improved mice control" (p.17), the last group benefiting from general improvements in public health and in more efficient allocation of resources. The example concludes as follows:

> "if we accept the notion that serving the public interest is the *sine qua non* of social responsibility, then it follows logically that legal profit seeking (with neither fraud nor deception) is socially responsible. Consequently, ethical corporate agents are being socially responsible in their efforts to fulfill their fiduciary obligations to the shareholders" (p.17).

In as far as improved economic efficiency through competition and increased aggregate wealth serve the public interest and reflect the socially desirable 'good life', and to the extent that the Anglo-American model, through the dominant position of the market, the primacy of shareholder wealth and the limited role of other stakeholders, achieves this, the model can claim to achieve the greatest good for the greatest number. Moral support for this approach can accordingly be provided along traditional utilitarian grounds. Referring to the development of the limited liability company, Tricker (1990, p.253) indeed suggests that "only the invention of the wheel, it might be argued, has added more to the development of human well-being".

As seen in the Coelho *et al.* example above, the primacy of shareholder interests can be linked to the fiduciary duties of directors. Although legally this duty may actually be to the corporation itself, the existence of a special, moral, duty to shareholders can be supported by the observation that that unlike stakeholders such as employees, suppliers and customers, the interests of shareholders are not explicitly guaranteed through any contract. To avoid exploitation of this group a special duty to prioritise the interests of shareholders is necessary.

Another moral aspect of the model can be identified in its political context. Historically, the USA and the UK have emphasised individual freedom, and have limited the degree to which the state can and should interfere in the lives of individuals. The preservation of individual freedom is considered to have high moral value, and the state is accordingly concerned largely with preserving individual freedom, and in creating conditions in which this freedom can flourish. These political views can be traced through some of the 'Founding fathers' of the

USA (particularly Thomas Jefferson and James Madison) to the social contract theory and limited role of government advocated by John Locke and Thomas Hobbes. The 'enabling' corporate reforms of the mid-nineteenth century can then be seen as an example of how the state has played its role of facilitating the expression of individual freedom.

An ethical defence of individualism can also be found in notions of self-fulfilment, self-realisation and authenticity. Humanistic and existentialist psychologies and philosophies, from Carl Rogers to Abraham Maslow to Jean-Paul Sartre, all emphasise the individual and his/her development (See Sartre, 1946; Craighead & Neneroff, 2001). Charles Taylor (1991) also argues for an individualistic 'ethic of authenticity', and regards the self-centred aspects of individualism in Western culture as "deviant and trivialized modes [of the ideal of authenticity]" (p.55). He calls instead for a "work of retrieval, that we identify and articulate the higher ideal behind the more or less debased practices" (p.72) and claims that "like other facets of modern individualism … authenticity points us towards a more self-responsible form of life" (p.74). *Prima facie* judgements of the Anglo-American model as immoral, by associating it with the "malaises" (Taylor, 1991, p.1) of modern Western individualistic culture may therefore be premature.

Other moral aspects of the Anglo-American corporate governance model can also be identified. Much of the focus in recent reforms is on making management accountable to the shareholders; this can be linked to moral virtues of fairness, honesty and transparency. Maitland identifies a number of moral aspects to free-market economics, including the morality of self-interest (2002), communitarian ethics (1998), moral virtues in the market (1997), the right to self-determination (1994) and the right to free voluntary contracting (1989). The last two of these draw specifically on the notions of the corporation as a *nexus of contracts* and efficient voluntary contracting that underlie Anglo-American corporate governance. Finally, the apparent immorality of the prioritisation of shareholders, to the neglect of other stakeholders, can be mitigated when one considers the possibility that shareholder wealth can be increased through greater attention being paid to customers and employees (instrumental stakeholder theory), and the fact that social concerns are increasingly addressed through powerful institutional investors (Ryan, 2005, p.59).

2.3 The Continental European and Japanese models

The two models that have provided the strongest alternatives to the Anglo-American model are the Continental European and Japanese models. Although geographically distant, there are some similarities in these models. Despite the variety of countries that comprise Continental Europe, the corporate governance literature tends to highlight Germany, and sometimes France and Italy, as specific examples of successful non-Anglo American models. This discussion consequently focuses on these countries.

In contrast to the minimalist role of the state in the USA and the UK, the state has traditionally played a much stronger role in Continental European society. One key difference with Anglo-American countries is in the legal model of Continental Europe and Japan. Unlike the system based on English common law that has developed in the USA (with some exceptions, such as Louisiana), the UK, Australia and New Zealand, the system in Continental Europe is one of civil law. This can be further categorised as French, German and Scandinavian civil law, with most European countries (excluding the UK) adopting or being heavily influenced by one of these. The Civil Code of 1804 (renamed *Code Napoléon* in 1807) represents the foundation of French civil law[10], which then greatly influenced the development of the German code (*Bürgerliches Gesetzbuch*) in 1900. In contrast to common law systems in which case law and the opinions of judges play a dominant role, these codes and statutes provide the prescriptions through which society is regulated. The role of judges is consequently in applying the code.

Significant corporate reforms did occur in Continental Europe in the nineteenth century, but following the nature of their legal systems, corporations were more tightly regulated than in the USA or the UK. One major difference was in the German requirement for a supervisory board in addition to the managerial board of directors (instituted in the 1870 company law (Fohlin, 2005, p.261)). This supervisory board was entitled to supervise and scrutinise the affairs of the business and the conduct of the directors and specific provision was made for employee representation. This two-tiered board structure remains dominant in Germany, and was even proposed as a Europe-wide reform through the draft Fifth directive of the European Economic Commission in 1972. This was unsurprisingly not well received in the UK (Tricker, 2000, p.xvi).

Another significant difference lies in the ownership and financing structures of corporations (Solomon & Solomon, 2004). In France, the state has ownership or control interests in many companies, particularly those in the financial services sector. Across Continental Europe capital markets have played a reduced role as many companies raised finance through loans rather than through a public listing (Clarke, 2007). Creditors (banks and insurance companies) are consequently significant stakeholders (and shareholders) and play more important roles in the governance of companies. There are also significant cross-holdings and pyramidal corporate ownership structures, which contrasts significantly with the more dispersed share ownership now prevalent in the USA, and in Italy family interests (with varying degrees of ownership) have played a dominant role in the control of corporations (Aganin & Volpin, 2005). The concentrated share ownership and stakeholder representation on supervisory boards mean that for dominant shareholders there is no real separation of ownership and control. This has required a different focus in some European corporate governance reforms, with particular attention being paid to enhancing the rights of minority shareholders (Clarke, 2007, p.172).

Japan's corporate environment reflects many of the structures of the German system, and its legal system was heavily influenced by the German civil code. From the 17th century, Japan's economy was dominated by a group of family-run businesses known as the *zaibatsu*, which, with close relationships through several banks, has evolved into the *keiretsu* (Solomon & Solomon, 2004, p.171). The high growth period from the 1960s was characterised by significant cross-holdings, cross-directorships, involvement from credit providers, and a high level of cooperation between executive management and employees (evidenced in the lifetime employment common amongst Japanese businesses). Capital markets have played a reduced role in raising finance when compared to the Anglo-American model, and significant stakeholders (particularly banks) are more intimately involved with company management. Government has also played a role in protecting some industries and oligopolies, accompanied by various barriers to non-Japanese businesses (Clarke, 2007, p.209). The economic recession of the 1990s has, however, resulted in a reduction in cross-holdings, and a significant increase in foreign (specifically Anglo-American) ownership of Japanese businesses has focused attention on improving accountability and transparency towards shareholders.

In terms of the categories discussed above, the models of corporate governance that predominate in Germany and Japan (and which are also evident in varying degrees in countries such as France, Italy, Taiwan and South Korea) can be considered to be stakeholder (or inclusive) and insider oriented. Wieland (2005) provides further detail, noting that some European countries do adopt a shareholder orientation in the Anglo-American mould, and that within the stakeholder orientation a further distinction can be made between countries which view the organisation as an exercise in cooperation between stakeholders and those which set the organisation's objectives apart from those of all stakeholders (including shareholders)[11]. Developments in European corporate governance that suggest a move towards the Anglo-American model can also be identified (Clarke, 2007) and attributed partly to corporate scandals such as Ahold and Parmalat, and partly to the need to attract international investment, given the strength of financial institutions in the USA and UK.

Morality

The morality of this approach is perhaps more directly evident than that of the Anglo-American approach. The formal inclusion of stakeholder groups such as employees and creditors in the system of corporate governance through the supervisory board can be considered to have moral value. Theoretically, at least, it should be more difficult for employees and creditors to suffer at the expense of shareholders' interests. As the dominant shareholders have direct access to management, the agency problem that is such an issue in the Anglo-American model should also be alleviated. Accountability and transparency of executive management should thereby be facilitated. While these moral advantages may hold for significant shareholders and those with direct representation, minority shareholders without such involvement could be exploited. Demise (2005, p.216) also notes that problems of death from overwork (*karoshi*) and harassment of employees persist in Japanese companies, which suggests that the moral benefits of an employee orientation are not clear cut.

The strongest moral argument for the Continental European and Japanese models emphasises their incorporation of stakeholder interests and identifies the 'stakes' of the various stakeholder groups with moral worth. Evan and Freeman (1993) consider the various types of 'investments' that different stakeholder groups make in the corporation (both financial and non-financial) and the ways in which all stakeholders are affected by the corporation and each other. Although working from an Anglo-American perspective, their proposal is a wholesale reinterpretation of the corporation along the lines of Kantian deontological morality. They consider traditional managerial capitalism to give insufficient weight to stakeholder interests, and identify legal and economic areas in which the shareholder approach has already come under attack and been compromised. Their reinterpretation requires that the interests of stakeholder groups are included *as ends in themselves* rather as a means to increased shareholder wealth. This further entails redefining the purpose of the corporation as a "vehicle for coordinating stakeholder interests" (1993, p.82), and the authors envisage the introduction of stakeholder representation at board level and changes to corporate law in order to bring this into practice. The corporate governance models of Continental Europe and Japan, which, to varying extents, already incorporate the active involvement of stakeholders other than shareholders, could therefore be justified under a Kantian deontological morality.

In a similar vein, Donaldson and Preston (1995) consider the 'stake' of the various stakeholder groups to represent a "moral interest" (p.85), but justify this with reference to property rights and distributive justice, in its "modern and pluralistic form" (p.88). This acknowledges various characteristics of distributive justice, such as "need, ability, effort, and mutual agreement" (p.84) and observes that the stakeholder conception of the corporation gives form to these potentially competing aspects of distributive justice (such as where employee interests may be worthy of consideration based on their long-term effort, whereas the interests of members of the local community may be warranted based on their need (p.84)). A corporate governance model that actively brings these various stakeholder interests into consideration, rather than leaving them as a function of the market (assumed to be efficient) would therefore appear to have moral justification.

A case can also be made in which moral support for this model is provided by appeal to utilitarianism. The economic successes of Germany and Japan can arguably be linked to their stakeholder, insider approach to corporate governance. Clarke (2007, p.183) notes that the German economic success involved "[investing] in high quality production with a highly skilled workforce. Companies substantially invested in their employees and offered security of employment, and workers reciprocated with commitment and ingenuity", a process enabled through the supervisory board mechanism. Siebert (2004, p.41) considers the German approach to be well oriented to incremental improvements in established industries such as the automobile industry, but "deficient in leapfrogging to new approaches and new products" when compared to the USA. Similarly, recent developments which suggest a move towards the Anglo-American corporate governance model in Japan have raised the question whether "Japan can continue with its unrivalled manufacturing expertise and commitment to innovation and research and development" within this new framework (Clarke, 2007, p.214). Where the 'good' takes the form of increased loyalty, commitment, security and/or innovation and development of high quality products (rather than increased returns to shareholders), the insider, stakeholder model could be considered to achieve the greatest good for the greatest number.

Despite the moral worth than can be associated with the consideration of stakeholder interests in Continental Europe and Japan, there is some evidence that shareholder interests carry a favoured position. With regard to Continental Europe, for instance, Wieland (2005), notes both that "stakeholder approaches and approaches focused on the firm do, of course, mention the paramount importance of shareholder interest" (p.84) and that "[stakeholder-oriented codes] put the interest in social welfare, prosperity, the creation of jobs, as well as taking social and ecological responsibility at par with shareholders' profit interests" (p.86). It is not possible to categorise the stakeholder orientation of Continental Europe and Japan as simply either instrumental (justified by appealing to improved economic efficiency and greater shareholder wealth) or normative (justified by beliefs that wider stakeholder concerns are important as ends in themselves). There is perhaps evidence for both, although the moral distinctiveness of this approach (particularly when compared to the Anglo-American model) lies in its normative depth.

2.4 Other models

The models of corporate governance discussed above cover the developed, industrialised nations. These nations have, by and large, developed their own formal corporate governance structures over time, and during the 1990s and 2000s have been engaged in extensive reforms to address weaknesses that have been exposed through corporate failures and market collapses, and to attract international investment for further growth. The majority of the world's population, however, are located in developing, emerging or transitional economies with significantly different politico-economic histories and immediate concerns. Characteristics of the corporate landscape in these nations frequently (but not always) include the presence of dominant shareholders (often family groups) who control the company through various means, relatively weak financial markets and weak regulatory environments (Claessens, 2006). These nations also differ significantly from the USA, UK, Continental Europe and Japan in that socio-economic development is of paramount importance (Reed, 2002). The relationship between corporations, governance and development is key, and in many of these countries corporate governance reforms are geared to encourage development (Reed, 2002, p.231). This section briefly considers the corporate governance structures of some of these countries; as the study will focus specifically on South Africa more detail is provided on South African corporate governance structures.

The countries of the former Soviet Union are frequently referred to as transition economies, reflecting their state of transition from communist to democratic politics and from a command economy to some sort of market economy since the end of the Cold War and the demise of the Soviet Union in 1991 (see, for example, Clarke, 2007, p.197). The transition is obviously extreme, and rather than a gradual process of reform, has involved a wholesale adoption of corporate and free market structures. The geographic proximity to countries in Western Europe with an insider corporate governance model, together with the presence of dominant parties in the wake of political change may suggest adoption of an insider model. However, the need to attract foreign investment requires an emphasis on accountability and transparency to all shareholders that is characteristic of Anglo-American structures. Judge and Naoumova (2004, p.305) acknowledge that in Russia there is support for both approaches, although there has been a recent shift from insider to outsider sources of finance. Since 1991 there have been a significant number of failures, scams and abuses, often involving high-placed bureaucrats, which reinforces the need for a comprehensive, enforced corporate governance structure.

The growth during the second half of the twentieth century of the East Asian economies of South Korea, Hong Kong, Singapore and Taiwan, together with Newly Industrialised Economies (NIEs) of Malaysia, Thailand and Indonesia, is often considered an economic miracle. The corporate governance systems in this region were characterised by strong family groups and related parties, the use of cross-holding and pyramidal group structures to control a variety of corporations (regardless of their shareholding), and poor regulation and protection for minority shareholders (Claessens & Fan, 2002). In these respects the corporate governance structures could be considered to be relationship-based and insider oriented. However, the Asian financial crisis in 1997 exposed significant weaknesses in regulation and existing corporate governance practices, and there have since been attempts to strengthen these, often incorporating Anglo-American guidelines.

As the most populous country on Earth, the development of China's economy is of particular importance. Although politically communist, commitments to moving towards a market economy have been made since the late 1980s; a number of state-owned enterprises have converted to public companies, and individuals are allowed to trade shares. Traditionally, Chinese economic activity has been governed by Confucian values and *guanxi* (a network of personal connections) (Koehn, 2001). This reflects a strong relationship-based system, and given the political context, a dominant role played by government and highly-placed political individuals. Kimber & Lipton (2005, p.188) note how the high level of government involvement facilitates related-party transactions to the detriment of minority shareholders, and inhibits the development of good corporate governance. The rapidly expanding economy, however, requires international investment and consequently there is increased pressure to develop Anglo-American style corporate governance structures to ensure accountability and transparency to international investors. The weak role of banks has also been noted as a potential weakness in the Chinese economy and an area for reform (Clarke, 2007, p.217).

Like China, the Indian economy has grown significantly in recent decades, although structured very differently. Poor creditor protection and a painstaking insolvency system have been identified as significant factors in allowing management to get away with irresponsible behaviour and consequently hampering growth (Kimber & Lipton, 2005, p.182; Clarke, 2007, p.219). The country inherited a common-law legal tradition from the UK and has a strong stock market, although less liquid than Anglo-American markets. Kimber & Lipton (2005, p.182) note, however, that "the Anglo-American model has been superimposed over a cultural framework built up over millennia. Family and government-controlled companies are very common". Nevertheless, the 1990s has seen corporate governance reforms aimed at improving accountability and transparency to shareholders, again with the objective of attracting international investment. Growth in the Indian economy is restricted to certain centres and industries however, and the country remains faced with massive poverty and underdevelopment.

Reddy (2009) reviews the corporate governance approach of the Asian region as a whole, and identifies several structural commonalities amongst Asian economies that influence their approach to corporate governance, including the role of family controlled corporations, state-owned enterprises, small and medium enterprises, and increasing internationalisation. He maintains that while corporations may have adopted the form of Western corporate governance, satisfying the "market economists and international agencies" (2009, p.25), there remains an underlying relationship-based system of governance that can be linked to the traditions and customs of the region. Reddy concludes that this dualistic approach "can neither be described as 'inclusive or 'exclusive' but as 'expansive'" (2009, p.25).

Latin American and African countries have yet to experience the sustained growth achieved and projected in Asia. This lack of growth is reflected in an absence of significant stock markets (with some exceptions, such as Brazil and South Africa) and is accompanied by weak regulatory systems in a number of countries. Corporate structures in Latin America are characterised by dominant controlling shareholders and strong family interests, and the protection of minority shareholders is of significant concern (Bedicks & Arruda, 2005, pp.218-19). This suggests that the region follows a model most similar to the insider, relationship-based models of some Continental European countries and/or South-East Asian nations (as the civil law systems were inherited from the colonial powers, the former appears more likely). Corporate governance issues have attracted interest across both Latin America and Africa, leading to the formation of various corporate governance networks and forums, and the publication of a number of corporate governance guidelines. Rossouw's (2005) analysis of corporate governance reports across Africa (mostly sub-Saharan Africa) reveals that all but the Nigerian report advocate an inclusive, stakeholder oriented corporate governance. The fact that they all recommend a unitary board indicates, however, that this is not a simple adoption of the German model (although the emphasis in the Malawian code on including employees in decision making is notable (Rossouw, 2005, p.99)). The influence of governments and powerful political figures may indicate a resemblance to South-East Asian economies; the emphasis on engaging with stakeholders such as community groups does, however, suggest a more uniquely African approach.

South Africa

As noted in chapter one (section 1.1), the history of South Africa includes several centuries of colonisation by Dutch and English settlers, followed by more than four decades of apartheid, all of which was characterised by continual conflict between settlers of European descent and indigenous Africans. By 1994, when the first non-racial democratic elections were held, South African society was consequently split along racial and economic lines. Unsurprisingly, the corporate landscape in South Africa reflects the centuries of colonialism and apartheid. Corporate law and corporate practice have been adopted mainly from the UK (sharing its common-law legal tradition[12]), and control over corporations remains largely within the hands of the minority White population. Research conducted by the Johannesburg Stock Exchange (JSE) (Johannesburg Stock Exchange, 2010) revealed that Black ownership of the JSE amounted to approximately 36% of the share capital available to South Africans (that is, excluding foreign investors) in 2010. A survey conducted by Business Unity South Africa indicated that 91% of the chief executive officers of JSE-listed corporations were White, and 92% of chief financial officers were White (Business Unity South Africa, 2009, pp.4-5).

South Africa's corporate structures tend towards those of the Anglo-American model. The single-tiered board structure is standard for South African companies, the stock exchange is active and dominant, relationships with credit providers are kept at arm's-length, and the financial reporting framework is oriented towards shareholders[13]. The government intervenes in the labour and capital markets through the Employment Equity Act of 1998 and the Broad-Based Black Economic Empowerment Act of 2003 in order to redress the economic inequities of apartheid. These interventions can be seen as adjustments to the Anglo-American model, a means by which some stakeholder concerns are imposed upon what is predominantly a shareholder oriented system.

South Africa's corporate governance reforms have been presented in the *King Report on Corporate Governance* (King I) published in 1994, the *King Report on Corporate Governance for South Africa – 2002* (King II), and the *King Code of Governance for South Africa 2009* (King III). A review of the topics covered by these reports and corporate governance reports issued in the UK (culminating in the UK Corporate Governance Code of 2010) reveals that very similar issues are addressed. Topics dealt with include boards of directors, directors' remuneration, internal control and risk management, and accounting and audit. There have, however, been some notable differences.

King II itself advocated an 'inclusive' approach to corporate governance (Institute of Directors, 2002, Introduction, para. 5.3) and could be distinguished from traditional Anglo-American approaches in its recommendation that directors be responsible to all stakeholders, and in the section on Integrated Sustainability Reporting (for which there is no counterpart in the UK reports). These differences support the claim that South Africa's corporate governance is stakeholder oriented, and closer analysis of the report has identified support for both instrumental and normative stakeholder theory (Rossouw, 2002; West, 2006). References are made to the economic benefits of stakeholder considerations, the socio-economic necessities of post-apartheid South Africa as well as traditional African values such as collectiveness, helpfulness and interdependence (*ubuntu*[14]).

The third King report (King III) was released in 2009 and came into effect on 1 March 2010. The report specifically notes that companies are considered to be "as much a citizen of a country as is a natural person who has citizenship. It is expected that the company will be and will be seen to be a responsible citizen" (Institute of Directors in Southern Africa, 2009, p.11). While both King II and King III required integrated sustainability reporting, King III emphasises the need for such reporting to be integrated with financial reporting, and also calls for a focus on integrated sustainability performance (Institute of Directors in Southern Africa, 2009, p.11). Regarding its theoretical approach, and considering how elements of both instrumental and normative stakeholder theory were evident in the previous report, King III specifically advocates a 'stakeholder inclusive' approach and contrasts this with the instrumental approach of an 'enlightened shareholder' model. The 'stakeholder inclusive' approach is described in terms that correspond closely to Freeman's stakeholder theory:

> "... in the 'stakeholder inclusive' approach, the legitimate interests and expectations of stakeholders are considered when deciding in the best interests of the company. The integration and trade-offs between various stakeholders are then made on a case-by-case basis, to serve the best interests of the company. The shareholder, on the premise of this approach, does not have a predetermined place of precedence over other stakeholders" (Institute of Directors in Southern Africa, 2009, p.12).

In terms of reporting, King III's integrated report includes reporting on "environmental, social and governance issues" (Institute of Directors in Southern Africa, 2009, p.12) and is seen as a means by which stakeholders can assess a corporation's 'economic value'. To some extent, this could be seen as an attempt to ameliorate the shareholder orientation that is implicit in International Financial Reporting Standards (IFRS).

There is very little explicit recognition of traditional African values or culture in King III, the only areas that this is mentioned is with regard to *ubuntu* being an expression of the values that underlie good leadership and moral duties associated with corporate citizenship, and where an alternative dispute resolution mechanism that considers the needs of different parties, rather than their legal rights and obligations only is recommended (Institute of Directors in Southern Africa, 2009, p.14). The stakeholder approach of King III appears to be based more on an increasing awareness of the importance of sustainability globally, as well as a recognition of the socio-economic imperatives facing contemporary South African society.

It may be tempting to group the approaches of developing, emerging and transitional economies to corporate governance into a third category alongside the Anglo-American and Continental European / Japanese models. There are indeed, some definite similarities across these countries, notably a tendency to adopt Anglo-American principles as a means of facilitating access to international capital markets and attracting foreign (particularly Anglo-American) investment, along with the desire to use corporate governance mechanisms to leverage development and economic growth. At the same time, however, there are significant differences: in terms of the legal systems that underpin corporate activity, the political environments and attitudes towards Western economic systems, and in some cases the appeals made to cultural identities (such as Confucian values and *ubuntu*) which may influence economic activity. The depth of these differences renders any group classification of these countries' corporate governance models overly simplistic. Alongside the observation that corporate structures and systems have frequently been inherited from Western countries, a simple analysis of the morality of corporate governance in these countries becomes impossible. The question of whether these countries will entirely adopt, and eventually mirror, either Anglo-American or Continental European / Japanese approaches to corporate governance remains unresolved however, and the issue of corporate governance convergence is thus of particular importance in these parts of the world.

2.5 Convergence

During the economic boom of the 1990s, in which rapid technological advance played an important role in enhancing global communication and integration, one could perhaps be forgiven for associating globalisation with progress. This is particularly true in the realm of finance and capital markets which during the 1990s and 2000s have seen technological advancements enabling 24-hour trading across world markets, the development of complex financial instruments such as futures and options, and improved access to trading resources online. Both market capitalisation and trading volume of major stock exchanges around the world have increased dramatically over this period, although Anglo-American stock exchanges maintain an overwhelmingly dominant position. In terms of market capitalisation, the New York Stock Exchange (NYSE Euronext) was over three and a half times the size of its nearest rival (Tokyo) at the end of 2009, and the NYSE Euronext and Nasdaq maintained the highest number of shares traded, followed by the exchanges in Shanghai and Shenzhen (World Federation of Exchanges, 2010). As corporations in Anglo-American jurisdictions rely upon stock markets for financing and discipline, there is debate over whether this growth in capital markets marks the global 'roll-out' of Anglo-American corporate governance, with wholesale adoption of Anglo-American corporate governance institutions in other jurisdictions simply being a matter of time.

Hansmann & Kraakman's (2001) *The End of History for Corporate Law* presented an argument that not only advocated convergence towards the Anglo-American model, but also asserted that such convergence has already occurred. Their argument for convergence followed three stages. Firstly, the shareholder model is shown to be superior to 'manager-oriented', 'labour-oriented', or 'state-oriented' models. Secondly, the superior shareholder model will dominate over competing models, as it is considered to be more efficient in an environment in which the internationalisation of markets is increasing. Thirdly, the shareholder model will be upheld by political change, in which a shareholder class (represented by dispersed share ownership) will ensure that claims from other factions (such as employee groups and powerful individual shareholders) are resisted.

The debate, however, is not so clear cut. Firstly, Hansmann & Kraakman's paper was written before the corporate governance failures of the Anglo-American model, in the form of the stock market crash and the failures of Enron, WorldCom and others. Based on the growth of the 1990s, it could perhaps be over-optimistic and caught up in the same 'irrational exuberance'[15] that afflicted investors before that crash. The failures in corporate governance point instead to the fallibility of the Anglo-American market-oriented model and serve as a warning to other countries in which capital markets are becoming more prominent. Secondly, Hansmann & Kraakman's simple analysis of the superiority of the shareholder model can be criticised. Clarke (2007, p.261) notes how companies such as Toyota and Airbus, within stakeholder, insider oriented systems, have outperformed their rivals in the USA in recent years. Similarly, the economic growth of Germany, Japan, South-East Asian countries and more recently China and India, all of which occurred within non-Anglo-American corporate governance models, illustrates how growth and competitiveness is certainly not the preserve of Anglo-American companies. The fact that American companies were looking to emulate successful German and Japanese business practices in the 1980s reiterates how economic 'superiority' can swing from decade to decade. Schleifer and Vishny's (1997) comprehensive survey of corporate governance practices (although focused exclusively on the agency problem) concludes that both legal protection and large investors characterise good corporate governance systems, and that it is not possible to identify one particular model as the 'best'. La Porta *et al.* (1998) examined the legal and financing structures of 49 countries, and conclude that legal families (such as common versus civil law) and legal rules cause different financing (and, by implication, corporate governance) regimes. Coffee (2001) suggests, however, that the correlation between legal families and financing patterns can rather be explained by postulating the legal arrangements as a consequence of the financing arrangements.

In contrast to Hansmann & Kraakman's argument for a strong form of convergence, Bebchuk and Roe (1999) presented a theory of path dependence to explain why certain corporate practices (particularly legal and ownership structures) differ and persist across different countries. They present two kinds of path dependence, structure-driven and rule-driven, both of which serve to restrict the process of corporate change and convergence. In addition, so-called 'institutional complementarities', referring to the wider elements of socio-economic systems, need to be considered when adopting elements of different corporate governance models (Gordon & Roe, 2004, p.6; Clarke, 2007, p.259). Jacoby (2002, p.20) notes that it would be difficult to transfer a particular corporate governance practice from one context to another and expect it to function effectively. He suggests, for example, that introducing US-style takeover mechanisms of disciplining management in Germany or Japan would be "highly disruptive of managerial incentive and selection systems presently in place. Hostile takeovers also would be disruptive of relations with suppliers and key customers, a substantial portion of which exist on a long-term basis" (p.21).

The convergence debate is also more complex than simply analysing trends towards the Anglo-American model. Thomsen (2003) argues a 'mutual convergence hypothesis' claiming that alongside convergence towards the Anglo-American model, corporate governance in the USA and UK has moved towards the European model in some ways. The increase in share ownership concentration, financial deregulation, greater attention to wider stakeholder concerns, and how the increased emphasis on independent non-executive directors could be seen to reflect aspects of the two-tiered board structure are provided as examples. He acknowledges however, that differences will remain for decades, and Jacoby (2002, p.31) notes that just as path dependence and institutional complementarities reflect the persistence of European and Japanese models, these factors make it extremely unlikely that Anglo-American jurisdictions would eventually adopt a stakeholder, insider orientation.

McDonnell (2002, p.342) suggests that not only have academics "converged too quickly on the convergence answer", but that the focus has been directed at efficiency, with other values being excluded. As an alternative, he considers both historical and future corporate governance scenarios with reference to efficiency, equity and participation. Efficiency refers to the ability of one model to outperform another, either at macro or micro levels; equity refers to distributional equity (the converse of economic inequality), although he acknowledges other aspects of equity such as where high remuneration is justified by high performance; and participation generally refers to the involvement of employees in decision-making, although the ability of the general population to form companies and thus enter the corporate arena is also identified as a form of participation. McDonnell suggests four historical and four future scenarios, which, combined, present 16 alternative versions of corporate governance convergence and/or diversity, and notes that convergence towards a single system does not necessarily mean that the 'best' system has 'won'.

Bratton & McCahery (1999, p.30) also suggest four alternative scenarios that arise from both the homogenising tendencies of Anglo-American capital markets and the resolute commitment to national structures: a 'unitary system' that combines the good elements of both major systems, a 'universal market based system' reflecting the worldwide adoption of the Anglo-American model, an 'improved variety of systems' in which systems learn from each other but without achieving significant convergence, and a number of 'viable distinctive governance systems' in which the uniqueness of individual systems is maintained, drawing on different institutional complementarities. In Clarke's opinion (2007, p.265) the last two of these are both robust and useful and the most likely to continue, despite predictions of convergence. McDonnell (2002, p.382) also emphasises the benefits of diversity, drawing a comparison to the benefits of biodiversity in species: "We gain from preserving even those species which do not seem to add much to the world at this point, because at some point in the future those species may become more valuable".

There are alternatives to considering the globalisation of corporate governance as the convergence (or persistent diversity) of various legal and economic models. Roe (2000), for instance, suggests that there are 'deeper' social norms that underlie different governance structures, noting European managers who consider employee concerns even when not required to do so, and links this to underlying social democratic norms. Branson (2001) takes issue with the traditional approaches to corporate governance convergence and notes that most of the convergence advocates base their arguments upon observations of corporate governance and economic systems of the USA, the UK, Germany and Japan, ignoring most other nations. He argues (2001, p.325) that it is "the culture beneath law and economic systems that is as or more important than law or capitalism itself", and that "Cultural diversity militates against convergence".

Licht (2001) supports this view, suggesting that culture is the "mother of all path dependencies" (p.149) and argues that corporate governance models worldwide should be mapped according to culture rather than legal system in order to give a more accurate and useful picture. He advocates applying the cross-cultural psychology of Hofstede (1983, 2001) and Schwartz (1999) to comparative corporate governance. Links between Hofstede's and Shwartz's cultural value dimensions and aspects of corporate governance are postulated and a relationship between corporate governance laws and culture identified (Licht *et al.*, 2005). This then provides support for 'harmonising' corporate governance structures with the prevailing culture in different countries. Following Hofstede's and/or Schwartz's cultural value dimensions, however, adds complexities and assumptions: the adoption of an underlying theory of culture and values, the ambiguous concept of 'culture' and the tentative links between Hofstede's and/or Schwartz's values and corporate governance models. As Licht (2001, p.202) notes, empirical studies test not only the links between cultural value dimensions and aspects of corporate governance, but the underlying theory of culture and values proposed by Hofstede and/or Schwartz. The results could thus be ambiguous.

The idea that it is culture that gives rise to the legal structures and economic norms that constitute corporate governance systems, and that therefore corporate governance models can justifiably be expected to differ across cultures, can be linked to cultural relativism. Although the current study adopts a similar stance in that it regards the moral judgements of groups of people that underlie different corporate governance models as central, the difficulties of Licht's proposal are avoided by referring directly to the claims and arguments of moral relativism.

2.6 Conclusion

Business and morality are not always considered to be easy bedfellows. Few would suggest, however, that business dealings would be possible without some modica of trust and honesty. Similarly, it is not unreasonable to contend that directors have certain moral obligations to those who provide finance, regardless of their legal requirements or the capability of enforcement. In turn, the corporation can be seen as a mechanism which has contributed significantly to the development of society in the past and has the potential to continue to do so, in all parts of the world. As suggested in the quotation by William McDonough at the beginning of this chapter, failures in the governance of these corporations can be seen as failures in morality. Despite differences in both the theoretical approaches and practical application of corporate governance in various jurisdictions, there is to some extent a common corporate governance morality. The successful operation of corporations is generally considered beneficial in their provision of various socio-economic 'goods'. The four corporate governance 'virtues' of responsibility, accountability, fairness and transparency, as presented to the OECD in the Millstein report, are accepted as characteristics of good corporate governance not only in the 30 OECD member countries, but in many others as well.

Although corporate governance can be seen as a fundamentally moral endeavour, different models remain, and there are particular differences in how far and to whom the corporate governance 'virtues' apply. The most obvious distinction is at the theoretical level, between the shareholder and stakeholder models, where the former insists that obligations should be limited to shareholders alone, and the latter requires an extension to include (to varying degrees) other stakeholders. This distinction is particularly useful as it is played out through the various corporate governance structures around the world, with those countries with an outsider based system typically adopting the shareholder primacy model, and those with an insider system accommodating the interests of stakeholders (to varying extents). It is possible then to postulate differences in moral judgements relating to the extent to which corporations are considered obliged to consider the interests of various stakeholder groups.

There are other differences between corporate governance models that also have moral relevance. Advocates of different models can point to successes in areas such as efficiency, employee commitment and product quality. Unlike the shareholder / stakeholder orientation, these different forms of success cannot be so easily allied to particular corporate governance models and different claims may reflect differences in fact rather than differences in moral judgement. For example, where two models may both claim to result in higher product quality, this difference can (at least hypothetically) be resolved by examining the empirical data and does not therefore reflect different moral judgements between the two models. Nevertheless, differences in the perceived importance of different 'types' of success may reflect differences regarding which corporate objectives are considered morally appropriate. These constitute differences in moral judgement that could be linked to aspects of corporate governance. McDonnell's (2002) categories of efficiency, equity and participation can be considered useful here as they can be related to corporate governance issues such as executive remuneration and employee board representation. It is conceivable, for example, that certain people could consider the achievement of efficiency to be a greater moral good than the achievement of employee participation, and one could then envisage a corporate governance model without mandatory board representation for employees. Although McDonnell's categories can be interpreted in several different ways, differences in moral judgements may be highlighted by restating these categories as: 'economic efficiency', referring to optimum allocation of resources and the achievement of financial and operational performance measures, 'distributional equity', referring to the level of economic inequality between executive management and certain other stakeholders (particularly employees and the community), and 'stakeholder participation', referring to the degree of involvement of various stakeholders in corporate decision making and including concepts of corporate citizenship. Differences in moral judgements regarding the relative importance of different corporate objectives (corresponding to the different 'types' of corporate success) can be postulated. These, in turn, may be reflected in different corporate governance characteristics.

The identification of areas of difference in moral judgement that encompass both obligations to interested parties and different corporate objectives, and that can be linked to features of corporate governance systems provides the foundation for the application of moral relativism to the debate on corporate governance convergence. As noted above, South Africa's mixed adherence to shareholder and stakeholder models, together with its focus on 'nation-building', makes the country a useful case study. The next chapter considers existing evidence for Descriptive moral relativism regarding corporate governance in South Africa, with particular reference to possible differences in moral judgements regarding the obligations and objectives of corporations.

Chapter 3: Existing evidence of South African moral judgements

The claim of Descriptive moral relativism is that there are differences in moral judgements across different societies. In the previous chapter the predominant models of corporate governance and their implicit moralities were reviewed, identifying a number of ways in which the moral judgements underlying corporate governance can differ. This chapter is the first of four that investigate evidence of such differences in moral judgements that could support the claim of Descriptive moral relativism with regard to corporate governance in South Africa. These investigations begin with a literature study of existing evidence, presented in this chapter. This addresses research objective 1.1 (see section 1.2 in chapter one):

1.1 To study the relevant literature and summarise existing evidence of distinct or different moral judgements in South Africa regarding the objectives and obligations of corporations.

In order to achieve this objective the study is organised around a central theme (Mouton, 2001, p.93): the prescriptions and attitudes regarding the objectives and obligations of corporations in South Africa. Identifying such prescriptions and attitudes can lead to an assessment of the distinctiveness of South African moral judgements, and how they may differ to moral judgements in other parts of the world. In order to find evidence of these prescriptions and attitudes consideration was given to several sources in which some indication of moral attitudes and beliefs concerning the objectives and obligations of corporations could be expected, and thus where the distinct or different nature of South African moral judgements could be evident. These sources include:

- The King reports on corporate governance in South Africa;
- Literature regarding the African Renaissance and the New Partnership for Africa's Development (NEPAD);
- Accounts and evidence of the traditional South African morality of *ubuntu*;
- Academic cross-cultural studies in business research.

Due to the wide-ranging changes that occurred with the end of apartheid in 1994, the period since then is considered to be the most relevant. The first three of these sources were identified as representing possible areas in which African approaches and perspectives are unique, or where they could contrast with Western approaches and perspectives. Accordingly, they all potentially provide examples of distinctive perspectives in post-apartheid South Africa. The last source supports these through existing academic research that may confirm or deny such difference or distinctiveness. This chapter proceeds by considering each of these sources in turn, with relevant empirical data being identified and considered where possible. In each section consideration is given to identifying prescriptions and attitudes regarding the objectives and obligations of corporations in South Africa. Where appropriate, the underlying moral judgements are compared to the morality underlying the predominant models of corporate governance as discussed in chapter two. Such differences then provide the basis for assessing the claim of Descriptive moral relativism.

3.1 The King reports on corporate governance

The approach to corporate governance adopted in South Africa has been presented in chapter two (section 2.4). Accordingly, this section does no more than highlight the areas in which the approach can be considered unique, or different to the Anglo-American approach that has influenced corporate structures and corporate law in South Africa. Some evidence on sustainability reporting is also considered as this provides one practical example of the impact of corporate governance reforms in South Africa.

King II (published in 2002) emphasised an 'inclusive' stakeholder approach in which directors were specifically called to be responsible to stakeholders. Review of the report (West, 2006) identified some evidence that the approach was not simply a means of increasing shareholder wealth, but was supported by appeal to both the socio-economic imperatives of South African society and to certain traditional African values (such as *ubuntu*, see section 3.3 below).

King III (published in 2009) clarified the approach (now termed 'stakeholder inclusive') and specifically noted that shareholders do not have priority over other stakeholders. Little mention was made of traditional African values; the principal motivations appear to be a growing awareness of the need for sustainability, as well as the socio-economic conditions of South Africa.

Both reports provide detail on sustainability reporting and communication with stakeholders, with King III also emphasising sustainability performance and requiring sustainability reporting to be better integrated with financial reporting. Both reports do, however, retain many of the features of Anglo-American corporate governance, such as single-tiered boards and a financial reporting framework (IFRS) that is oriented towards shareholders.

To a certain extent the King reports on corporate governance do, therefore, present an approach to corporate governance that is distinct from the traditional Anglo-American shareholder orientation, in which shareholders are given primacy and shareholder wealth is always maximised. Sustainability reporting is one area in which the impact of these reports can be considered. Unlike traditional financial reporting which is oriented towards shareholders, sustainability reporting (including triple-bottom line reporting and CSR reporting) is more stakeholder inclusive. The Global Reporting Initiative (an organisation providing standards and guidelines on sustainability reporting) describes sustainability reporting as “the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development” (Global Reporting Initiative, 2006, p.3). AccountAbility (another such organisation) advocates the value of accountability and describes it as obliging organisations “to involve stakeholders in identifying, understanding and responding to sustainability issues and concerns, and to report, explain and be answerable to stakeholders for decisions, actions and performance” (AccountAbility, 2008, p.6). As the King reports are distinctive in their emphasis on sustainability reporting and stakeholder inclusion, one way of considering how this emphasis is reflected in practice is by considering the level of South African sustainability reporting.

According to KPMG’s *International Survey of Corporate Responsibility Reporting 2008*, 86 percent of South African companies provided some level of CSR reporting, and this is attributed partly to the influence of King II (KPMG International, 2008, p.93). South African companies also display a relatively high level of integration, where the CSR report is included in the annual report (2008, p.15). However, of the 100 largest companies in South Africa, only 45 had a CSR report, whether integrated or stand-alone (2008, p.16). This is significantly less than countries such as Japan (93 of Japan's largest 100 companies), the UK (91), Brazil (78), the USA (74) and the Netherlands (63). Consequently, although the King reports may have a distinctive emphasis on sustainability reporting, South African practice in this respect lags behind that of other countries.[16]

Despite South Africa not necessarily being a global leader in sustainability reporting, and although it remains to be seen exactly how the clarified 'stakeholder inclusive' approach of King III will affect business practice, at a theoretical level at least the reports do provide some evidence of a stakeholder approach to corporate governance, differing from the shareholder primacy of Anglo-American jurisdictions. The following sections consider possible sources of moral difference other than the corporate governance reforms themselves, beginning with the African Renaissance and NEPAD.

3.2 The African Renaissance and NEPAD

The term 'Renaissance' refers to re-birth. The European Renaissance that began in Italy and spread throughout Europe between the 14th and 16th centuries, was a re-birth of culture and learning, drawing on the classical civilisations of Greece and Rome (Anonymous, 2010a). The concept of an 'African' Renaissance similarly refers to a re-birth, but in a post-colonial context. Okumu (2002) notes that the concept of an African Renaissance found early expression in the ideas of African leaders such as Kwame Nkrumah (of Ghana) and Julius Nyerere (of Tanzania), attempting to reconstruct African political identities after gaining independence. Okumu (2002, p.63) also observes how in the conditions of the Cold War an African Renaissance was impossible, and considers the timing of Thabo Mbeki's efforts towards an African Renaissance critical.

Mbeki's (1998a) statement on the African Renaissance deplores the dehumanisation of Africans by colonial powers, the current socio-economic conditions of Africans and the corruption of leaders who have taken advantage of the poor. He calls for a renewal and recognition of African cultural achievements, and for African experts to return to Africa to "find solutions to Africa's problems and challenges". Coming out of colonialism and the entanglements of the Cold War, the African Renaissance is accordingly focused on development of Africa that is not dependent on other countries.

Okumu (2002) also draws attention to non-economic aspects of development in Africa. He notes that the

> "Renaissance ... must begin with a fresh sense of the purpose and meaning of life as the basis of cultural identity. This will lead on to a sense of well-being, renewed motivation, and then achievements: first, in the arts and culture; then, in science, technology, commerce, and in politics." (2002, p.20)

It is this focus on cultural renewal and Africans finding solutions to African problems that characterises the African Renaissance. Works on the African Renaissance by Makgoba (1999), Okumu (2002) and Cheru (2002) all go on to identify ways in which the African Renaissance can influence and be located in different fields such as the arts, technology, education, economics and commerce, urban development and politics.

However, there remains little actual substance to the African Renaissance movement outside the calls for renewal in selected publications (such as those mentioned above) and in certain speeches. Cheru (2002, p.vii) notes that "Mbeki's African Renaissance is the expression of desire, need and hope rather than a plan for the future" and criticises the lack of a coherent agenda or framework. This is also evident in the website of the African Renaissance Institute (established in 1999) which, at April 2011, is no longer available, and in the website of the South African chapter of the African Renaissance that consists of no more than an introductory page (The South African Chapter of the African Renaissance, n.d.). It is consequently difficult to identify any specific prescriptions or attitudes regarding the obligations or objectives of corporations that can be directly associated with the African Renaissance. There are, however, some ways in which the ideas of the African Renaissance are translated into programs or concepts that have more immediate application, and in which indications of prescriptions or attitudes may be more evident. These include the NEPAD initiative and the appeal to traditional African values. The NEPAD initiative is considered in the next section. Traditional African values are considered in section 3.3 below.

The New Partnership for Africa's Development

NEPAD is a socio-economic development program that was adopted by the African Union (AU) in July 2001. The key tenets of the program were presented in the NEPAD framework published in October 2001. This was supplemented by the *Declaration on Democracy,* *Political, Economic and Corporate Governance* promulgated at the AU Summit in July 2002. In this section the NEPAD framework is considered first, followed by the 2002 Declaration and then the Country Review Mission for South Africa that came from the 2002 Declaration.

The NEPAD framework

The first paragraph of the NEPAD framework states that NEPAD is

> "a pledge by African leaders, based on a common vision and a firm and shared conviction, that they have a pressing duty to eradicate poverty and to place their countries, both individually and collectively, on a path of sustainable growth and development and, at the same time, to participate actively in the world economy and body politic."

The carrying out of this duty and vision is envisaged as the responsibility of Africans themselves, in line with the thinking of the African Renaissance and the call for Africans to find solutions to African problems. This is evident in paragraph 7 of the NEPAD framework:

> "Across the continent, Africans declare that we will no longer allow ourselves to be conditioned by circumstance. We will determine our own destiny and call on the rest of the world to complement our efforts."

At the same time, however, there remains a role for other countries, and NEPAD is also considered to be a call for "a new relationship of partnership between Africa and the international community, especially the highly industrialised countries" (paragraph 8).

These basic ideas, presented in the Introduction to the framework, are repeated throughout the document (for example, paragraphs 47, 50, 51, 54, 60, 67, 68, 69, 171, 178, 185 & 203), but particularly in the first few sections, which deal with the position of "Africa in today's world: Between Poverty and Prosperity" (section II), "The new political will of African leaders" (section III) and an "Appeal to the peoples of Africa" (section IV), and the later section on "A new global partnership" (section VI).

The bulk of the framework (section V) presents the "Programme of Action: The strategy for achieving sustainable development in the 21st century", in three subsections. The first subsection outlines the "Conditions for sustainable development" through two initiatives: the "Peace, security, democracy and political governance initiative" and the "Economic and

Corporate governance initiative". The second elaborates on "Sectoral priorities", with six sectors being identified: Infrastructure, Human resource development, Agriculture, the Environment, Culture and Science & Technology. The third subsection focuses on two initiatives of "Mobilising resources", through capital flows and market access.

Several observations can be made from reviewing the NEPAD framework, with reference to the research objective presented at the beginning of this chapter. Firstly, the overall approach of the program, with its emphasis on African self-determination, allows for difference between African ways of achieving the developmental aims, and ways that might be adopted in other countries or regions. As corporate governance is specifically identified as part of the program (section V.A2), it would seem that there is potential for an 'African' corporate governance that would differ from corporate governance in Western jurisdictions. However, as there is no mention of any African values, this potential appears to be due to the desire for autonomy (in reaction to the history of colonialism) rather than any pre-occupation with uniquely 'African' values, beliefs or ways of operating. Paragraph 21 notes that "Colonialism subverted hitherto traditional structures, institutions and values or made them subservient to the economic and political needs of the imperial powers". However, no suggestion is made that these traditional 'structures, institutions and values' are to be re-instated (or, in fact, what they were) and these are not referred to again.

Secondly, the section on the "Economic and corporate governance initiative" (section V.A2) focuses on the 'capacity-building' necessary for economic development. In this light, corporate governance is seen as a mechanism to enhance international competitiveness (paragraph 95), rationalise "the institutional framework for economic integration" within Africa (paragraph 92) and to attract investment (paragraph 90). There is no consideration of what corporate governance actually entails, what the obligations or objectives of corporations are, or what approach to corporate governance would be appropriate. Elsewhere in the NEPAD framework reference is made to the mobility of capital (paragraphs 30, 145 & 150), the need to increase foreign investment and decrease investment risk (paragraphs 46, 100, 102, 144, 151 & 163) and the importance of auditing and "transparent legal and regulatory frameworks" (paragraph 49, and also paragraph 152). A commitment to "market-oriented economies" (paragraph 7) is made, although it is not clear how far this would be applied to corporate governance and the markets for control and labour. It should be noted, however, that socio-economic development is not considered to be simply an increase in Gross National

Product per capita, but includes "a sense of economic and social well-being" (paragraph 38). Similarly, private institutions are seen to play a role (alongside governments) in "guiding the globalisation agenda along a sustainable path and, therefore, one in which its benefits are more equally spread" (paragraph 40).

By and large, the vision of corporate governance presented in the NEPAD framework is consistent with the Anglo-American model of corporate governance and how it can be used to enhance investment and development. The only suggestions of underlying values that may differ from a strong Anglo-American perspective are the references to social well-being (paragraph 38, although as this concept is not further developed it is not possible to determine the degree of difference) and to equality (paragraph 40).

Thirdly, the NEPAD framework does emphasise the role of various stakeholders in achieving socio-economic development. The natural environment is considered to be an important resource (paragraphs 12, 37) and local communities are occasionally referred to (paragraph 13, 103 (infrastructure development), 161 (tourism)). As noted above, government is seen as having a role to play in ensuring that development gains actually do reduce poverty and inequality (paragraph 40), and dialogue between the government and private sector is considered necessary to "develop a shared vision on economic development strategy and remove constraints on private sector development" (paragraph 164). There is also some mention of participatory decision-making in the framework (paragraph 83), although this is in a political rather than an economic or corporate context.

Lastly, the concept of 'culture' is typically referred to as a resource to be utilised (paragraphs 105, 107, 161). Although identified as a separate sector, only two paragraphs are dedicated to Culture, where reference is made to the need for:

> "the protection and nurturing of indigenous knowledge, which includes tradition-based literacy, artistic and scientific works, inventions, scientific discoveries, designs, marks, names and symbols, undisclosed information and all other tradition-based innovations and creations..." (paragraph 140).

No mention is made of traditional values or philosophies. The closest the document comes to a commitment to underlying values that could be derived from culture is its statement that

> "Africa's rich cultural legacy ... its literature, philosophies, art and music ... should serve both as a means of consolidating the pride of Africans in their own humanity and of confirming the common humanity of the peoples of the world" (paragraph 179).

Rather than leading to any unique or different means of development, however, this is followed by an emphasis on democracy and human rights (paragraph 180) and the warning of further failed African states (paragraph 181). Consequently, no explicitly different moral judgements can be identified.

The 2002 Declaration and the Country Review Mission

The *Declaration on Democracy, Political, Economic and Corporate Governance* that was promulgated in 2002 is consistent with the message and tone of the NEPAD framework. With regard to corporate governance, the Declaration approved eight codes and standards of practice regarding financial transparency, public debt management, accounting and auditing standards, banking supervision and corporate governance itself. The focus of these codes and standards is "to promote market efficiency, to control wasteful spending, to consolidate democracy, and to encourage private financial flows" (paragraph 18). There is no suggestion of any obligations or objectives of corporations that are particular or unique to Africa.

As part of the African Peer Review Mechanism set up after the 2002 NEPAD Declaration, a Country Review Mission was conducted in South Africa during 2006. This mechanism is designed to ensure that participating countries maintain policies that are in accord with the NEPAD Declaration. The *Country Review Report* that resulted from the South African Mission includes a chapter on corporate governance.

In considering the standards and codes related to corporate governance, as well as the economic and regulatory environment, the chapter repeatedly identified legislation and government initiatives that have been developed to improve socio-economic conditions and reduce inequality and reflect the diversity of South African society. These included Employment Equity and Black Economic Empowerment legislation, and initiatives administered by the Land Bank, the Development Bank of South Africa and the Industrial Development Corporation of South Africa. In many respects, however, the concerns raised were similar to corporate governance issues identified in developed countries, and included the optimum level of corporate governance legislation (paragraph 430), corporate governance compliance by South African multinational corporations operating elsewhere in Africa (paragraph 431), the manipulation of accounting standards (paragraph 433) and the lack of capacity to comply with local government reporting requirements (paragraph 435). The framework of corporate governance in South Africa itself was not criticised or evaluated, although the objectives and obligations of corporations and the corporate governance system were questioned in paragraph 423:

> "The fundamental challenge South Africa faces is how to design a corporate governance system that works for its dual economy and, in the long run, will succeed in bridging the gap between the first and second economies and ameliorate the plight of historically disadvantaged groups. The question is how the private sector can assist in tackling the social challenges of enhanced job creation. How can corporations juxtapose the shareholder wealth maximisation model with issues of CSR and investment? How can corporate governance be used as an instrument for wealth creation and redistribution and for addressing ingrained social inequalities? What kind of public-private partnerships (PPP) would be effective for dealing with these challenges?"

This paragraph is notable as it directly questions the system of corporate governance in South Africa, with specific relevance to notions of equality, wealth redistribution, and corporate social responsibility. Such questioning suggests that there are moral necessities and judgements that differ from those that underlie the Anglo-American 'shareholder wealth maximisation' model.

The chapter proceeded to consider good corporate citizenship, business ethics, the treatment of stakeholders, and accountability. The section that dealt with the treatment of stakeholders was further split into two subsections: the first "Protecting shareholder rights" and the second "Recognising the rights of other stakeholders". This suggests that although the interests of various stakeholders are considered to be of some importance, shareholder rights have primacy (and require active protection rather than just recognition). Despite this, a number of examples of CSR activities were provided, including the provision of cheap banking services to the poor (paragraph 565) and the establishment of a city college to support skills development (paragraph 572). Stakeholder engagement, expressed in CSR activities (paragraph 549) and triple-bottom line reporting (paragraph 580) were encouraged. It was also, apparent, however, that some CSR activities were driven by legislation (paragraph 548), that corporations were not always willing participants (paragraph 623) and that pressure had to be brought to bear on the private sector through, for example, the use of sector charters provided for by BEE legislation (paragraph 622). Although corporations may not be models of stakeholder engagement, there are clear calls in the chapter for this to be encouraged (paragraphs 542, 551, 564, 566, 579, 619, 625 & 626) and for corporations to follow the spirit of the charters (paragraph 588). This reveals an overarching belief that corporations have an obligation to be actively involved in the development of South African society, and is not consistent with the view that corporations should focus only on profit-making and maximising shareholder wealth.

Summary

The African Renaissance can be seen as a call for a renewal of African culture and the recognition that Africans need to find solutions to African problems. Although the call has been taken up by some scholars who have attempted to show how it could be carried out in various spheres of society, there is no detail regarding what this call could mean for the obligations and objectives of corporations. Consequently, despite the space that the idea creates for a uniquely African approach, it provides no evidence of specific moral judgements regarding the obligations and objectives of corporations.

A more detailed and concrete plan, that accords with the idea of the African Renaissance, is provided in the NEPAD initiative towards socio-economic development in Africa. Examination of the NEPAD framework reveals that while partnership is considered between Africa and other countries, and between various stakeholders, the section on corporate governance indicates that the role of the corporate sector in the program is to contribute to development through attracting investment and enhanced economic growth. Although social well-being and equality are considered as aims, there are no clear expectations that corporations should operate in a different manner than those in Anglo-American jurisdictions.

Review of the 2002 *Declaration on Democracy, Political, Economic and Corporate Governance*, as well as the 2006 *Country Review Report* for South Africa provides limited evidence of differing expectations regarding the framework of corporate governance itself. Consideration of wider aspects of corporate governance, such as corporate citizenship, business ethics and the treatment of stakeholders, however, reveals that corporations in South

Africa do reflect elements of a stakeholder orientation in their CSR initiatives and TBL reporting. At the same time, it is made clear that such activities are not always voluntary, and that the private sector is encouraged to participate more actively in stakeholder issues. These encouragements reflect a distinct attitude, that while not directly impacting on the structures of corporate governance, does place additional obligations on South African corporations.

The next section explores another area in which uniquely South African judgements regarding the moral obligations and objectives of corporations could be expected, that of traditional South African morality.

3.3 The traditional South African morality of *ubuntu*

Where the African Renaissance calls for Africans to find solutions to African problems, questions concerning what is meant by African solutions, and how these might differ from non-African solutions implicitly follow. This can then lead to a consideration of whether there are any traditional and uniquely South African values which could be a distinguishing characteristic of the 'African solutions' and which could inform moral judgements concerning corporations. This section addresses this consideration through an analysis of the moral philosophy of *ubuntu*. It begins with a discussion of the philosophy of *ubuntu* as the key concept in South African moral philosophy, continues to a consideration of how this can be applied to corporations, followed by the question of how *ubuntu* is portrayed in certain South African media, and lastly considers some criticisms of the concept.

The philosophy of *ubuntu*

The most well-known concept within traditional South African moral philosophy is that of *ubuntu*. The term can be understood as 'humanness' (Ramose, 2003c, p.231), but is more frequently expressed in the aphorism '*umuntu ngamuntu nga bantu*' often taken to mean that "a person is a person through persons" (Shutte, 1995, p.vi). Slight variations of this aphorism exist, and both the concept *ubuntu* and this aphorism have equivalents in other Southern African languages (for example, the concepts of *botho* and *hunhu* in Tswana and Shona respectively). Ramose (2003c, p.231) construes the aphorism to mean that:

> "to be a human be-ing is to affirm one's humanity by recognizing the humanity of others and, on that basis, establish humane relations with them. *Ubuntu*, understood as

> be-ing human (humanness); a human, respectful and polite attitude towards others constitutes the core meaning of this aphorism."

Ramose's approach is etymological and philosophical[17], yet his understanding of *ubuntu* morality as expressed in this quotation is consistent with that of other scholars of *ubuntu* (see, for example, Broodryk (2002, p.26) and Shutte (1995, p.viii)).The use of similar terms in the languages of Botswana and Zimbabwe suggests that the concept is more accurately Southern African than exclusively South African. Similarities can also be drawn between *ubuntu* and the communitarian moralities of other parts of Africa (such as that expressed by Kwasi Wiredu (2003) and Kwame Gyekye (2003) in Ghana).

To understand how *ubuntu* could inform the prescriptions and attitudes of South African society, some consideration of the circumstances and situations in which it can be applied is necessary. Ramose (2003a, p.329) argues that "it is unethical to withhold or to deny *botho / ubuntu* towards a member of the family, in the first place and, the community at large. In other words, charity begins at home." He thus expresses *ubuntu* as a communitarian morality. He also identifies an *ubuntu*-related maxim '*feta kgomo o tshware motho*' which holds that "mutual care and sharing with one another precedes concern for the accumulation and safeguarding of wealth" (Ramose, 2003b, p.644). He then goes on to explicitly oppose *ubuntu* to what he calls 'economic fundamentalism', which includes market competition and free enterprise and corresponds to Western capitalism. In his view "the sovereignty of money has replaced the human being as the primary value" (2003b, p.644), in contrast to *ubuntu* that maintains that "the individual human being is the subject – and not an object – of intrinsic value in its own right" (2003b, p.644). This last comment is reminiscent of Kant's imperative not to consider others solely as a means to an end, but as ends in themselves.

Louw describes *ubuntu* as "an effective decolonising assessment of the other" (2001, p.16) and identifies three 'presuppositions' or 'requirements' associated with this. Firstly, he identifies "a respect for the religiosity of the *religious* other" (2001, p.17) and notes the religious meaning that *ubuntu* has within African tradition. Secondly, he refers to "agreement on criteria" (2001, p.17), by which he means the important role of consensus in decision-making, although at the same time he acknowledges that minority groups may 'agree to disagree' after having their voices heard. Thirdly, he considers the "necessity of dialogue or 'mutual exposure'" (2001, p.17), where he believes "Ubuntu inspires us to expose ourselves to others, to encounter the difference of their humanness so as to inform and enrich our own" (2001, p.23). All of these conceptions suggest that there is more to *ubuntu* than a code of conduct which advocates respect for others and concern for human rights.

Shutte (1995, p.viii) also emphasises the community focus of *ubuntu* and sees the family as the best model of human community, which could nevertheless be extended to "include a wider kinship system, even a whole people or nation, perhaps even the whole of humanity" (1995, p.ix). He also identifies extensive consultation in decision-making as an aspect of *ubuntu* (1995, p.xii).

Having provided some description of what is meant by *ubuntu*, for the purposes of addressing the research objective it is necessary to consider how this could inform the prescriptions and attitudes regarding the moral obligations and objectives of corporations, and consequently corporate governance in South Africa.

Implications for corporations

Ramose (2003b) is quite clear that in his view *ubuntu* is diametrically opposed to Western capitalism with its emphasis on free enterprise, the marketplace and competition. However, he also states (2003b, p.639) that "profit-making is neither good nor bad in itself. It is the manner, extent and purpose for which it is pursued and realized which become subject to the moral judgement of good or bad". As noted above, his argument is that the 'economic fundamentalism' of Western capitalism is immoral in its replacement of the human being with money as the source of ultimate value, and is in this way inhumane and contrary to the morality of *ubuntu*. Ntibagirirwa (2009) contrasts the communitarian nature of traditional African society (and *ubuntu* morality) with the individualism of Western capitalism characterised by rational self-interest. He considers the latter to be inappropriate (and unsuccessful) in an African context, and calls for a version of capitalism that is consistent with African ontology.

Other scholars of *ubuntu* (such as Broodryk (2005) and Mbigi & Maree (2005)) are not opposed to Western capitalism *per se*, but consider that the concept has a 'humanising' role to play in the business sphere. The discussion of the concept of *ubuntu* above suggests that it could be manifested in business in a number of ways: when the 'humanness' of all individuals is prized; where individuals are considered as ends in their own right, rather than as a means to achieving someone else's ends; and where all individuals are seen as existing in community with other individuals (and that accordingly, the interests and experiences of the community are considered through extensive consultation, dialogue and reporting).

Shutte (1995, p.xii), for example, applies the idea of *ubuntu* and the family to the business world:

> "It could well be the case that envisaging a business enterprise more on the model of an extended family – in a somewhat similar manner to that which has proved so successful in Japan – would be fruitful in developing a more holistic corporate environment, in which all employees would feel at home and able to establish an identity for themselves as members of the firm."

He adds that "individual creativity and the solidarity of cooperation and common ownership must go hand in hand" (1995, p.xii). He also notes that although the consultative decision-making of *ubuntu* may at times be inefficient, "efficiency is not an absolute value" (1995, p.xi) and sees merit in this approach as "a formula for compromise" (1995, p.xi).

This possible application of *ubuntu* to the business sphere in South Africa (as opposed to outright rejection of Western capitalism) is evident in the writing of both *ubuntu* scholars and scholars of management. Examples include Prinsloo (2000), Broodryk (2005), Karsten and Illa (2005), Mbigi and Maree (2005), Lutz (2009).

Despite these efforts to apply the virtues of *ubuntu* to the business sphere, there are also a number of potentially undesirable aspects of *ubuntu* which deserve consideration. The communitarian nature of *ubuntu*, and the importance of family and kinship can lead to nepotism and ethnocentrism when these preferences are carried into the workplace (Ramose, 2003a, p.329). Van Binsbergen notes that the root '*-ntu*' only includes "local, autochthonous humanity" (2001, p.55) and a different term was used for colonial Whites. This can suggest that *ubuntu* could also be used to exclude those outside the community, however that may be defined. (This is disputed: Ramose (2003a, p.329) insists that *ubuntu* prescribes permeable boundaries, Ntibagirirwa (2009, p.305) claims that '*-ntu*' refers to universal being (extending beyond humans) and Eze (2010, p.98) describes the ethnocentric origin of *ubuntu* and how different terms were used to distinguish between Xhosa and non-Xhosa speakers.) Bernstein notes (2002, p.206) how *ubuntu* could mean that employees cannot be fired, and Van

Binsbergen argues (2001, p.77) that it could be used by a well-heeled Black elite to deflect criticism from those who have had less access to resources and remain marginalised.

Apart from Ramose's and Ntibagirirwa's criticism of Western capitalism at a systemic level, much of the discussion of *ubuntu* in the business sphere refers to how it can be applied (or perhaps what consequences it may have) within businesses, mostly regarding management practices. Ndiweni (2008) is notable, however, for attempting to relate *ubuntu* directly to corporate governance in South Africa. He believes (2008, p.351) that *ubuntu* would be expressed in acceptance of the practice of granting loans (including interest-free loans) to employees and directors, and in increased triple-bottom-line and CSR reporting in annual reports. He also advocates a "tripartite agreement, which takes into account the needs of providers of finance capital, the community and employees" (2008, p.352). This adaptation of a stakeholder model of corporate governance is notable for its prioritising of the community, which could perhaps be the feature that distinguishes South African corporate governance inspired by *ubuntu* from stakeholder models in other countries.

While a theoretical understanding of *ubuntu* may suggest ways in which it could inform business practices, this does not necessarily mean that the morality of *ubuntu* is widely held amongst South Africans, or that it does actually reflect the prescriptions and attitudes of South African society regarding the moral obligations and objectives of corporations. The next section presents a further consideration of *ubuntu*, by reference to its portrayal in certain media.

***Ubuntu* in the media**

The prevalence of *ubuntu* philosophy in South Africa was considered by examining how this philosophy has been presented in parts of the South African media. To this end, a review was conducted of several South African professional publications and newspaper articles (accessed through the SA Media online database). Three professional publications were identified which had searchable archives: *Accountancy SA* (the journal of the South African Institute of Chartered Accountants (SAICA), from April 2000), *Management Today* (from August 2004), and *The Professional Accountant* (the journal of the South African Institute of Professional Accountants (SAIPA), from May 2006). The SA Media online database included newspaper articles from English and Afrikaans language newspapers across the country, from 1978. The archives were searched using the terms '*ubuntu*', 'African culture' and 'African values'. Although these searches cannot identify articles in which *ubuntu* philosophy is expressed without referring to any of these terms, it is likely that articles that are about *ubuntu* or traditional African values would use one of these terms and would be identified in the search. Despite not being able to objectively ensure completeness, the search is thus nevertheless able to provide some indication of how this philosophy is presented.

The search of professional publications revealed three articles on *ubuntu* and two articles dealing with African values in *Management Today*. Two other articles in *Management Today* were identified (from the search on 'African culture'), but these dealt with corporate culture rather than with cultural values. One article was identified in *The Professional Accountant*, this was in the first issue and concerned the interpretation of the SAIPA logo. No articles were identified in *Accountancy SA*.

One of the articles (Theron, 2007) in *Management Today* highlighted the role that an understanding of Hofstede's cultural dimensions (discussed in section 3.4 below) can play in an African university. The other four articles all focused on cultivating *ubuntu* in the workplace. Three of these articles (two by Johann Broodryk (2006a, 2006b), one by Reuel Khoza (2007)) were by authors of more comprehensive texts encouraging the application of *ubuntu* in management, with Broodryk being a prominent *ubuntu* scholar in his own right. All four articles contrasted the value system of *ubuntu* with a Western value system largely characterised by individualism. The descriptions of *ubuntu* presented in these articles were consistent with that presented in the discussion above, although it should be noted that references were made both to historical African leaders as examples, and the continued existence of *ubuntu* as African tradition, more prevalent in rural areas. The authors did also acknowledge that *ubuntu* presented an ideal value system that was not always practised, and the articles were clearly written as an exhortation to managers.

The SA Media online database was searched using the terms '*ubuntu*', 'African values', 'African culture + business' and 'African values + business' on 31 July 2010. The search using '*ubuntu*' yielded 696 results, dating from September 1988 (although 14 articles were not dated, and 15 articles referred to Ubuntu Linux software). In order to allow for a more thorough investigation of a smaller number of articles, a recent six-month period (from 1 February to 31 July 2010) was selected, containing 23 articles. The results included one article from *Leadership* magazine, which discussed the importance of good leadership and good governance (including a reference to stakeholder theory) and linked this to the interdependence of *ubuntu*. This article was by Reuel Khoza, the author of one the articles identified in the previous search above, and is consistent with the other articles from that search.

The other 22 newspaper articles mentioned *ubuntu* in relation to a number of different topics (a full list of the articles with a brief description of each is presented in Appendix two). These included issues of overcoming xenophobia and other differences (whether cultural, racial or national), homosexual equality, HIV amongst employees, child protection and development, hospitality for guests, sharing among the rural poor, building a caring and compassionate society, and promoting the development of a positive inter-connected society.

These broadly follow the definition of *ubuntu* discussed above and the articles typically presented *ubuntu* as either an ideal to be followed, or they described an example of *ubuntu* in practice (which becomes an example for others). The implication of this is that *ubuntu* is not always adhered to in practice. Some references were made to *ubuntu* being a continuation of traditional African values (expressed in statements such as “Africans have ubuntu. It is what defines us” (Nkosi, 2010), and “it has always been an integral part of the social fabric of Africans” (Pewa, 2010)). There was, however, also some evidence of the concerns expressed by Van Binsbergen (2001), noted above, where *ubuntu* was contrasted with the conformity and ethnocentricity of traditional South African cultures (Nkatshu, 2010).

The search on ‘African values’ identified 23 South African articles, dated from February 2000 to March 2009. Three of the articles were the same as those identified by the search on ‘African values + business’. Of these three, two discussed the importance of traditional African values for corporate governance. While referring to *ubuntu*, they also mentioned concepts such as ‘embeddedness’, ‘harmony’ and ‘communalism’, and argued that traditional African values should inform corporate governance in South Africa, and that a stakeholder approach aligns well with the values of *ubuntu*. One of these articles was by Shepherd Shonhiwa, who was quoted in the Introduction to the King II report in its reference to traditional African values (see section 2.4). The third article dealt with the general lack of morals and the high levels of corruption and fraud in South Africa.

The remaining 20 articles which had some reference to African values dealt with a variety of topics in different spheres. These include a number of articles that dealt with political, cultural, religious, moral and other issues. A full listing of all 23 articles, with a brief statement of their topics, is presented in Appendix three.

The search on 'African culture + business' provided five articles (see Appendix four). Three of these concerned African culture and types of African jewellery and clothing. One article referred to a poor payment culture for a leading micro-lender in South Africa. Only one article actually dealt with the role that African culture may play in business, and this article argued that in a globalising world, there is little business relevance in pursuing African traditions, and that "Cultural attrition leaves little of substance that can, with any degree of uniqueness or advantage, be applied in modern business" (Simpkins, 2003).

In summary, a review of newspaper articles and selected professional publications reveals an understanding of *ubuntu* that is consistent with the description provided above, and an application both of this concept and traditional African values generally to a variety of aspects of South African society. In most cases, *ubuntu* and African values are viewed positively, and as a source of inspiration and aspiration. There were, however, several examples of disagreement, highlighting potentially undesirable aspects of *ubuntu*, or the possible irrelevance of African tradition.

Criticism of *Ubuntu*

The sections above have presented *ubuntu* as a traditional African communitarian morality, and have shown how it could be applied to corporations and how it has been portrayed in the media. A number of serious criticisms of *ubuntu* can, however, be raised regarding *ubuntu* as a traditional, pre-colonial African morality, and concerning the empirical evidence of practical application of *ubuntu*. This section considers these criticisms in turn.

Ubuntu as a traditional, pre-colonial morality

Referring to *ubuntu* as a traditional African morality implies that it represents the wisdom of pre-colonial African society, and that it remains present among the less modernised of Black South African society (predominantly in the rural areas), and possibly also in the collective memory of their more modernised counterparts. Undesirable aspects of *ubuntu* have been identified above, and as far as *ubuntu* does represent such a pre-colonial African morality it would then seem to include ethnocentric practices as well as other traditional practices, such as discrimination against women. Such practices are widely condemned in contemporary

South Africa. While continuity with pre-colonial tradition raises this question of undesirable practices, discontinuity with pre-colonial tradition questions the legitimacy and authenticity of *ubuntu* itself.

Bernstein argues (2002, p.198) that colonialism, apartheid, and particularly migrant labour, did much to disrupt continuity between rural (traditional) and urban Black South Africans. Referring to the continuation of some practices, such as the payment of *lobola*[18], she claims that "it is dangerously misleading, however, to suggest that some cultural elements represent the tip of a powerful if partly submerged cultural substructure, just because their lineage connects back to precolonial societies" (2002, p.198). Bernstein goes on to argue that

> "The rediscovery of African values and culture is largely an elite reinterpretation of residues of what used to be. *Ubuntu* is the prime example, and the major feature of its current definition is boundless idealism and the failure to reconcile it with the everyday reality of crime, violence and brutality of life in urban concentrations. One gets the uneasy feeling that the fashionable celebration of *ubuntu* is intended more for white consumption or to display a badge of (Africanist?) honor than as sincere moral reconstruction." (2002, p.210)

Van Binsbergen (2001, p.74) seems to concur, claiming that,

> "*Ubuntu* offers the appearance of an ancestral model to [those who fought to attain majority rule] that is credible and with which they can identify, regardless of whether these urban, globalised people still observe ancestral codes of conduct – of course in most respects they do not, regardless of whether the ancestral codes are rendered correctly (often they are not)."

He believes that the systematisation of *ubuntu* is in fact an etic[19] practice, and that the

> "self-proclaimed experts on *ubuntu* form a globally-informed, Southern African intellectual elite who, remote in place and social practice from the *emic* expressions at the village level which they seek to capture, have officially coined the concept of *ubuntu* as a cornerstone Southern African self-reflexive ethnography." (2001, p.70)

Van Binsbergen is not necessarily hostile to *ubuntu*, but maintains an interpretation of *ubuntu* as a utopian and prophetic philosophy (2001, p.73), as an "exhortative instrument" (2001, p.73) and as a "tool for transformation in a context of globalisation" (2001, p.71).

Louw expresses similar thoughts when he considers that a revitalisation of *ubuntu* is necessary, and states (2001, p.28) that "I have been speaking of Ubuntu primarily as an ethical ideal, i.e. something that still needs to be realized, although encouraging examples thereof already exist". He identifies (2001, p.24) the existence of *stokvels* (community-based rotating savings and credit associations) as one example of *ubuntu* in practice, and the relatively peaceful transition to democracy in South Africa as another (2001, p.27).

As the moral philosophy of traditional African society, *ubuntu* faces questions regarding practices that are now widely considered undesirable. This itself challenges the view that *ubuntu* is widely held. However, the criticisms made concerning its continuity with tradition do allow for a revitalised or reinterpreted *ubuntu* as a moral ideal for a new age. Without any necessary continuity with tradition, however, the claim that it is widely held in turn requires further support.

Evidence of ubuntu in practice

The criticisms described above are largely based on philosophical and anthropological reflection, and could be mitigated if there is evidence of *ubuntu* in practice. This section considers a number of possible sources of such evidence.

Bernstein (2002) describes a nationwide survey which suggests that *ubuntu* is not widely held:

> "Respondents were asked 'What do African people in southern Africa have in common with one another which might help them catch up in development?'. The number of people who mentioned *ubuntu* ... traditionalism, or ancestor worship was no more than 2-3 percent in replies that could be associated with something essentially 'African'" (2002, p.201).
>
> "Another question asked was, 'What is the special African way in which [then] Deputy President Mbeki's notion of an African renaissance will be achieved, or is

> there no special African way?' ... 7 percent referred to a return to traditional beliefs and 3 percent to *ubuntu*" (2002, p.202).

Ndiweni (2008), however, identifies a number of CSR practices by certain businesses in Zimbabwe as being examples of *ubuntu* in practice. These include the provision of educational assistance, scholarships, apprenticeships, subsidised accommodation and financial assistance. It is questionable, however, whether these do in fact reflect an underlying *ubuntu* morality, as many of these activities are replicated by companies in non-African (and Anglo-American) countries.

As noted above, Louw (2001, p.24) identifies *stokvels* as an example of *ubuntu*. Verhoef (2001a, 2001b) analysed *stokvels* from 1930 to 1998 (focusing on African women) and identified solidarity and mutual support in times of hardship as an incentive underlying the existence of *stokvels*, along with a number of other socio-economic incentives (including socialising, the ability to make money from *stokvel* parties, poor access to formal credit, and for insurance purposes). On one occasion she identifies this solidarity and mutual support with *ubuntu* (2001a, p.272), on another occasion (2001b, p.98, in which the same incentives are recounted) *ubuntu* is not mentioned. Verhoef also describes how *stokvels* were sometimes accompanied by violence and criminal behaviour (2001a, p.273), and that some *stokvels* could charge interest at up to 100 percent per week (2001a, p.276). The relationship between *ubuntu* and *stokvels* is accordingly ambiguous, and at most, *ubuntu* could be seen to be one of a number of incentives that underlie the continued prevalence of *stokvels*.

The peaceful transition to democracy in South Africa is sometimes appealed to as an example of *ubuntu* (such as Louw (2001, p.27)). The Truth and Reconciliation Commission (TRC) established in 1995, and the associated political amnesty for some perpetrators of apartheid crimes provide an example of restorative rather than retributive justice. Specific mention was made of *ubuntu* in the final clause of the interim South African Constitution of 1993 that led to the TRC's institution (Department of Justice and Constitutional Development, 2006), which clearly suggests that the TRC represents a practical application of *ubuntu*. Van Binsbergen (2001, p.76) has however, criticised this (believing that it represents Christian rather than traditional African forgiveness), and although Eze (2010) insists that the TRC does represent *ubuntu*, he also (2010, p.201) identifies a commonality between the restorative justice of the TRC and Christian forgiveness. Furthermore, there was significant critique by apartheid victims within South Africa over whether such restorative justice was really just (Verdoolaege, 2008, p.19). Despite these criticisms, and the possible overlap with Christian values, the specific mention of *ubuntu* in the institution of the TRC does itself provide some evidence of *ubuntu* in action.

In summary, however, the empirical evidence of *ubuntu* in practice is limited (an observation also made by Visser (2007, p.25)). The limited empirical support does not, however, mean that *ubuntu* is irrelevant. Eze (2010), for example, concedes the charges made by Van Binsbergen and others regarding the historical inauthenticity of *ubuntu*, but refuses to accept its illegitimacy and seeks to 'rehabilitate' *ubuntu* as a valuable myth that has a performative task in post-apartheid nation-building:

> "As a postcolonial discourse, *ubuntu* possess[es] the following credentials: (1) a reverse discourse to thwart and undermine the preceding racial hegemony of apartheid discourse that denied 'humanity' to nonwhites through its institutional and structural racism; (2) a project in the making of a new nation, which, unlike apartheid, yields to inclusiveness as opposed to divisiveness; (3) its admissibility and evidence in the TRC mediate[s] its values as a humanistic discourse; and (4) while it has been criticized for legitimizing restorative [as opposed to retributive] justice, it offers a blueprint for the very process of reconciliation and possibility of social morality." (Eze, 2010, p.186)

Accordingly, while the empirical evidence of *ubuntu* being widely held is limited, and its continuity with pre-colonial tradition is problematic, *ubuntu* nevertheless has significant aspirational potential with regard to post-apartheid nation-building.

Summary

The Southern African moral philosophy of *ubuntu* incorporates the notion of 'humanness' and a morality of regard for others based on interdependence and the importance of community. Despite some contestation over whether it is compatible with a Western capitalist system, scholars of *ubuntu* have attempted to apply it to the business sphere, particularly in the area of management. From a consideration of *ubuntu* values, one can hypothesise a corporate system in which individuals are considered as ends in themselves, are respected as existing in community with others, and where the interests of the community are prioritised through consultation, dialogue and reporting. The basic conception of *ubuntu* and its application to a variety of issues was confirmed through a review of newspaper articles and selected professional publications which confirmed *ubuntu* and traditional African values being held out mostly as a source of inspiration and as a potentially positive influence.

There is, however, some significant criticism of *ubuntu*. This includes drawing attention to undesirable aspects associated with pre-colonial African society, such as ethnocentrism. There is also some significant questioning over whether *ubuntu* is a concept developed and ‘owned’ by the African intellectual elite, and the continuity with traditional African culture is challenged. The little survey evidence that there is also does not point to a widespread adoption of *ubuntu* by South Africans. There is, however, some evidence of *ubuntu* in the solidarity underlying *stokvels* and in the restorative justice of the TRC, although this too is not without criticism. It is possible therefore to conclude both (1) that as an aspirational morality *ubuntu* does imply certain prescriptions and attitudes that have relevance for corporate governance, and (2) that the evidence of its practical application in South African society to date is limited and unclear. Despite the relevance and potential of *ubuntu* in the context of post-apartheid nation-building, the limitations of the existing evidence of its practical application means that, at most, *ubuntu* currently represents a limited source of distinct and different moral judgements in South Africa.[20]

There may, however, be stronger evidence of differing or distinct moral judgements that can be related to culture, but that does not directly appeal to *ubuntu*. Accordingly, the next section considers possible moral differences that have been identified through academic cross-cultural studies.

3.4 Cross-cultural studies

Cross-cultural studies in business has in many respects become a field of study of its own in recent decades. This section considers the principal theories of cultural values and the empirical evidence for different or distinctly South African values. Where appropriate, consideration is given to the implications this may have for prescriptions and attitudes regarding the obligations and objectives of corporations. This is followed by a section presenting empirical evidence on moral differences involving South Africa that does not refer to theories of cultural values.

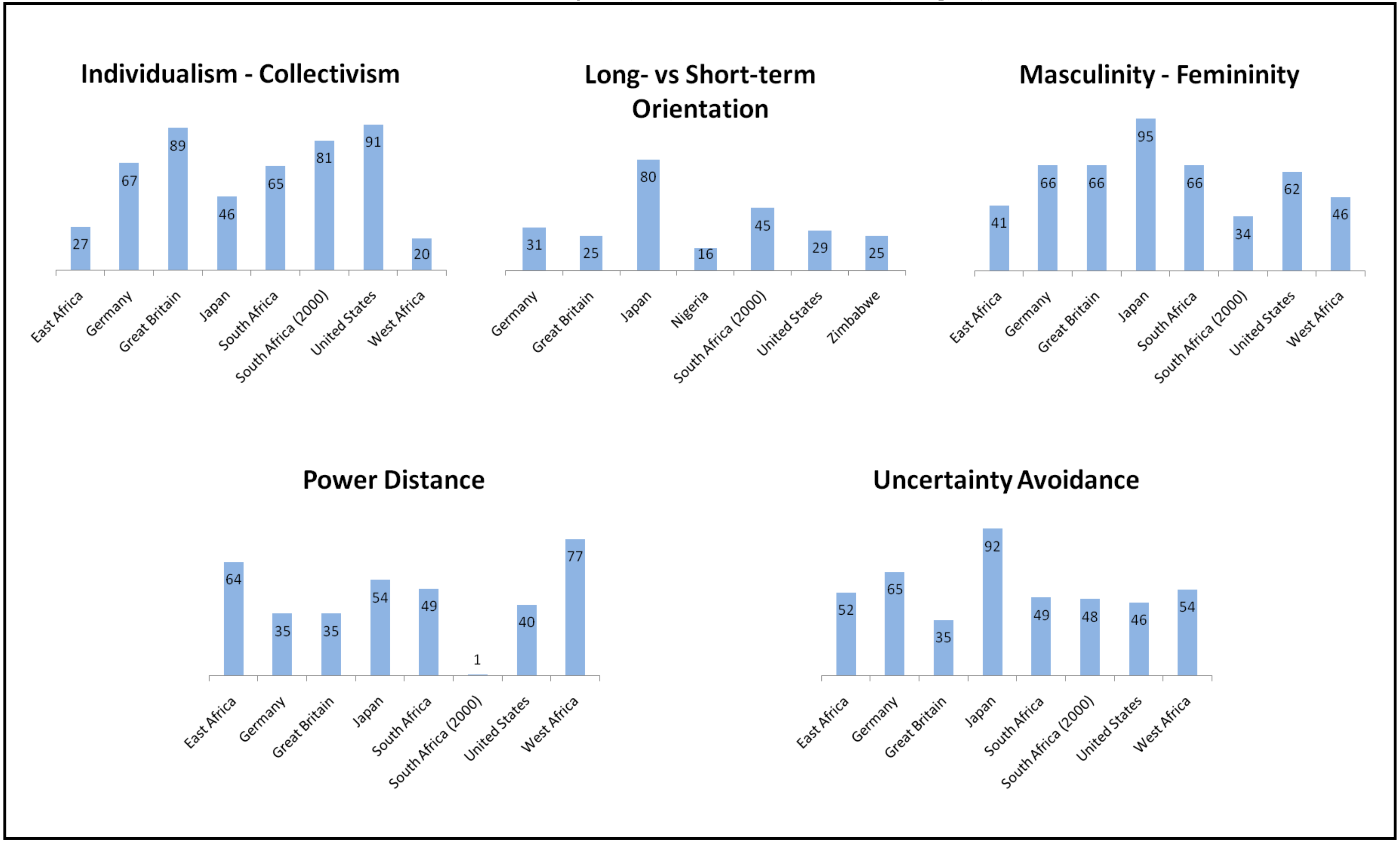
Theories of cultural values

Hofstede

The seminal work in cross-cultural business studies remains Geert Hofstede's study, based on a survey of IBM employees across 50 countries, published in 1980 and updated in 2001. Hofstede identified four dimensions by which cultural values within organisations could be differentiated across countries, and across certain distinct 'clusters' of countries: Power Distance, Individualism-Collectivism, Uncertainty Avoidance and Masculinity-Femininity[21]. A fifth dimension, Long- versus Short-term Orientation, was established following additional research from 23 countries in 1985[22] (Hofstede, 2001, p.351). South Africa was the only African country to be considered separately in Hofstede's original study (other African countries were grouped together as either West African or East African). The index scores for South Africa, the other African regions, as well as Britain, Germany, Japan and the USA (as examples of countries with distinctive corporate governance models, as described in chapter two) are presented in Figure 3.1. For the Long- versus Short-term Orientation a different set of countries were used in the study and Zimbabwe and Nigeria are presented instead of South Africa and West Africa (no countries from East Africa were included). Thomas and Bendixen (2000) updated Hofstede's research with a subsequent survey conducted with 586 middle managers in South Africa, the index scores from this survey are included in Figure 3.1 as 'South Africa (2000)'.

The index scores from Hofstede's original study present a complex picture. With regard to Power Distance, South Africa was most similar to Japan and the USA, on Individualism-Collectivism South Africa was closest to Germany, for Uncertainty Avoidance South Africa ranked closest to the USA, East and West Africa, for Masculinity-Femininity South Africa was closest to Germany, Great Britain and the USA, and on Long- versus Short-term Orientation Zimbabwe was close to all except Japan. Hofstede also performed a cluster analysis that grouped similar countries together based on their survey responses on the four original dimensions. South Africa was grouped with Germany, Switzerland and Italy (2001, p.62), a grouping which Hofstede found surprising (2001, p.76). This provides some evidence that South African values are more aligned with the values of continental Europe than with the UK, the USA, Japan, or East and West Africa.

Figure 3.1
Selected index scores on Hofstede's dimensions of culture ***(Sources: Hofstede (2001) and Thomas & Bendixen (2000, p.513))***

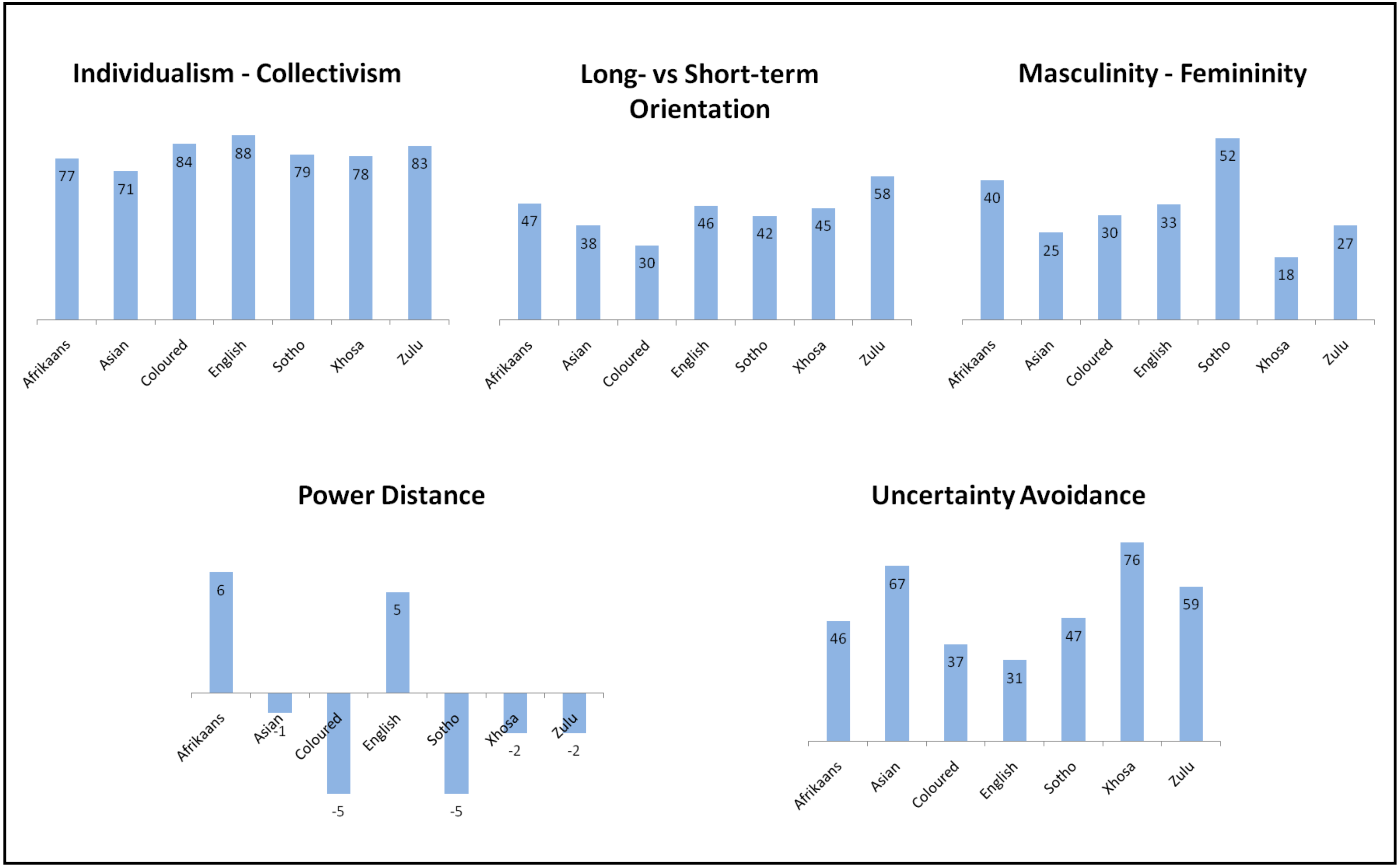


Thomas & Bendixen's (2000) results show significant changes for South Africa from the 1980 results in all except the Uncertainty Avoidance dimension. They attributed the very low score for Power Distance in their study to the "legacy of the past" and "in keeping with the present political and economic climate of the country" (2000, p.513). As 'separateness' and inequality based on race were hallmarks of the apartheid system, a very low score does seem reasonable in post-apartheid South Africa. The lower score for Masculinity-Femininity and the high score in Long- versus Short-term Orientation (relative to most of the other countries shown in figure 3.1) were not discussed by Thomas & Bendixen. Although the substantial time difference between Hofstede's and Thomas & Bendixen's studies precludes any definitive comparisons, when considered next to Hofstede's original scores, South Africa does, however, seem to be more aligned with Africa than Western Europe, the USA or Japan on the Masculinity-Femininity dimension.

The converse appears to be true for the Individualism-Collectivism dimension, where Thomas & Bendixen reported a substantially higher score than Hofstede's 1980 study, suggesting that South Africa may be more similar to the USA and the UK. Thomas & Bendixen argued (2000, p.514), however, that there may be differences between a Western and an African understanding of the word 'family', which was used in the survey, and which could have lead to an overstated score for Individualism. They conclude that Hofstede's instrument is "inadequate in distinguishing between individualism and communalism ... within South Africa" (2000, p.516). It remains possible, however, that the South African respondents did fully understand the survey in the Western sense (noting that the East and West African regions had low scores on this scale in Hofstede's original study). Nevertheless, although they raise a valid question concerning the survey instrument, the study does not provide any empirical support for any claims that South African culture is more collectivist.

Thomas & Bendixen (2000, p.512) also provided index scores across several ethnic groups within South Africa: Afrikaans, Asian, Coloured, English, Sotho, Xhosa and Zulu. These are presented in figure 3.2. Most notable are the negative scores for the non-White groups and the positive scores for Afrikaans and English groups on Power Distance. This is, perhaps, unsurprising given the history of apartheid. There is still, however, a substantial difference between the White groups and the scores for other countries (presented in figure 3.1) on Power Distance, suggesting that in this regard White South Africans are more aligned with their fellow countrymen than with Western Europeans, Americans, Japanese, or East and West Africans. On the other dimensions, although there were some substantial differences between specific groups, overall there appears to be relative similarity, which leads Thomas & Bendixen to conclude that "at a managerial level, there appears to be a common national culture" (2000, p.513).

Figure 3.2
Hofstede's culture dimension scores by ethnic group within South Africa ***(Source: Thomas & Bendixen (2000, p.512))***



Trompenaars & Hampden-Turner

Trompenaars & Hampden-Turner (1997) also presented empirical research regarding cultural values within South Africa, based on survey information from company managers and administrators. They drew largely on Parson's (1951) relational orientations, and worked with six cultural orientations: Universalism – Particularism, Individualism – Communitarianism, Neutral – Emotional, Specific – Diffuse, Achievement – Ascription, and Inner – Outer Directedness[23]. The scores for South African ethnic groups are provided in figure 3.3. Trompenaars & Hampden-Turner (1997) did not, however, provide comparable scores for other countries.

The scores indicate that on the Universalism – Particularism orientation, White groups were more Universalist than Black South African groups. On the other orientations differences between White and Black groups were less obvious, with perhaps a small preference amongst White groups towards Inner-directedness. Interestingly, on the Individualism – Communitarianism orientation the highest score was from the Xhosa group, and four of the Black groups (Zulu, North Sotho, Xhosa and Tswana) were similar to the English or Afrikaans scores. This further questions any assumptions that Black South African cultures as a single group are communitarian, or that all Black South African groups are less individualistic than White South African culture.

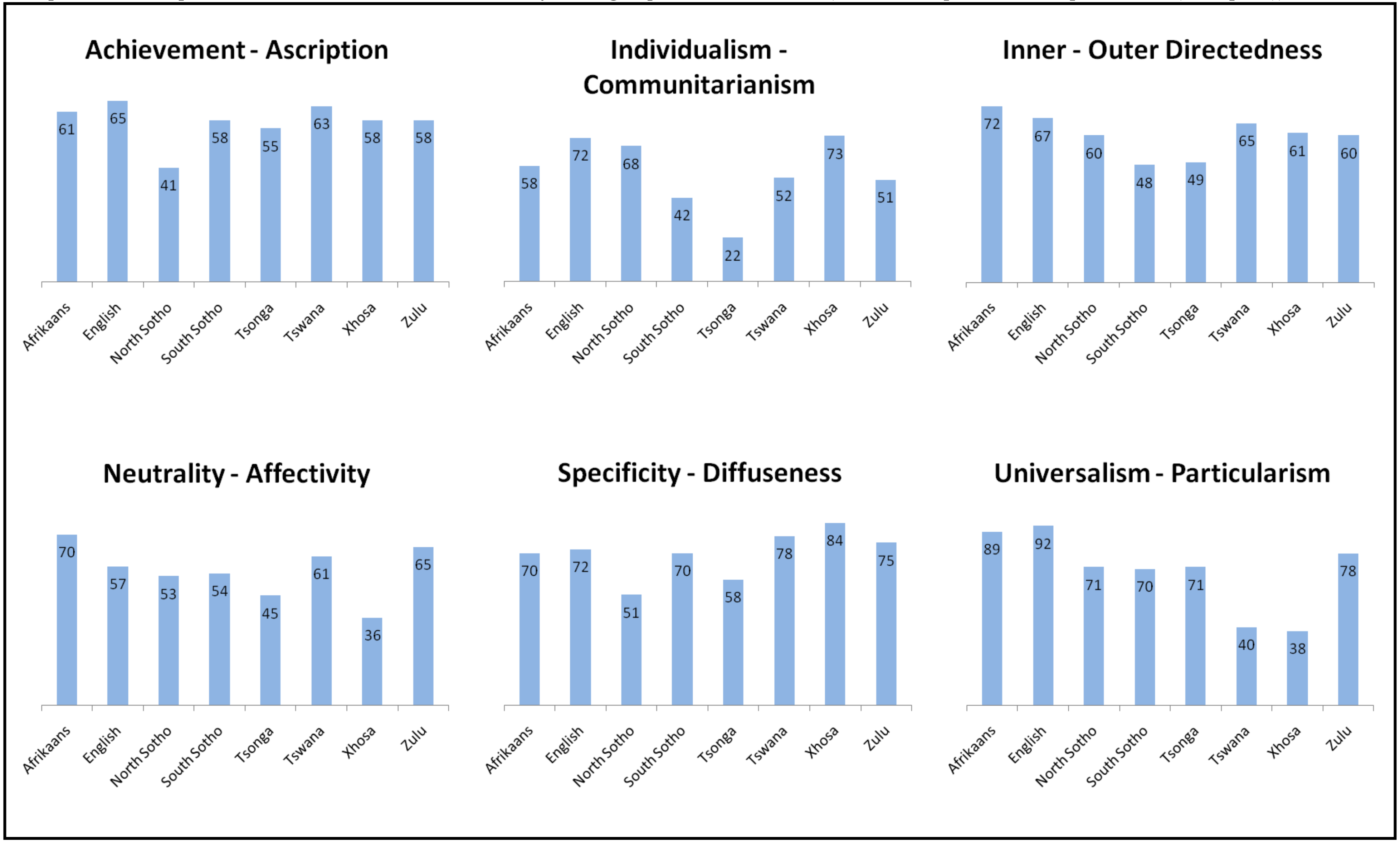
Schwartz

A further theory of cultural values has been provided by Schwartz (1999), who identified seven value types which opposed each other on three dimensions: Harmony – Mastery, Hierarchy – Egalitarianism, and Conservatism – Intellectual and Affective Autonomy[24]. These value types were also posited as relating to each other across the dimensions (with, for example, Intellectual Autonomy being more closely related to Egalitarianism than Conservatism). Schwartz developed and confirmed his theory through a survey of school teachers and university students in 49 countries, conducted between 1988 and 1993. Zimbabwe was the only African country included in the sample. For both the teacher and student samples, Zimbabwe was placed within the 'Far East' category, closest to China, India, Thailand, Singapore and Hong Kong (but excluding Japan). This was noticeably separate from both the Western European and English-speaking categories (the latter included Japan in the teacher sample). In terms of the value types, Zimbabwe ranked high on Hierarchy and

Mastery, low on Egalitarianism, Harmony and Intellectual Autonomy, and moderately on Conservatism and Affective Autonomy.

These results suggest that the cultural values of Zimbabwe are distinct from those of Western Europe, Anglo-American countries and Japan. However, the high scores on Hierarchy and Mastery (and corresponding low scores on Egalitarianism and Harmony) run counter to both expectations from literature on traditional African values and *ubuntu*, as discussed above, and to the results from Thomas & Bendixen's study in which South Africans scored very low on Power Distance (which is similar in some respects to Egalitarianism) and low on Masculinity – Femininity (indicating a preference for Femininity, which is similar in some respects to Harmony). This difference between Zimbabwe and South Africa may suggest that the two should be considered separately, and that although there may be some similarities (such as the concept of *ubuntu* / *hunhu*), there are also significant differences.

Figure 3.3
Trompenaars & Hampden-Turner's cultural orientations scores by ethnic group within South Africa ***(Source: Trompenaars & Hampden-Turner (1997, p.213))***



Summary

This section has examined the principal theories of culture in cross-cultural business studies as presented by Hofstede (2001), Trompenaars & Hampden-Turner (1997) and Schwartz (1999). Hofstede's original research grouped South Africa together with Germany, Switzerland and Italy, suggesting that South African values were more aligned with continental Europe than with other African countries, Anglo-American countries or Japan. More recent research shows a very low score for Power Distance, a low score on Masculinity-Femininity and high score for Individualism. It is possible, then, to suggest that South African values are distinctive in that they reflect a very low tolerance of inequality (low Power Distance), a preference for relationships and caring over achievement and material success (low Masculinity-Femininity), and yet a high regard for individualism over collectivism. With regard to the objectives and obligations of corporations, one could hypothesise a system in which corporations are expected to actively engage with all of their stakeholders, and take their interests into account, while at the same time making use of the markets for control and labour to reward and discipline employees and executives. Corporations would be expected to be acutely aware of the prevailing socio-economic inequality, and success would be necessarily linked to the reduction of such inequality.

Within South Africa, using the theories of both Hofstede and Trompenaars & Hampden-Turner, White and Black groups were not seen to be significantly different on any dimensions, although minor differences were apparent with Whites being marginally more tolerant of inequality (higher Power Distance) and showing a greater belief in universally binding values (higher Universalism – Particularism).

Notably, none of these studies provided any empirical evidence supporting the view that South Africans (particularly Black South Africans) are more communally-oriented that those in Western European or American countries, and in fact suggest that there is a difference between South African and other African countries in this regard (with South Africans being more individualistic than the other African countries surveyed).

Differences in moral attitudes

A number of studies have been conducted that have attempted to identify how moral attitudes and beliefs regarding businesses may differ across nationalities without drawing directly on (or informing) the theories of culture discussed above. Some of these have used the *Attitudes* *towards business ethics questionnaire* (ATBEQ) to survey samples in South Africa (Moore & Radloff, 1996), Australia (Small, 1992; Phau & Kea, 2007), the USA and Israel (Preble & Reichel, 1988), Turkey (Sims & Gegez, 2004), Jamaica (Sims, 2006), and Singapore and Hong Kong (Phau & Kea, 2007). Although the different time periods in which these studies were conducted reduces the possibility for definitive conclusions, it is possible to compare the mean scores of the different respondent groups on the different individual questionnaire items (there being a total of 30 items), and identify the degree to which South Africans may differ from or share similar attitudes towards business ethics with those from these other countries.

The questionnaire consists of 30 items that cover a range of different issues in business ethics, and uses a 5-point Likert scale that ranges from strongly disagree (1) to strongly agree (5). Due to reliability issues Phau & Kea (2007) omitted eight items from their analysis. This left 216 mean scores from seven countries (Australia was studied twice) with which the South African scores could be compared. Of these, 52 scores differed from the South African group score by more than half of one point on the Likert scale. However, 25 of these differences were between South Africa and either Singapore or Hong Kong. There were only 2 such differences between South Africa and the USA, and zero or 3 differences between South Africa and the two Australian samples. These studies strongly suggest that the attitudes of South African students to business ethics are similar to students in Anglo-American countries such as the USA and Australia. Moore & Radloff (1996, p.864) did not distinguish in their results between Black and White students, but indicate that 40% of the sample was Black, the remaining 60% being White English-speaking South Africans.

Singhapakdi & Karande (1999) conducted a survey concerning the perceived importance of ethics and social responsibility towards organisational effectiveness amongst marketing professionals in Australia, Malaysia, South Africa, and the USA. On a nine-point agree-disagree scale consisting of 7 items, the South African mean differed from the USA group mean by more than half of one point on only 1 item, and did not have any such difference with the Australian group mean. In contrast, the South African and Malaysian group means differed by more than one half of a point on 4 of the 7 items. Although Singhapakdi & Karande did not indicate the racial composition of the South African sample, it was drawn from the mailing list of the South African Institute of Marketing Management and could be assumed to consist mostly of White South Africans. Nevertheless, this does provide some further support that moral attitudes towards business in South Africa are similar to those in Anglo-American countries.

Although somewhat dated, Abratt, Nel & Higgs (1992) also conducted a survey investigating moral attitudes in business amongst managers in Australia and South Africa and found few significant differences. Using a 5-point Likert scale, there were differences greater than half of one point between the two samples on only 3 out of 28 items.

Summary

A number of studies have been carried out in Southern Africa in recent decades, either relating to the theories of culture and survey evidence presented by Hofstede, Trompenaars & Hampden-Turner, and Schwartz, or to more specific attitudes towards business ethics. The studies involving theories of culture suggest that South African values are more similar to those of continental Europe than those of other regions, but are also distinctive, with recent research showing a very low tolerance of inequality, a preference for relationships and caring over achievement and material success, and a high regard for individualism over collectivism.

Other studies comparing attitudes towards business ethics across countries suggest that South Africa maintains similar attitudes to those of Anglo-American jurisdictions such as Australia and the USA. These studies and their instruments have not been aligned with the theories of culture, so it is not possible to conclude that these results either support or contradict the results of the cross-cultural studies. However, these results do suggest that when applied to actual issues in business ethics, the distinctive nature of South African cultural values is less apparent.

3.5 Conclusion

In this chapter a number of areas in which South Africa could be considered to maintain different or distinct values and moral judgements have been considered. Firstly, the King reports on corporate governance have progressively adopted a clear stakeholder approach to corporate governance, although evidence on sustainability reporting suggests that, to date, this difference may be more theoretical that practical. The concept of the African Renaissance, as promoted by former president Thabo Mbeki, together with the New Partnership for Africa's Development is another area. These initiatives insist on a renewal of African culture and a need for Africans to develop solutions for the problems of Africa. Such a stance clearly provides room for different systems and approaches to achieving development and growth. Review of the principal NEPAD documents reveals that, although the role of the corporate governance system in addressing socio-economic imperatives is questioned, the Anglo-American view of the corporation and corporate governance is largely upheld. The 2006 Country Review Mission for South Africa did, however, highlight areas of corporate citizenship, business ethics, accountability, and relationships with shareholders and other stakeholders, and suggests an overarching belief that corporations have an obligation to be actively involved in the development of South African society.

A third area of investigation concerns the traditional moral philosophy of *ubuntu*. *Ubuntu* is generally conceived of as a traditional African philosophy that emphasises 'humanness', the interdependence of human individuals in community and the need for respect for others as ends in themselves. This could be expected to translate into expectations regarding the ways in which corporations operate and are governed, including how employees are treated, and the need to include the community as an important stakeholder. A review of how *ubuntu* and African values have been presented in professional magazines and newspaper articles indicates both that the concept can be applied to a variety of issues, and that it is typically used as a source of inspiration and as an aspirational tool. There are, however, several problems with appealing to the morality of *ubuntu*. These include potentially undesirable aspects that could be associated with the philosophy, the discontinuity of *ubuntu* and African tradition, and the limited empirical evidence that *ubuntu* is widely held. Although *ubuntu* may have a significant role to play as an ideal morality for post-apartheid South Africa, without more practical evidence of its widespread acceptance and application it would be presumptuous to consider it to represent more than a limited source of distinct or different moral judgements.

The last area to be considered was cross-cultural studies in business, and included the work of Hofstede (2001), Trompenaars & Hampden-Turner (1997) and Schwartz (1999). While South Africa was originally grouped together with the continental European countries of Germany, Switzerland and Italy by Hofstede, more recent research suggests a distinctive set of South African cultural values. This is characterised by a very low tolerance of inequality, a preference for relationships and caring over achievement and material success, and a high regard for individualism over collectivism. This could suggest a system in which the issue of socio-economic inequality is paramount, where corporations are expected to actively engage with all of their stakeholders, while at the same time making use of the markets for control and labour to reward and discipline employees and executives. However, this distinctiveness is at least partially countered by other studies that compared attitudes towards business ethics across countries and suggested few differences between South Africa and Anglo-American countries.

Overall, the analysis of the four areas presented in this chapter reveals similarity with Anglo-American and European jurisdictions in some areas, as well as limited evidence of distinctively South African prescriptions and attitudes regarding the objectives and obligations of corporations. The implications of this evidence are considered in more detail in chapter eight. The next three chapters present further investigations into differences in moral judgements that may inform the claim of Descriptive moral relativism. Chapter four introduces the methods adopted in these investigations.

Chapter 4: Researching differences in moral judgements

The claim of Descriptive moral relativism is that there are differences in moral judgements across different societies. The previous chapter considered existing evidence of differences in moral judgement relevant to corporate governance in South Africa. This chapter, together with chapters five and six, provides further evidence through two investigations into the views of professional accounting students in South Africa. In this chapter the empirical methods used to assess the claim of Descriptive moral relativism, with specific reference to the South African case and professional accounting students in South Africa, are presented. Chapter five presents the results of the quantitative survey and chapter six presents the results of the qualitative interviews.

As noted in chapter one (section 1.2) there were several reasons for choosing professional accounting students as respondents. Firstly, there is a close relationship between accounting and corporate governance, evident in the joint emphasis on internal controls, audit committees and the importance of accountability and transparency (much of which is addressed through the development of appropriate accounting standards). Secondly, professional accounting students represent a fairly homogeneous group due to the fact that their education is tightly regulated and they have similar career prospects. The group is accordingly suited to investigations into moral differences and analysis of differences between subgroups.

The methods used include (1) a structured questionnaire survey of a group of professional accounting students in South Africa, and (2) a series of semi-structured interviews with professional accounting students in South Africa. These methods address the following research objectives (as outlined in section 1.2) respectively:

1.2 To identify the extent to which professional accounting students in South Africa of different racial groups agree regarding the objectives and obligations of corporations;

1.3 To identify the extent to which professional accounting students in South Africa agree with the Anglo-American model of corporate governance regarding the objectives and obligations of corporations;

1.4 To understand how Black professional accounting students in South Africa perceive the objectives and obligations of corporations.

This chapter is divided into two sections, addressing the methods associated with these research objectives: section 4.1 deals with the structured questionnaire survey which addresses research objectives 1.2 and 1.3, and section 4.2 deals with the semi-structured interviews addressing research objective 1.4.

4.1 Structured questionnaire survey

This section presents the methodology used in the administration and analysis of the structured questionnaire survey by discussing firstly the population and sampling procedures, followed by an articulation of the research question and variables, the development of the survey instrument, and lastly, the analytical procedures used.

Population and sampling

The preliminary research objectives (as presented in the research proposal) focused on the views of professional accountants rather than professional accounting students, and it was initially envisaged that the survey could be conducted amongst professional accountants in practice, similar to previous research into ethical issues conducted amongst members of SAICA (such as Maree & Radloff, 2007). Access to conduct the survey amongst SAICA members was, however, denied in May 2008. Inquiries were thereafter made with a view to conducting the survey amongst trainee accountants at KPMG in South Africa (as the researcher is a former employee of KPMG, and drawing on an informal connection between the researcher's supervisor and a consultant for KPMG's Sustainability Services to assist in gaining access). This request was, however, denied in July 2008.

Facing these difficulties in gaining access to professional accountants, and considering that SAICA is the overwhelmingly dominant professional accounting body in South Africa, a re-orientation of the research objectives to consider professional accounting students was considered. A class of third-year professional accounting students at the University of Pretoria was then identified as a possible respondent group. This particular group was selected as it consists of students studying towards a professional accounting qualification in South Africa, it is fairly balanced in terms of racial and gender representation, and due to the relative ease of gaining access to conduct a survey at the University of Pretoria (by virtue of the researcher's status as a student at the institution). As the researcher is also affiliated to Monash University, consideration was given to also administering the survey at the South African campus of

Monash University (Monash South Africa). This possibility was rejected as the overwhelming proportion of Black students at Monash South Africa (over 90%) would preclude any investigation of differences across racial lines.

No further groups were considered for the survey for several reasons. Firstly, the survey instrument has been developed by the researcher and the single respondent group allows for the instrument to be thoroughly validated (such as through the use of factor analysis) to assist with later replication. Secondly, the number of student respondents at the University of Pretoria (157) was considered sufficient to provide relevant findings, both as a total group, and across Black and White subgroups. Thirdly, the findings are augmented by a qualitative study involving semi-structured interviews with professional accounting students in South Africa (see section 4.2). Lastly, as noted in section 1.2, the claim of Descriptive moral relativism was also investigated through a literature study of existing evidence (see chapter three).

Accordingly, the survey was conducted amongst a single (English-speaking) third-year class of professional accounting students at the University of Pretoria. Due to student numbers, each of the lectures is delivered twice, and the survey was therefore conducted at the end of two identical lectures, administered personally by the researcher to all students present at the lectures. Ethics approvals were obtained prior to administration of the survey from the Research Proposal and Ethics Committee of the Faculty of Humanities at the University of Pretoria, and the Research ethics committee of the Faculty of Economics and Management Sciences at the University of Pretoria.

The respondent group of accounting students at the University of Pretoria is a sample of the wider population of professional accounting students in South Africa. It is not a random probability sample, however, and therefore it is not meaningful to formulate statistical hypotheses or to perform inferential analysis in order to make statistical generalisations about the results of the survey (Morrison & Henkel, 1969, p.186; Shaver, 1993, p.295; De Vaus, 2002, p.171; Blaikie, 2003, p.159). This could be seen as a significant weakness when considering the generalisability of the results. However, despite the lack of statistical generalisability, there are other means through which generalisability can be argued (De Vaus, 2002, p.148). One of the most important of these is through replication studies (Shaver, 1993, p.312), and as noted above, the current study supports this through the development of a validated survey instrument and data analysis from a single site.

Even without inferential statistics or replication, some limited, non-statistical generalisability can be supported. Firestone (1993, p.16) identifies analytic generalisation to a theory and case-to-case transfers as possible techniques, and Williams (2000, p.210) notes that a 'moderatum' generalisability is already currently widespread, if unacknowledged, in interpretive research. Referring to case studies in qualitative research (which typically cannot yield statistical generalisations), Silverman (2005, p.128) identifies four ways in which non-statistical generalisations can be drawn: Combining qualitative research with quantitative measures of populations; Purposive sampling guided by time and resources; Theoretical sampling; Using an analytic model which assumes that generalisability is present in the existence of any case.

Case study research is not by necessity limited to qualitative approaches, and the respondent group from the University of Pretoria can be conceived not only as a non-probability sample of professional accounting students, but also as a single, multi-subject case study of professional accounting students in South Africa. With such a re-conception, it is possible to now consider Silverman's approaches to non-statistical generalisations in more detail (with purposive and theoretical sampling being considered together due to their similarity).

Combining qualitative research with quantitative measures of populations

Silverman (2005, p.128) refers to the use of additional quantitative measures to assist in generalising from a single case, and, citing Hammersley, notes three ways in which this can be achieved: Obtaining information about relevant aspects of the population of cases and comparing our case to them; Using survey research on a random sample of cases; Co-ordinating several ethnographic studies.

Silverman (2005, p.129) acknowledges that limited resources may restrict the student researcher to the first of these, but that this can nevertheless prove fruitful. For the purposes of this study, this involves comparing the characteristics of the respondent group to known characteristics of the population of professional accounting students in South Africa. Accordingly, some consideration of this population is necessary.

The dominant professional accounting body in South Africa is SAICA, with 29,671 members at the end of 2009 (SAICA, 2010). Other bodies include the Association of Chartered Certified Accountants, reported to have approximately 400 members (Quarshie, 2010), the Chartered Institute of Management Accountants (CIMA) which, according to Botes (2005, p.141), had approximately 1,200 practising members in 2004[25], the South African Institute of Professional Accountants (SAIPA) with over 6,000 members (SAIPA, n.d.), and the Association for Accounting Technicians which was launched in October 2008[26]. Apart from its numerical majority, at the time of writing (March 2011) SAICA members were the only accounting professionals permitted to provide external auditing services, and a 2005 survey revealed that 90% of South African business decision makers consider the CA(SA)[27] designation to be the most important business designation in South Africa (Anonymous, 2005).

Similarly, the population of professional accounting students is dominated by those students wishing to qualify as South African Chartered Accountants with SAICA. Accordingly, although there are students studying towards other professional accounting qualifications, it is appropriate to focus on this group when considering the population of professional accounting students in South Africa.

The period of education and training to qualify as a South African Chartered Accountant is tightly controlled by SAICA and prospective members must study at one of 14 institutions accredited by SAICA (see SAICA (2011) for the list). The University of Pretoria is one such accredited institution. Thirteen of these accredited institutions offer a four-year programme (one offering a three programme), so it could be argued that the University of Pretoria class is one case out of 55. Although this does give an indication of the number of student classes across the country, it should be noted that this does not take into account differences in class sizes, which can vary significantly from institution to institution, and dual offerings in English and Afrikaans at several universities.

A number of important similarities can be drawn between the University of Pretoria case and the population. Firstly, very few undergraduate university students are outside of the age range of 19-25. This is particularly true for professional accounting in South Africa (despite it including a post-graduate fourth year) as the period of formal education is followed by a minimum of three years' traineeship which typically attracts a fairly low salary (relative to other graduates) and thus is not often considered possible for older people with greater financial commitments.

Secondly, the body of knowledge that is required to be taught across the 14 accredited universities is prescribed and tightly regulated through periodic reviews by SAICA. This includes a detailed prescription of the topics and level of understanding required for the core accounting-related subjects, as well as more general syllabi for other supporting subjects such as Business Ethics, Economics, Law, Management and Statistics. Students studying towards the professional qualification typically have very few, or no, elective subjects throughout their university studies. This uniformity across the accredited institutions means that the students at the University of Pretoria can be expected to have acquired the same knowledge at university as other professional accounting students (at the same year) across South Africa.

Despite these strong similarities, which strengthen the degree to which the results of the survey can be considered generalisable, there are several areas in which differences between the respondent group and the population could occur. Firstly, the respondent group was a class to whom lectures were presented in English, while a number of classes around the country receive lectures in Afrikaans. This potential difference is mitigated by the fact that a considerable number of the students in the respondent group were Afrikaans-speaking, rendering any difference in responses that could be attributed to different language groups negligible. Secondly, the survey was limited to a single institution and a single location. Accordingly, regional differences and differences in institutional culture could conceivably present different responses. Lastly, as only full-time students have been surveyed, differences with part-time students may exist (and as many part-time students are employed in an accounting traineeship, these possible differences could be similar to differences with professional accountants in practice).

Purposive and theoretical sampling

Purposive sampling occurs when a case is selected specifically because the features or processes exhibited by that case reflect the topic of the research (Silverman, 2005, p.129). This stands in stark contrast to the random sampling used when statistical generalisations are made. Since the principal focus of this study is on potential differences between professional accounting students of different racial groups (with particular interest on differences between Black and White respondents), demographics were considered before a respondent group was selected. This resulted in the rejection of Monash South Africa classes as potential respondents due to the overwhelming proportion of Black students. After confirming the approximate demographics of accounting students at the University of Pretoria with an academic staff member at the institution, this respondent group was accepted.

Silverman (2005, p.130) notes that the only difference between purposive and theoretical sampling arises “when the ‘purpose’ behind ‘purposive’ sampling is not theoretically defined”. The interest in differences in moral judgements between students of different racial groups is driven by the claim of Descriptive moral relativism which claims that significant differences between groups exist. When applied to the development of corporate governance in South Africa a focus on racial groups is highly relevant. As noted in chapter one (section 1.1), Descriptive moral relativism is one type of moral relativism, and can be related to the other aspects of moral relativism. There is, therefore, a strong theoretical basis for the selection of the University of Pretoria case.

Silverman (2005, p.131) also refers to the inclusion of ‘deviant’ cases, and to changing the sample size during the research as characteristics of theoretical sampling. Both of these, however, are more applicable to forms of qualitative research in which an initial small, homogeneous group is studied in detail. In such research the inclusion of cases that differ from the rest of the group (‘deviant’ cases) and extending the sample size provide additional means of enhancing generalisability. (‘Deviant’ cases are referred to in the qualitative study discussed in section 4.2 of this chapter.)

Generalisability is present in a single case

This somewhat radical approach appeals to the pervasiveness of certain structures, such as cultural and linguistic structures that can be learnt from a single case (Silverman, 2005, p.134). Perakyla (cited in Silverman, 2005, p.134) even considers the possibility of generalisability to be sufficient, although again it should be noted that this refers primarily to techniques of conversation analysis. With reference to the survey of professional accounting students, however, there is no apparent structural basis upon which one could claim that generalisability is necessarily present in the single University of Pretoria case.

In conclusion, the non-random selection of accounting students at the University of Pretoria precludes any statistical generalisation of the results to the population of accounting students in South Africa. However, the strong similarities between the respondent group and the population, together with the purposive and theoretical justification for the sample provide support for a more limited, non-statistical generalisation of the results. The development of a validated survey instrument and data from a single site also allow for future replication studies.

Research question and variables

Blaikie (2003, p.14) notes that theoretical hypotheses are not considered necessary for descriptive studies. That is, whereas explanatory objectives that seek causal explanations do benefit from the specification of theoretical hypotheses before the data is collected, so that the hypotheses can then be evaluated based on the data, a descriptive objective can be achieved through acquiring and adequately describing the data. In such descriptive studies, restating the objectives as research questions, without omitting any aspect of the objectives, can provide focus for the ensuing data analysis (Blaikie, 2003, p.13). Research objective 1.2 can accordingly be reformulated as a research question as follows:

To what extent do the moral judgements relating to corporate governance differ between professional accounting students in South Africa of differing racial groups?

Research objective 1.3 can be reformulated as a research question as follows:

To what extent do the moral judgements relating to corporate governance held by professional accounting students in South Africa differ from the Anglo-American model of corporate governance with respect to the objectives and obligations of corporations?

Based on the review of corporate governance models presented in chapter two, the following variables that reflect the moral judgements relating to corporate governance were identified:

A. The moral obligations of corporations[28]:

  1. The moral importance of consumers' interests
  2. The moral importance of employees' interests
  3. The moral importance of government entities' interests
  4. The moral importance of the local community's interests
  5. The moral importance of shareholders' interests
  6. The moral importance of suppliers' interests
  7. The moral importance of the wider (national) community's interests

B. The moral objectives of corporations:

1. The moral importance of financial performance and efficiency as a corporate objective
2. The moral importance of decreasing inequality as a corporate objective
3. The moral importance of stakeholder participation as a corporate objective
4. The moral importance of social and environmental concerns as a corporate objective

Although social and environmental concerns were not specifically identified as a corporate objective in chapter two, this is included as it is considered to be an area of significant concern and an area in which moral judgements could be expected to differ.

In order to identify possible differences, the following demographic variables were identified as being of interest:

C. Racial group

   1. Asian
   2. Black
   3. Coloured
   4. Indian
   5. White

D. Gender

   1. Female
   2. Male

Respondent age was also considered; however as the respondents are all university students and typically fall within the age range of 19-25 years, it is not considered possible to obtain any meaningful results from any analysis based on age.

Development of survey instrument

Questionnaire items

The final questionnaire as distributed to the respondents is presented in Appendix five. Prior to developing a questionnaire, consideration was given to adopting an existing survey instrument. Although there have been a significant number of studies on perceptions of business ethics, very few of these relate directly to the morality of corporate governance as discussed in chapter two. Two survey instruments which could be related to the morality of corporate governance were, however, identified and include the Perceived Role of Ethics and Social Responsibility (PRESOR) scale developed by Singhapakdi *et al.* (1996), and Aupperle's (1985) instrument used to assess social responsibility orientation. Neither of these was considered suitable for the current study, however, as they do not distinguish adequately between different stakeholder groups, and the questionnaire items do not necessarily address moral judgements.

For each group of moral judgements identified above (variables A1-A7 and B1-B4), a series of questionnaire items that reflect different aspects of corporate governance was developed. For each of the variables A1-A7, regarding the moral obligations of corporations, the following eight questionnaire items were developed:

1. Corporations have a moral obligation to report on their economic activities to...
2. Corporations have a moral obligation to report on their social and environmental activities to...
3. Corporations have a moral obligation to accept new projects that generate financial benefits for...
4. Corporations have a moral obligation to accept new projects that generate social and/or environmental benefits for...
5. Corporations have a moral obligation to reject new projects that may generate financial harm for...
6. Corporations have a moral obligation to reject new projects that may generate social and/or environmental harm for...

7. During long-term strategic planning, corporations have a moral obligation to consider the interests of...

8. In day-to-day decision making, corporations have a moral obligation to consider the interests of...

Associating each of these with each of the variables A1-A7 resulted in 56 separate questionnaire items. Questionnaire items that relate to each of the variables can then be grouped into seven scales, as shown in table 4.1.

Table 4.1
Scales regarding the moral obligations of corporations

Scale name	**Description**	**Questionnaire items (see Appendix five)**
CONS	The moral importance of consumers' interests	V5, 12, 19, 26, 33, 40, 47 & 54
EMPL	The moral importance of employees' interests	V6, 13, 20, 27, 34, 41, 48 & 55
GOVT	The moral importance of government entities' interests	V7, 14, 21, 28, 35, 42, 49 & 56
LOCL	The moral importance of the local community's interests	V8, 15, 22, 29, 36, 43, 50 & 57
SHAR	The moral importance of shareholders' interests	V9, 16, 23, 30, 37, 44, 51 & 58
SUPP	The moral importance of suppliers' interests	V10, 17, 24, 31, 38, 45, 52 & 59
NATL	The moral importance of the wider (national) community's interests	V11, 18, 25, 32, 39, 46, 53 & 60

Similarly, for each of the variables concerning the moral objectives of corporations, the following three questionnaire items were developed:

1. Short-term corporate objectives (within 12 months) generate the greatest moral benefit when they are aimed at...

2. Medium-term corporate objectives (1 – 5 years) generate the greatest moral benefit when they are aimed at...

3. Long-term corporate objectives (over 5 years) generate the greatest moral benefit when they are aimed at...

Associating each of these with each of the variables B1-B4 resulted in 12 separate questionnaire items. Questionnaire items that relate to each of these variables can be grouped into four scales, as shown in table 4.2.

Table 4.2
Scales regarding the moral objectives of corporations

Scale name	**Description**	**Questionnaire items**
EFFC	The moral importance of financial performance and efficiency as a corporate objective	V61, 65 & 69
EQTY	The moral importance of decreasing inequality as a corporate objective	V62, 66 & 70
PART	The moral importance of stakeholder participation as a corporate objective	V63, 67 & 71
S&E	The moral importance of social and environmental concerns as a corporate objective	V64, 68 & 72

A total of 68 questionnaire items were therefore generated to address the moral judgements relevant to corporate governance, and specifically included aspects of reporting, accepting and rejecting projects, strategic management, decision-making and differing time horizons.

A matrix format was adopted to improve the understandability of the questionnaire (and keep it to a reasonable length) and due to its usefulness where the comparability of different responses is desired (Babbie, 1990, p.140). All questionnaire items relating to a single aspect of corporate governance were grouped together, in order to allow the respondents to clearly differentiate their moral judgements regarding variables A1-A7 and B1-B4. The item dealing with corporate reporting was selected as the first as this was considered to be the most relevant and interesting for accounting students (Babbie, 1990, p.141).

The investigation of moral judgements can be considered a form of attitude survey. Likert scales of various sorts have been extensively and successfully used in research into attitudes and, as Oppenheim (1992, p.200) notes, can be effective in providing a “reliable, rough ordering of people with regard to a particular attitude”. Accordingly, a six-point Likert scale was used, the option of a neutral response omitted in order to avoid ambiguous results. The six points of the scale were labelled: Completely agree, Mostly agree, Slightly agree, Slightly disagree, Mostly disagree, Completely disagree. The points on the Likert scale were also numbered from one to six.

Together with the 68 questionnaire items measured using the Likert scale, the first three questionnaire items addressed demographic information including the academic year, the gender and the racial group (or ‘ethnicity’[29]) of the respondent. This relates to variables C1-C5 and D1-D2. Academic year was included as when the questionnaire was drafted it was not yet clear which class or classes would be surveyed.

Validity

Validity refers to “whether a measure of a concept really measures that concept” (Bryman, 2004, p.72). A number of different aspects of validity can be identified (Babbie, 1990, p.133), some of which relate to the current study.

Face validity refers to the degree to which there is a clear and apparent correspondence of the measuring instrument with the concept being measured. The use of direct questions on moral obligations and objectives rather than more general questions on attitudes or the use of hypothetical cases removes ambiguity and enhances the face validity of the instrument. Furthermore, the questions were phrased using clear and consistent terminology that corresponds to the topic of interest (‘moral obligations’, the different stakeholder groups). It can also be argued that the use of a matrix structure prompted the respondents to consider how their views differ across stakeholders and objectives.

Content validity refers to the “degree to which a measure covers the range of meanings included within the concept” (Babbie, 1990, p.134). Variables A1-A7 and B1-B3 were chosen based on the literature review in chapter two (particularly the work of Evan and Freeman (1993), and McDonnell (2002)) and are considered to provide good coverage of the moral judgements that are implicit in the predominant models of corporate governance. Only a single variable (B4), on social and environmental concerns as a corporate objective, was added as this had not been specifically identified by McDonnell.

The questionnaire items cover a number of different aspects of corporate governance, including reporting, the acceptance and rejection of new projects, long-term strategic planning, day-to-day decision-making and different time horizons for corporate objectives. Although not all aspects of corporate governance are covered (such as audit committees, risk management and executive remuneration), the focus of the questionnaire is on measuring perceptions across different stakeholder groups and different corporate objectives. In this regard, the principal corporate governance issues are covered.

Construct validity refers to the way in which different variables relate to each other within a broader theoretical framework. In this regard, several theoretical predictions can be made regarding the different variables and scales, observance of which provides evidence of the construct validity of the instrument[30]. Firstly, in the South African (capitalist) corporate environment, shareholders would be considered to have a prominent place, and government interests would be low on the list. Table 4.3 shows the ranking of the different stakeholder groups by their means for the respondent group in total (for each scale, the mean of the mean of the eight questionnaire items).

Table 4.3
Ranking of stakeholder groups

Rank	Scale name	Variable description
1	SHAR	The moral importance of shareholders' interests
2	EMPL	The moral importance of employees' interests
3	LOCL	The moral importance of the local community's interests
4	CONS	The moral importance of consumers' interests
5	NATL	The moral importance of the wider (national) community's interests
6	GOVT	The moral importance of government entities' interests
7	SUPP	The moral importance of suppliers' interests

This ranking broadly corresponds to their theoretical relationship in a capitalist economy, particularly the prioritising of shareholders and the lower ranking of government entities.

Secondly, it would be reasonable to expect that corporations would generally be considered to have greater or wider moral obligations when new projects have the possibility of causing harm than when they may generate benefits. The mean of the mean scores for the total respondent group on the questionnaire items regarding the acceptance and rejection of new projects were calculated. Table 4.4 shows the ranking of these questionnaire items.

Table 4.4
Ranking regarding the acceptance and rejection of new projects

Rank	Questionnaire items
1	Corporations have a moral obligation to reject new projects that may generate social and/or environmental harm for...
2	Corporations have a moral obligation to reject new projects that may generate financial harm for...
3	Corporations have a moral obligation to accept new projects that generate social and/or environmental benefits for...
4	Corporations have a moral obligation to accept new projects that generate financial benefits for...

Again, this ranking corresponds to the theoretical expectation. Accordingly, there is evidence that the instrument measures what it purports to measure, and has construct validity.

Reliability

Reliability refers to the consistency of a measurement instrument (Bryman, 2004, p.70). To ensure reliability, Babbie (1990, p.133) notes that one should "ask people only questions they are likely to know the answers to, ask about things relevant to them, and be clear in what you're asking". Taking this into account, a third-year accounting class was specifically chosen as the respondent group as they would likely have some opinions concerning the moral obligations and objectives of corporations. This is particularly true when one considers that a second-year unit in professional ethics, that covers both general business ethics issues as well as ethics in the accounting and auditing professions, is a mandatory component of their studies.

Reliability can also be expressed in terms of the internal consistency of an instrument, referring to "whether respondents' scores on any one indicator tend to be related to their scores on the other indicators" (Bryman, 2004, p.71). A commonly used and accepted measure of such internal consistency in survey instruments is Cronbach's alpha. This coefficient has been computed for all of the scales and is presented in Table 4.5. According to Dunn (cited in Everitt, 2006, p.108), a coefficient of between 0.70 and 0.80 is 'respectable' and between 0.80 and 0.90 is 'very good'. As all of the scales reflect coefficients within these ranges, the internal consistency of the scales is considered acceptable.

Table 4.5
Reliability of scales

Moral obligations of corporations		**Moral objectives of corporations**	
Scale	**Cronbach's alpha**	**Scale**	**Cronbach's alpha**
CONS	0.78	EFFC	0.72
EMPL	0.75	EQTY	0.86
GOVT	0.83	PART	0.72
LOCL	0.81	S&E	0.74
SHAR	0.74		
SUPP	0.86		
NATL	0.83		

In addition to calculating Cronbach's alpha for each scale, the item-to-total correlation coefficient for each item in each scale can be calculated. This provides a measure of unidimensionality, which in turn reflects the degree to which the scale items measure a single concept. This coefficient has been calculated along with a revised Cronbach's alpha coefficient for each item, indicating what the alpha coefficient for the scale would be if that item was omitted from the scale. These have been presented in Tables 4.6 and 4.7.

Blaikie (2003, p.248) notes that it is common to reject items with an item-to-total correlation coefficient of less than 0.30. Only two questionnaire items reflected such a low coefficient (marked in bold in Table 4.6), and consequently the overall unidimensionality of the scales is considered acceptable.

The omission of scale items would improve Cronbach's alpha in only 6 of the 68 items (marked in bold in Tables 4.6 and 4.7). In most of these cases the improvement is marginal, only in the EFFC and PART scales could the improvement possibly be considered significant (from 0.718 to 0.806 and from 0.724 to 0.753 respectively). These items have not however been omitted for the purposes of analysis as the original Cronbach alpha coefficients are within an acceptable range and omission would result in scales consisting of only two items.

Table 4.6
Item-to-total correlations and reliability of questionnaire items: Moral obligations of corporations

	Scale													
	CONS		**EMPL**		**GOVT**		**LOCL**		**SHAR**		**SUPP**		**NATL**	
Questionnaire item	**Item-to-total correlation**	**Alpha if item deleted**	**Item-to-total correlation**	**Alpha if item deleted**	**Item-to-total correlation**	**Alpha if item deleted**	**Item-to-total correlation**	**Alpha if item deleted**	**Item-to-total correlation**	**Alpha if item deleted**	**Item-to-total correlation**	**Alpha if item deleted**	**Item-to-total correlation**	**Alpha if item deleted**
Corporations have a moral obligation to report on their economic activities to...	0.356	0.774	0.346	0.737	0.343	**0.835**	0.408	0.809	**0.217**	**0.750**	0.493	0.860	0.439	0.830
Corporations have a moral obligation to report on their social and environmental activities to...	0.396	0.764	0.434	0.721	**0.184**	**0.850**	0.346	**0.813**	0.497	0.707	0.606	0.848	0.455	0.825
Corporations have a moral obligation to accept new projects that generate financial benefits for...	0.586	0.731	0.424	0.725	0.621	0.803	0.551	0.787	0.467	0.712	0.612	0.848	0.570	0.812
Corporations have a moral obligation to accept new projects that generate social and/or environmental benefits for...	0.453	0.755	0.563	0.695	0.667	0.797	0.602	0.780	0.520	0.701	0.649	0.844	0.624	0.803
Corporations have a moral obligation to reject new projects that may generate financial harm for...	0.440	0.758	0.395	0.729	0.653	0.798	0.553	0.786	0.365	0.738	0.667	0.841	0.573	0.810
Corporations have a moral obligation to reject new projects that may generate social and/or environmental harm for...	0.500	0.749	0.393	0.733	0.533	0.815	0.531	0.792	0.493	0.706	0.570	0.852	0.583	0.811
During long-term strategic planning, corporations have a moral obligation to consider the interests of...	0.574	0.737	0.540	0.709	0.702	0.791	0.644	0.772	0.523	0.715	0.622	0.847	0.673	0.799
In day-to-day decision making, corporations have a moral obligation to consider the interests of...	0.551	0.741	0.500	0.711	0.707	0.790	0.631	0.775	0.515	0.704	0.691	0.839	0.603	0.807

Table 4.7
Item-to-total correlations and reliability of questionnaire items: Moral objectives of corporations

Questionnaire item	Scale: EFFC Item-to-total correlation	EFFC Alpha if item deleted	EQTY Item-to-total correlation	EQTY Alpha if item deleted	PART Item-to-total correlation	PART Alpha if item deleted	S&E Item-to-total correlation	S&E Alpha if item deleted
Short-term corporate objectives (within 12 months) generate the greatest moral benefit when they are aimed at...	0.556	0.613	0.693	0.850	0.582	0.591	0.577	0.650
Medium-term corporate objectives (1 – 5 years) generate the greatest moral benefit when they are aimed at...	0.720	0.441	0.795	0.754	0.622	0.542	0.615	0.604
Long-term corporate objectives (over 5 years) generate the greatest moral benefit when they are aimed at...	0.386	**0.806**	0.728	0.810	0.441	**0.753**	0.518	0.713

Factor analysis

Exploratory factor analysis can "identify the structure of relationships among either variables or respondents by examining the correlations between the variables or the correlations between the respondents" (Hair *et al.*, 1998, p.95). In this study, this statistical procedure is used to identify latent constructs (termed 'factors') within the total set of variables. Although variables A1-A7 and B1-B4 are theoretically grounded in the literature, factor analysis provides an alternative assessment of the structure underlying the questionnaire items, based on the correlations among the actual responses to the questionnaire. The factors identified then present alternative scales that can be used to analyse the sample data and can provide additional evidence of the validity of the scales derived from the literature.

Factor analysis was performed three times, firstly for the entire set of questionnaire items, secondly for the set of items relating to the moral obligations of corporations, and thirdly for the set of items relating to the moral objectives of corporations. Preliminary considerations include an assessment of the sampling adequacy and the sufficiency of the sample size. Sampling adequacy is assessed using the Kaiser-Meyer-Olkin (KMO) measure. The KMO for these analyses was 0.711, 0.781 and 0.734 respectively. According to Blaikie (2003, p.221), values higher than 0.700 are considered 'sufficiently high'. Sampling adequacy is therefore considered acceptable.

Blaikie (2003, p.221) notes that as a rule of thumb, the sample size should be at least 300. Osborne and Costello (2005, p.4) recommend the subject-to-item ratio be used when assessing sample size and note that despite almost one-sixth of the analyses they studied using a ratio of 2:1 or less, error rates can be significant with a ratio as high as 20:1. In this study the subject-to-item ratio is very low at 2.31 for all items, 2.80 for items relating to the moral obligations of corporations, and 13.08 for items relating to the moral objectives of corporations. The results of the factor analysis should consequently not be considered conclusive.

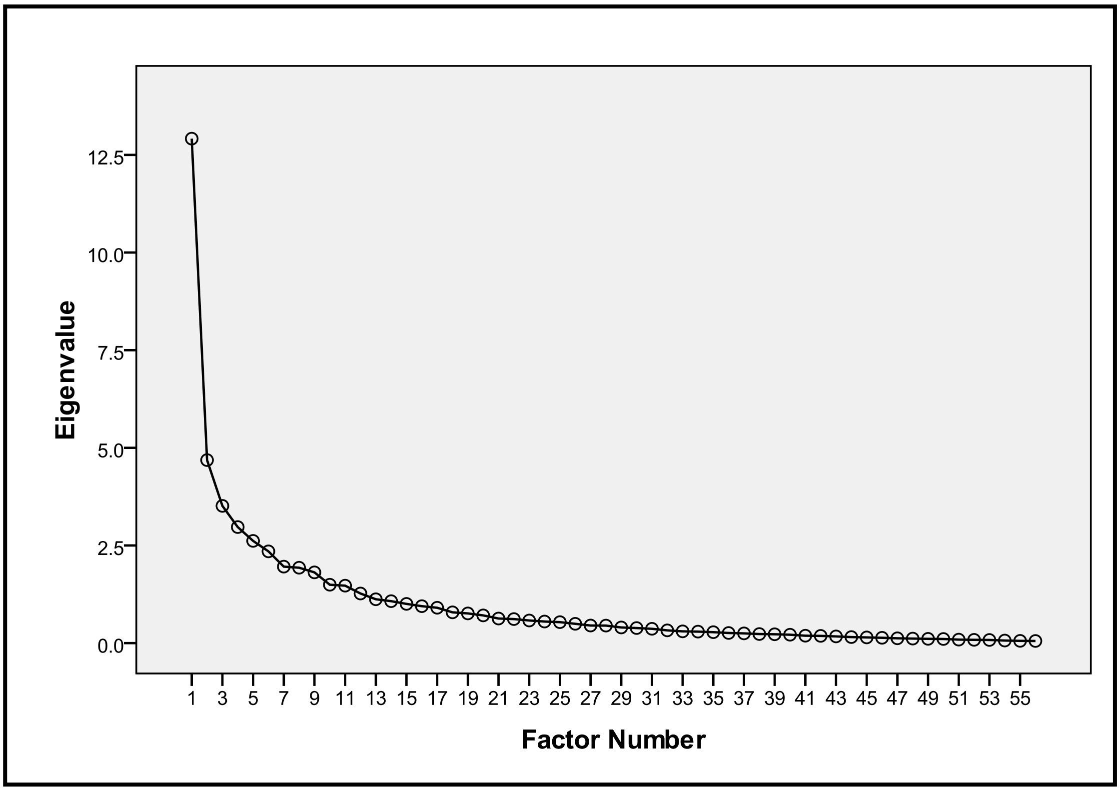
Exploratory factor analyses were performed using Principal Axis Factoring. Hair *et al.* (1998, p.102) suggest Common Factor Analysis (also known as Principal Axis Factoring) as opposed to Principal Components Analysis where the objective is to identify latent constructs underlying the variables, and that can provide an indication of structure. They also note, however, that where the number of variables exceeds 30 or the communalities exceed 0.60, there is usually no difference in the results between these two methods (1998, p.103).

A number of different approaches can be taken in determining the final number of factors. Using the Kaiser method, in which all factors with an eigenvalue greater than one are selected, Principal Axis Factor analysis with a Quartimax rotation provided 18 factors for the entire set of items. However, all of the moral objectives items had primary loadings on five factors which had no other items loading on them. As the analysis on the entire set of items did not therefore appear to add any meaningful information, it was considered more appropriate to work with separate factor analyses for the moral obligations and moral objectives items.

For the set of items relating to the moral obligations of corporations, the Kaiser method suggested a 15 factor solution. Osborne and Costello (2005, p.3) recommend that the number of factors be determined by inspection of the scree plot, rather than the Kaiser method, and Hair *et al.* (1998, p.104) also indicate that the Kaiser method can result in too many factors where there are more than 50 variables. Inspection of the scree plot involves plotting the number of factors against their eigenvalues and then identifying the point at which the curve flattens out. The number of factors at this point is then taken and factor analysis re-run specifying this number of factors. As the process is subjective, additional factor analyses specifying a different number of factors should also be run, and the simplest overall factor solution retained.

The scree plot for the set of items relating to the moral obligations of corporations is shown in figure 4.1. There are two points at which the curve could be considered to flatten out: at 7 factors and at 10 factors. Accordingly, factor analyses were run specifying the number of factors as 7, 8, 9 and 10 factors. Note that this corresponds better with the 7 scales suggested by the literature (hereafter referred to as the ‘original’ scales) than the Kaiser method.

Figure 4.1
Scree plot



The four factor analyses were then examined to identify all items that have significant loadings (considered to be those greater than 0.40) on more than one factor. The seven and eight factor solutions had the fewest secondary loadings, with each having only eight items (14%) with significant loadings on two factors. Interpretation of the factors suggested that the eight factor solution provided more detail than the seven factor solution, and consequently this solution was retained.

Within the eight factor solution, six of the 56 items did not have a loading of 0.40 or higher on any single factor (V9, 12, 13, 14, 15 & 42) and eight items had significant loadings on more than one factor (V10, 21, 24, 27, 35, 38, 39 & 43). Following Blaikie (2003, p.224), these were removed from the list of items, and the factor analysis re-run (specifying an eight factor solution). One item (V17) had loadings greater than 0.40 on two factors; this was removed from the analysis. The factors were then analysed and labelled in terms of the meaning of the contributing items, each factor was given a short name, prefixed with ‘F’ to indicate that it is derived from the factor analysis and to distinguish it from the original scales derived from the literature. Inspection of the fifth factor (F-ACCPFIN) revealed four items that addressed the moral obligation to accept projects with financial benefits for various stakeholders, and one item (V26) that referred to the moral obligation to accept projects with social and environmental benefits for consumers. As this item had the lowest loading out of the five contributing items, and the other four items all referred to accepting projects with financial benefits, this was retained as the label for the factor.

The final eight factor solution, showing the factors, descriptions of what they reflect, abbreviated descriptions of the items loading on each factor, and the factor loadings of each item, is presented in table 4.8.

This exploratory factor analysis has a number of theoretical implications. Firstly, some factors reflect the moral obligations to different stakeholders as postulated in the original scales, specifically the community (factor 1), shareholders (factor 4), government entities (factor 6) and suppliers (factor 7). Secondly, not all factors correspond to individual stakeholder groups, but reflect correlated responses regarding different aspects of corporate governance, notably the moral obligation to reject projects causing harm to stakeholders (factor 2), the moral obligation to report on economic activities to stakeholders other than shareholders (factor 3) and the moral obligation to accept projects generating financial benefits for stakeholders (factor 5). Thirdly, the first factor (with the greatest eigenvalue) combined items addressing moral obligations to both the local community and the wider community - the questionnaire responses therefore did not distinguish between these two stakeholders. Fourthly, day-to-day decision-making and long-term strategic planning for consumers and employees were correlated (factor 8).

It is also of interest to note that the single questionnaire item with the lowest primary loading (V9, with a loading of 0.152) addressed the moral obligation to report on economic activities to shareholders. This central aspect of corporate governance (particularly the shareholder model) is thus seen by the respondents as separate to other items in the questionnaire. As much of the questionnaire deals with other stakeholders and non-financial aspects of corporate governance, this could be seen as providing further evidence of the validity of the instrument (in that a distinction between the shareholder model and the stakeholder model is anticipated in the literature).

Table 4.8
Moral obligations of corporations: final eight factor solution

Factor 1: F-COMM	Factor loading	Factor 2: F-REJC	Factor loading	Factor 3: F-ECONREP	Factor loading	Factor 4: F-SHAR	Factor loading
Moral obligations to the community		**Moral obligation to reject projects causing harm to stakeholders**		**Moral obligation to report on economic activities to stakeholders other than shareholders**		**Moral obligations to shareholders**	
Moral obligation to accept projects with soc. & env. benefits for wider community (V32)	.793	Moral obligation to reject projects with financial harm for consumers (V33)	.670	Moral obligation to report on economic activities to local community (V8)	.679	In long-term strategic planning moral obligation to consider interests of shareholders (V51)	.635
Moral obligation to accept projects with soc. & env. benefits for local community (V29)	.717	Moral obligation to reject projects with soc. & env. harm for employees (V41)	.655	Moral obligation to report on economic activities to wider community (V11)	.669	Moral obligation to accept projects with soc. & env. benefits for shareholders (V30)	.615
Moral obligation to reject projects with soc. & env. harm for wider community (V46)	.689	Moral obligation to reject projects with financial harm for employees (V34)	.643	Moral obligation to report on economic activities to consumers (V5)	.520	In day-to-day decision making moral obligation to consider interests of shareholders (V58)	.603
In long-term strategic planning moral obligation to consider interests of wider community (V53)	.672	Moral obligation to reject projects with financial harm for local community (V36)	.628	Moral obligation to report on economic activities to government (V7)	.506	Moral obligation to accept projects with financial benefits for shareholders (V23)	.572
In day-to-day decision making moral obligation to consider interests of wider community (V60)	.647	Moral obligation to reject projects with soc. & env. harm for consumers (V40)	.602	Moral obligation to report on economic activities to employees (V6)	.407	Moral obligation to report on soc. & env. activities to shareholders (V16)	.509
In day-to-day decision making moral obligation to consider interests of local community (V57)	.624	Moral obligation to reject projects with financial harm for shareholders (V37)	.588				
In long-term strategic planning moral obligation to consider interests of local community (V50)	.576	Moral obligation to reject projects with soc. & env. harm for shareholders (V44)	.530				
Moral obligation to report on soc. & env. activities to wider community (V18)	.547						

Table 4.8 (continued)
Moral obligations of corporations: final eight factor solution

Factor 5: F-ACCPFIN	Factor loading	Factor 6: F-GOVT	Factor loading	Factor 7: F-SUPP	Factor loading	Factor 8: F-CONSEMP	Factor loading
Moral obligation to accept projects with financial benefits to stakeholders other than shareholders		**Moral obligations to government entities**		**Moral obligations to suppliers**		**Moral obligations regarding the management of consumers and employees**	
Moral obligation to accept projects with financial benefits for consumers (V19)	.688	In day-to-day decision making moral obligation to consider interests of government (V56)	.756	Moral obligation to reject projects with soc. & env. harm for suppliers (V45)	.650	In day-to-day decision making moral obligation to consider interests of consumers (V54)	.678
Moral obligation to accept projects with financial benefits for wider community (V25)	.546	In long-term strategic planning moral obligation to consider interests of government (V49)	.729	Moral obligation to accept projects with soc. & env. benefits for suppliers (V31)	.593	In long-term strategic planning moral obligation to consider interests of employees (V48)	.600
Moral obligation to accept projects with financial benefits for employees (V20)	.531	Moral obligation to accept projects with soc. & env. benefits for government (V28)	.576	In day-to-day decision making moral obligation to consider interests of suppliers (V59)	.568	In long-term strategic planning moral obligation to consider interests of consumers (V47)	.527
Moral obligation to accept projects with financial benefits for local community (V22)	.489			In long-term strategic planning moral obligation to consider interests of suppliers (V52)	.426	In day-to-day decision making moral obligation to consider interests of employees (V55)	.464
Moral obligation to accept projects with soc. & env. benefits for consumers (V26)	.475						

For the set of items relating to the moral objectives of corporations, the factor analysis was somewhat simpler. Principal Axis Factor analysis using a Varimax rotation provided a three factor solution using the Kaiser method, with no secondary loadings and all primary loadings over 0.40. Inspection of the scree plot confirmed a three factor solution. The final factor solution is shown in table 4.9.

The factor solution presents two factors (factors 2 and 3) that are identical to the original PART and EFFC scales. The first factor, however, combines the items addressing the moral importance of decreasing inequality and of social and environmental concerns into a single factor (although the items addressing social and environmental concerns have lower loadings than the items dealing with decreasing inequality).

Finally, the reliability and unidimensionality of all factor scales was tested using Cronbach's alpha and item-to-total coefficients. The Cronbach's alpha coefficients ranged from 0.73 to 0.86 across these scales and they can therefore be considered to be internally consistent. There were no items which had an item-to-total coefficient of less than 0.30, and accordingly the scales are considered unidimensional.

For the purpose of analysing the results of the questionnaire, two sets of scales are therefore used (with some overlap). Firstly, the original scales which were derived from the review of the literature in chapter two and which influenced the design of the questionnaire, and secondly, the scales derived from the exploratory factor analysis.

For the moral obligations of corporations, this includes the CONS, EMPL, GOVT, LOCL, SHAR, SUPP and NATL (original) scales, and the F-COMM, F-REJC, F-ECONREP, F-SHAR, F-ACCPFIN, F-GOVT, F-SUPP and F-CONSEMP (factor analysis) scales.

For the moral objectives of corporations, this includes the EFFC, EQTY, PART, S&E and F-EQS&E scales (F-EFFC and F-PART being identical to EFFC and PART).

Table 4.9
Moral objectives of corporations: final three factor solution

Factor 1: F-EQS&E	Factor loading	Factor 2: F-EFFC	Factor loading	Factor 3: F-PART	Factor loading
Medium-term objectives generate greatest moral benefit when decreasing inequality within corp. (V66)	.816	Medium-term objectives generate greatest moral benefit when improving fin performance & eff. (V65)	.882	Medium-term objectives generate greatest moral benefit when encouraging participation of stakeholders (V67)	.788
Long-term objectives generate greatest moral benefit when decreasing inequality within corp. (V70)	.804	Short-term objectives generate greatest moral benefit when improving fin performance & eff. (V61)	.738	Short-term objectives generate greatest moral benefit when encouraging participation of stakeholders (V63)	.740
Short-term objectives generate greatest moral benefit when decreasing inequality within corp. (V62)	.720	Long-term objectives generate greatest moral benefit when improving fin performance & eff. (V69)	.460	Long-term objectives generate greatest moral benefit when encouraging participation of stakeholders (V71)	.425
Long-term objectives generate greatest moral benefit when addressing soc. & env. concerns (V72)	.546				
Medium-term objectives generate greatest moral benefit when addressing soc. & env. concerns (V68)	.543				
Short-term objectives generate greatest moral benefit when addressing soc. & env. concerns (V64)	.483				

Analysis of results

The results of the survey questionnaire are presented in chapter five. This section briefly outlines the procedures adopted in the analysis of the results.

The questionnaire items that address the respondent's racial group ('ethnicity'), gender and academic year are all categorical, nominal data. The items that deal with moral judgements, and were recorded on the six-point Likert scale, are technically categorical, ordinal data; however, as noted by Blaikie (2003, p.215) it is common practice to treat these as metric, interval data, making the assumption that the distances between the six points are all equal. Note that as the actual questionnaire included the numerals 1 to 6 for each item, this assumption is reasonable.

The overall questionnaire responses were analysed using descriptive statistics which include the mean scores on the various scales, frequency distributions, considerations of the range, skewness and kurtosis of the distributions, normality and the existence of outliers. Calculating the mean score for each respondent on each scale provides a score that can be compared to other respondents, even when responses on individual scale items may be missing. When reporting group results the mean of these mean scores was calculated and is referred to. Note that rather than presenting all possible descriptive statistics, these are presented only where they contribute to achieving one of the research objectives.

As noted in the section on the population and sampling procedure (section 4.1) above, the respondent group is not a random sample, and consequently generalisations through the use of inferential statistics is not meaningful. This includes the development of statistical hypotheses and tests of statistical significance, as Blaikie (2003, p.189) indicates:

> "...tests of significance are only relevant when we are trying to estimate whether the results we have obtained in a probability sample (or samples) are also present in the population (or populations) from which the sample (or samples) were drawn. Such tests have nothing to do with the importance of the findings, with the degree of completeness of an explanation or with handling errors that may have crept inadvertently into our research."

This does not mean that statistics are not used in the analysis, only that these are limited to measures of practical significance. These calculate effect size and are particularly useful for identifying the magnitude of any relationship between variables such as racial group and the mean scores on the various scales. The actual measures used depend on whether the variables are nominal, ordinal or interval, and whether the relationship is symmetrical or asymmetrical (directional), and linear or non-linear. The measures used for the analysis, with their characteristics, are presented in table 4.10. More details regarding the circumstances in which these measures are used is provided in chapter five along with the discussion of the results.

Table 4.10
Measures of effect size

Statistic	**Characteristics**
Eta (η) and Eta squared (η^2)	Nominal and interval data, symmetrical, non-linear
Pearson's correlation coefficient (*r*) and the coefficient of determination (R^2)	Metric data (including dichotomous categorical data), symmetrical, linear
Cramér's V	Nominal and ordinal data, symmetrical, non-linear
Lambda (λ)	Nominal and ordinal data, asymmetrical, non-linear

The combination of different measures of effect size enables a thorough investigation of the sample data and the identification and analysis of differences. There is, however, no absolute, objective procedure to assess the importance of these measures and some subjective judgement is required. For the purposes of this study, the value of the coefficients calculated for each of these statistics is interpreted following Blaikie's convention (2003, p.100), presented in table 4.11 (for a similar interpretation see De Vaus (2002, p.272)).

Table 4.11
Convention for interpreting measures of effect size

Coefficient value	Strength of association
0.00	None
0.01 - 0.09	Negligible
0.10 - 0.29	Weak
0.30 - 0.59	Moderate
0.60 - 0.74	Strong
0.75 - 0.99	Very strong
1.00	Perfect

For illustrative purposes only, the results of tests of statistical significance (*t*-tests and ANOVAs) are presented as an appendix to chapter five.

4.2 Semi-structured interviews

This section presents the methodology used in the administration and analysis of the semi-structured interviews by addressing firstly the population and sampling procedures, followed by the research questions and interview schedule, and then the analytical procedures used.

Population and sampling

The primary intention of the semi-structured interviews was to gather "'authentic' understanding of people's experiences" (Silverman, 2005, p.20), and their perceptions, that could provide information concerning how the interviewees perceive the objectives and obligations of corporations. The interviews were analysed using qualitative techniques, and the sample was selected based on theoretical criteria, working within the practical resources and access available to the researcher.

Theoretical sampling refers to the sampling strategy that originated in the grounded theory approach developed by Glaser and Strauss (1967), in which cases are selected based on the underlying theory and the manner in which they can contribute to the development of that theory (Bryman, 2004, p.305). The theory continues to develop as additional cases are selected until a point of 'theoretical saturation' is reached. This is described by Strauss and Corbin (1998, p.212) as the point at which

> "(a) no new or relevant data seem to be emerging regarding a category, (b) the category is well developed in terms of its properties and dimensions demonstrating variation and (c) the relationships among the categories are well established and validated"

Although this study does not follow a grounded theory approach, such a theoretical sampling strategy is widely adopted in qualitative studies (Bryman, 2004, p.102). In this study, theoretical sampling is evident in several specific aspects. Firstly, the research seeks to provide evidence either for or against the claim of Descriptive moral relativism that there are differences in moral judgements between different groups. Semi-structured interviews are well-suited to gaining an in-depth understanding of how a group of interviewees perceives the objectives and obligations of corporations. Such an understanding enables an analysis of the interviewees' beliefs, and a comparison of these beliefs with the morality underlying different models of corporate governance (particularly the Anglo-American model that has shaped corporate governance structures in South Africa) can then identify possible differences in moral judgement. As the majority of the population of South Africa is Black, a sample consisting of Black professional accounting students in South Africa is consequently considered theoretically appropriate.

Secondly, following Silverman (2005, p.132), one of the features of theoretical sampling involves the choice of 'deviant' cases as "negative instances as defined by the theory". In the sample obtained, it became apparent that there are two groups of interviewees that could represent 'deviant' cases: students who originated from Kenya and White students. Both of these groups could be expected to present views that differ from the other Black students if the claims of Descriptive moral relativism regarding East African differences, and Black / White differences are true. These two groups were indeed analysed separately, as described in the 'Analysis of results' section below and in chapter six.

In order to obtain a sample from the population of professional accounting students in South Africa, interviewees were invited from two educational institutions. Firstly, a total of 122 emails (43 to a second-year class, and 79 to a third-year class) were sent to professional accounting students at Monash South Africa during September 2008, providing a brief explanatory statement and inviting them to participate in the research project. Secondly, the researcher attended two lectures of a third-year taxation class (that is aimed at, and is a mandatory requirement for professional accounting students) at the University of Pretoria and invited students to participate in the research project. There were 24 positive responses to the emails and 4 responses from the taxation class. Several students cancelled or did not arrive at the interview, resulting in a final total of 21 interviewees (18 from Monash South Africa, 3 from the University of Pretoria). The University of Pretoria and Monash South Africa were targeted due to the relative ease of access to students at these institutions, owing to the researcher's status as student at the University of Pretoria and former lecturer at Monash South Africa. The higher response from Monash South Africa students can be attributed to their familiarity with the researcher as a former lecturer at that campus.

All 21 face-to-face interviews were conducted during October 2008. A single hour was allocated for each interview, and they ranged in duration from 23 minutes to just over one hour, with the mean duration being 38 minutes. All interviews were conducted one-to-one in a private office or meeting room on the premises of either Monash South Africa or the University of Pretoria. A digital voice recorder was used to record the interviews and a South African transcription service was then used to transcribe the interviews. These transcripts were subsequently reviewed and edited by the researcher to ensure that, as far as possible, they present a complete and accurate reflection of the interviewees' comments. Ethics approvals for the interviews were granted by the Research Committee at Monash South Africa, the Standing Committee on Ethics in Research Involving Humans at Monash University in Australia, the Research Proposal and Ethics Committee of the Faculty of Humanities at the University of Pretoria, and the Research Ethics Committee of the Faculty of Economics and Management Sciences at the University of Pretoria.

Of the 21 interviewees who responded to the invitation, 14 were male and 7 were female. Regarding racial group, 18 of the 21 interviewees were Black, and the remaining 3 were White. Regarding country of origin, 8 students were from South Africa, 4 were originally from Botswana, 2 were originally from Kenya, 6 were originally from Zimbabwe, and 1 had family ties with both South Africa and Zimbabwe. All 3 White students were from South Africa. The demographic information for each interviewee is presented in table A6.1 in Appendix six.

The inclusion of students with different countries of origin could be seen to introduce country of origin as a factor in the analysis. As noted in chapter two (section 2.4), however, corporate governance in other African countries is similar to that in South Africa. Furthermore, Botswana, Kenya and Zimbabwe all have colonial (British) legacies and continue to face problems of post-colonial socio-economic development. Botswana and Zimbabwe in particular have strong cultural ties with South Africa, sharing the Tswana and Ndebele languages as well as the concept of *ubuntu* (see section 3.3 in chapter three). Nevertheless, the possibility of country of origin being a relevant factor was considered and specifically addressed by asking the interviewees if their understanding of African values (and *ubuntu* in particular) from their country of origin differed to that in South Africa. Those with Botswana or Zimbabwe as their country of origin indicated that there was no difference, those with Kenya as their country of origin did note some difference. Country of origin was accordingly not considered to be a relevant factor for those students who originated from Botswana or Zimbabwe. The Black students that originated from South Africa, Botswana or Zimbabwe were consequently analysed as a single group, providing moral views that are relevant to corporate governance in South (and, by implication, Southern) Africa and that could be coherently compared to the moralities underlying various models of corporate governance (particularly the Anglo-American model). As noted above, students who originated from Kenya were considered as possible ‘deviant’ cases and these were analysed (and reported) separately.

Following Firestone (1993, p.16), Williams (2000, p.210) and Silverman (2005, p.128), and as detailed in section 4.1 above, arguments can be made for non-statistical generalisability based on, for instance, similarities between the sample and the population and the use of theoretical sampling. However, the primary purpose of the semi-structured interviews is to provide rich accounts of how the interviewees perceive the objectives and obligations of corporations. This stands in contrast to the more restricted interpretation of moral judgements possible using quantitative approaches (see section 4.1). For the purposes of the qualitative study, a small but theoretically appropriate sample is necessary and appropriate.

Research question and interview schedule

To assist in providing focus in both conducting the interviews and the data analysis, the research objective can be reformulated as a research question as follows:

How do Black professional accounting students in South Africa perceive the objectives and obligations of corporations?

In order to encourage the interviewees to provide detailed descriptions of their perceptions, the interviews were semi-structured. Bryman (2004, p.321) describes semi-structured interviews as those where the researcher has a list of interview questions but allows the interviewees considerable leeway in their responses. Although typically all the interview questions are asked, they may not follow the list sequence, and additional questions can be added to follow on from comments made during the interview. This allows the interview to be "flexible, responding to the direction in which interviewees take the interview and perhaps adjusting the emphases in the research as a result of significant issues that emerge in the course of interviews" (Bryman, 2004, p.320). At the same time this allows 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). Accordingly, this is considered an appropriate form of interview to answer the research question posed above.

An interview schedule was developed which contained six specific questions to be covered during the interview, as follows (the full interview schedule is provided in Appendix seven):

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?

These questions were chosen as they enable a thorough analysis of how the interviewees perceive the moral obligations and objectives of corporations, from several different perspectives. Whereas the first two questions address the topic directly, the third and fourth questions were included to solicit further information and stimulate further consideration of the topic, particularly if the response to the first two questions was limited. The last two questions addressed issues considered particularly relevant to the South African context.

Rubin and Rubin (2005, p.129) note that the structure of an interview consists of main questions, follow-up questions and probes:

> "Main questions are worked out in advance to make sure you cover all the major parts of your research problem, whereas the follow-up questions ask for explanation of themes, concepts, or events that the interviewee has introduced. Probes help manage the conversation by keeping it on topic, signalling the desired level of depth, and asking for examples or clarification."

Extensive use was made of follow-up questions and probes. While these varied from interview to interview, some follow-up questions and probes were used across most interviews. Typical follow-up questions included asking the following: whether the interviewee considered profit-making to be a moral objective, if the interviewee could rank stakeholders according to importance, if they thought that companies are ever morally obliged to sacrifice profits in order to achieve some other obligation or objective, if they considered that corporations had obligations extending beyond those prescribed by law, whether they considered there to be differences between themselves and their family groups, what they thought of corporate morality at present. Probes were less consistent from interview to interview and usually involved asking for clarification after the interviewee had expressed a certain view, asking the interviewee to elaborate on 'why' they held a particular view, and providing some prompts for certain questions (such as mentioning possible moral objectives of corporations after asking the second question in the schedule).

Analysis of results

After the interviews were transcribed and edited for completeness and accuracy by the researcher, the transcripts were imported into QSR Nvivo qualitative data analysis software. This software stores the data and facilitates the coding of data into categories (with possible multiple coding, re-coding or changes to categories) without the use of hard copies.

The interview data was analysed firstly by coding the interviewees' responses into categories. Bryman (2004, p.399) discusses two common approaches to qualitative data analysis: Analytic induction and Grounded theory. Analytic induction proceeds by postulating a hypothesis that explains the phenomena under investigation, examining the data, and then redefining or reformulating the hypothesis (Bryman, 2004, p.400). In contrast, grounded theory does not begin with a theoretically inspired hypothesis, but through examination of the data, concepts and relationships are identified which are then used to specify a theory (Bryman, 2004, p.401). These two approaches apply primarily to research that seeks to explain and/or predict certain phenomena. As this study is primarily descriptive, however, neither the testing nor emergence of theory is the purpose of the research, and consequently the analysis cannot be considered as falling precisely within the approaches of either analytic induction or grounded theory. However, the basic technique through which qualitative data are examined (in both approaches) is maintained in this study. That is, the interview data are examined closely in order to identify themes or categories through which the interviewees expressed their perceptions of the moral objectives and obligations of corporations. Similar comments (often from different interviewees) were then grouped together in these categories.

Initially, categories were set up to correspond to the moral philosophies and stakeholder groups that were identified in chapter two. Two sets of categories were created, one for moral comments, the other for non-moral comments. Within the 'moral comments' set, categories were created for Communitarian ethics, Consequentialism, Kantian ethics, Virtue ethics, Other moralities as well as for moral comments with no indication of any underlying philosophy. Subcategories within each of these were created for the different stakeholder groups. An additional category was created for 'general moral comments' to include data that could not be placed in any of the other preconceived categories. The 'non-moral comments' set included categories for each of the stakeholder groups, as well as an 'irrelevant' category to include information that did not relate to the research question, such as introductory and closing comments. The initial categories are shown in table A8.1 in Appendix eight.

Early on in the coding process it became apparent that these categories would not adequately capture the accounts provided by the interviewees. Accordingly, the categories were continually revised and new categories added. This included summarising the information by stakeholder group rather than moral philosophy, and adding a number of categories under 'general moral comments'. To some extent these additional categories correspond to the list of interview questions and follow-up questions. Deriving the categories from the data, rather than simply grouping the interview data in terms of the interview schedule questions, however, has the benefit of ensuring that interviewee comments relating to a certain category are coded together, even if they were made in response to different questions. The final set of categories is provided in table A8.2 in Appendix eight. The use of non-moral categories, including those for irrelevant, not comprehensible or other unsuitable data, meant that all interviewee responses could be coded. Reviewing the data sources for any uncoded data therefore provided a further check on the completeness of the data being analysed.

The first aim of the analysis was to provide a thorough description of the views of the interviewees. The interviewee comments were printed by the categories in which they were coded, and then reviewed and briefly summarised on hard copies of the category printouts. The printouts included ‘coding stripes’, which provided an indication of what categories the information was assigned to. Inspection of the coding stripes during the review process provided a further check that the data had been appropriately and accurately coded.

These summaries were then used to write the descriptions of interviewee perceptions presented in chapter six. Where appropriate, the number of interviewees that answered a particular question and that offered a particular viewpoint was counted and is reported alongside a description of the viewpoint itself. During the summarisation process, specific comments made by interviewees that clearly encapsulated a given viewpoint were highlighted. Some of these have been presented in the description provided in chapter six.

The quantity of the interview data meant that a degree of selection was necessary in reporting the interviewees’ perceptions. In the process of summarising the data it became apparent that certain categories would be more informative than others in terms of analysing interviewee perceptions with reference to the underlying morality of corporate governance models (primarily the Anglo-American model). The more important categories were considered to be those that addressed the interviewees’ own perceptions concerning the moral obligations of corporations, the priorities of corporations and the relevance of traditional African values in modern businesses. Accordingly, the categories that included interviewee perceptions regarding different viewpoints amongst different groups were omitted from the description and analysis presented in chapter six. These included perceived differences between different students and with the interviewee’s family, between businesspeople of different racial groups, and the interviewees' perceptions of different attitudes in the workplace. These have been indicated with an asterisk in table A8.2. As a crude indicator, the omitted categories include 19,099 words, compared to 106,915 words within the categories included in the description and analysis.

Following summarisation and description of the selected categories, the views of the interviewees were reviewed and consideration was given as to how these views compare to the beliefs that underlie the dominant models of corporate governance (primarily the Anglo-American model). Following Bryman's (2004, p.411) insistence that "findings acquire significance in our intellectual community only when you have reflected on, interpreted and theorized your data", the results as presented thus reflect not only what the interviewees communicated, but also some interpretation of the data. This interpretation is presented alongside the description of the interviewees' perceptions in chapter six. Lastly, the views of the students who originated from Kenya and the White interviewees were summarised and described in the same way, before being analysed in terms of how they compare to the views of the other interviewees. Further analysis of the implications of the results of this study for the claims and arguments of moral relativism is presented in chapter eight.

Validity

Babbie (1990, p.133) states that "validity refers to the extent to which an empirical measure adequately reflects the *real meaning* of the concept under consideration" (italics in original). One aspect of this is 'face' validity, which refers to the fit between the data and the concepts ostensibly under investigation (Dey, 1993, p.254). A review of the interview schedule (see Appendix seven) reveals that it does address the objectives and obligations of corporations. Where 'face' validity is often considered by subjective assessment, 'content' validity refers to "the degree to which a measure covers the range of meanings included within the concept" (Babbie, 1990, p.134) and thus provides a more structured consideration of validity. In this study, adequate coverage of the 'range of meanings' was obtained by specifically designing the interview schedule to include a number of questions, all of which addressed the topic of investigation, but from different perspectives. They included direct questioning on the moral obligations and objectives of corporations, as well as other questions such as those regarding morality in the workplace and the role that traditional African values might play. Furthermore, extensive use was made of follow-up questions and probes that allowed for both breadth and depth in the investigation, served to keep the interview on the topic, and provided further information on areas of specific concern where the opportunity arose.

Dey identified ‘construct’ validity as a further aspect of validity and described it as the “fit (or lack of it) between the concepts we are using and previously established and authoritative concepts” (Dey, 1993, p.255). In this study, the concepts under investigation have been described in some detail, within their academic context, in chapter two. The description and analysis of the interview data was conducted with regard to these concepts.

Dey identified ‘criterion’ validity as a third aspect, which refers to the “fit (or lack of it) between measures provided by different indicators” (Dey, 1993, p.255). Although this cannot be achieved by the interviews alone, a degree of criterion validity is achieved through the use and comparison of qualitative and quantitative (see section 4.1) approaches.

Overall, Dey (1993, p.255) considers that the “whole thrust of qualitative analysis is to ground our account empirically in the data” and notes a number of ways in which this can be demonstrated. These include noting “borderline, extreme and negative as well as straightforward or typical examples” (Dey, 1993, p.256) as well as considering the frequency in which patterns or examples occur. Accordingly, the account of the interviewees’ perceptions provided in chapter six includes not only a description of their views, but, where possible and appropriate, the identification of interviewees with divergent views, and a simple quantification of the frequency of certain perceptions.

Lastly, there are several areas in the research process where it could be argued that there is a potential for bias to present itself. The fact that interviewees were asked to volunteer could lead to a ‘self-selection’ or ‘volunteer’ bias. This could affect the results of the study to the extent that those who are more willing to share their perceptions in the interview setting maintain different views to those who are not. As the interviews were clearly only conducted with those who volunteered, there is no empirical evidence to indicate that this is not the case. However, it would be difficult to theoretically justify a link between the willingness to share one’s views and one’s perceptions concerning the obligations and objectives of businesses. The likelihood of there being a significant bias in this respect is accordingly considered low.

Wherever interviews are conducted the potential for ‘interviewer’ bias exists. This refers to the effect that characteristics of the interviewer have on the interviewees. These characteristics include gender, age, race and any positions of power such an employer or teacher. In this study, the interviewer was a former lecturer of 18 of the 21 interviewees. As a former lecturer, and as the lecturer no longer worked at the interviewees' campus, this position of power was significantly weakened. The fact that students at Monash South Africa expressed a greater willingness to be interviewed than those at the University of Pretoria, who were less acquainted with the interviewer, also suggests a level of familiarity that belies the existence of a significantly adverse power relationship. The other principal area of possible bias relates to the difference in racial group, where most of the interviewees are Black and the interviewer is White. Seidman (1998, p.83) notes that while cross-racial interviewing can be problematic and difficult (mainly in terms of establishing a relationship), he also notes that "interviewing requires interviewers to have enough distance to enable them to ask real questions and to explore, not to share, assumptions" (Seidman, 1998, p.84). In this sense, the difference in racial group could actually be considered beneficial as it allows questions such as those concerning traditional African values to be posed by an apparent 'outsider', allowing the interviewees to provide a description without any presupposed assumptions.

Reliability

Babbie (1990, p.132) describes reliability as "a matter of whether a particular technique, applied repeatedly to the same object, would yield the same result each time". This is difficult to achieve in much qualitative research where replication may be impossible. However, a certain degree of internal reliability can be obtained by being consistent and systematic in the data collection, description and analysis. The use of the same interview schedule across all interviewees, and similar follow-up questions with many interviewees contributes to this internal reliability. The systematic approach towards categorisation, summarisation, description and analysis described above also ensures some level of internal reliability. Babbie (1990, p.133) also notes that in order to maximise reliability one ought to "ask people only questions they are likely to know the answers to, ask about things relevant to them, and be clear in what you are asking". This is achieved through the selection of interview questions that are appropriate for second and third-year accounting students, a sample selection process that invited volunteers after describing the topic of the research, and the use of a semi-structured interview that allowed for questions to be repeated or reworded during the course of the interview.

Lastly, Dey (1993, p.251) notes that "if we cannot expect others to replicate our account, the best we can do is explain how we arrived at our results." The information provided in this section, together with the inclusion of the categories used in tables A8.1 and A8.2 (in Appendix eight) goes some way to providing such an explanation.

4.3 Conclusion

An essential part of any empirical research is an adequate description of the methods used in conducting the research. This allows for an appropriate understanding and appreciation of the results of the research, as well as facilitating replication. This chapter has provided a detailed account of the research methods that are used to assess the claim of Descriptive moral relativism with regard to professional accounting students in South Africa. These methods comprise a quantitative structured questionnaire survey and a series of qualitative semi-structured face-to-face interviews. The questionnaire survey was conducted with a class of professional accounting students at the University of Pretoria, and the face-to-face interviews were conducted with a volunteer group of professional accounting students from both the University of Pretoria and Monash South Africa.

As noted in chapter one (section 1.2), the combination of quantitative and qualitative methods represents a form of triangulation where they both contribute to providing evidence for the same overall research objective. The overall research objective in this case refers to the claim of Descriptive moral relativism and concerns possible differences in moral judgements regarding the obligations and objectives of corporations. In this regard, the quantitative questionnaire survey provides an indication of the moral judgements held by a substantial number of students, and allows for an investigation of differences between Black and White students. The qualitative interviews provide a much more detailed account of the perceptions of a smaller group of Black students.

For both the questionnaire survey and the face-to-face interviews, detailed consideration has been given to the methods through which a sample was selected, the articulation of the research question, the development of the research instrument (the questionnaire and interview schedule) and the methods of data analysis. Specific consideration was given to how both validity and reliability have been ensured. Application of these research methods has resulted in the collection of quantitative and qualitative data that provides direct evidence of the moral judgements of the sample groups. This chapter has addressed the methods used to obtain and analyse the data; the results of the analysis of the questionnaire data are provided in chapter five, and the results of the analysis of the interview data in chapter six. The implications of these results are then discussed in further detail in chapter eight.

Chapter 5: Differences in moral judgement – survey evidence

As pointed out in chapter one, the claim of Descriptive moral relativism, with regards to corporate governance, is that there are significant moral differences between groups regarding the obligations and objectives of corporations. This study investigates this claim in several ways, including the use of a structured questionnaire survey amongst a class of professional accounting students at the University of Pretoria. The results of this questionnaire survey are presented in this chapter; details regarding its development were presented in chapter four.

There are two specific research objectives that are achieved through the survey. These are:

1.2 To identify the extent to which professional accounting students in South Africa of different racial groups agree regarding the objectives and obligations of corporations; and

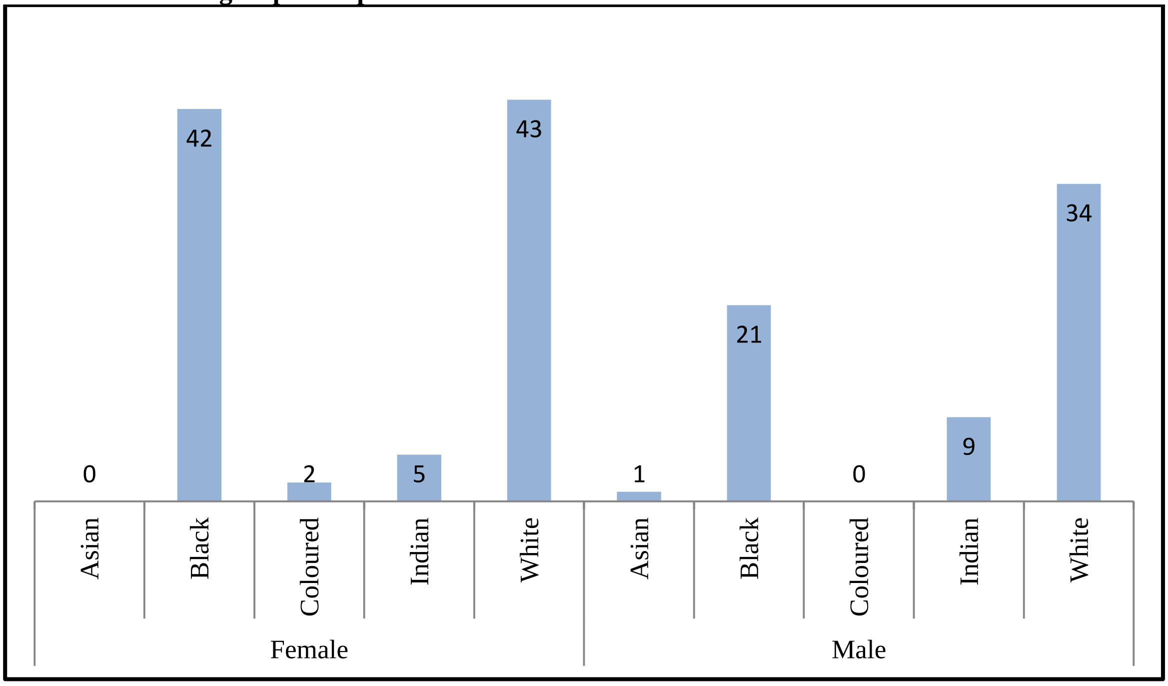
1.3 To identify the extent to which professional accounting students in South Africa agree with the Anglo-American model of corporate governance regarding the objectives and obligations of corporations.

How the survey achieves each of these research objectives, and answers the implicit questions regarding descriptive moral relativism, is addressed in turn. Research objective 1.3 is addressed first as this involves a consideration of the respondent group in its entirety. Differences between racial groups are subsequently reported on and discussed, addressing research objective 1.2. There is also an exploratory element to this study, and accordingly the results of investigations into differences between genders, and any differences that can be associated with both racial group and gender are also presented.

The respondent group was a class of professional accounting students at the University of Pretoria. All students were enrolled in a third-year taxation course that is mandatory for students wishing to eventually qualify as South African Chartered Accountants. The total number of responses was 157, of which 65 (41 percent) were male and 92 (59 percent) female. In terms of racial group, 77 (49 percent) were White, 63 (40 percent) were Black[31], 14 (9 percent) were Indian, 2 (1 percent) were Coloured (of mixed race) and 1 (1 percent) was Asian. The breakdown of the respondent group by gender and then by racial group is shown in figure 5.1. Although the respondent group as a whole provided 157 responses and is of a size suitable for analysis, some of the subgroups are small and consequently any analysis dealing with these can only be considered tentative. This is particularly true for the Asian, Coloured and Indian groups, none of which had more than 14 responses in total. Care is also taken when analysing racial groups by gender, as, for instance, the Black male responses totalled only 21 and White male responses only 34.

Across all 157 respondents and 68 questionnaire items (providing a total of 10,676 items), 113 items did not have responses. As this represents only 1 percent, missing data is not considered to have a significant effect.

Figure 5.1
Gender and racial group of respondents



5.1 The views of professional accounting students in South Africa

As discussed in chapter four, an understanding of the views of the respondents is obtained initially through an analysis of the mean of the mean respondent scores on each scale, as well as through an analysis of the frequency distributions of the responses for each scale.

Analysis of means

For each respondent, the mean score for each scale was calculated. Table 5.1 presents the mean of these scale means for all 157 responses, ranked in descending order.

Table 5.1
Mean of the mean scores, all respondents

Moral obligations of corporations: original scales		Moral obligations of corporations: factor analysis scales		Moral objectives of corporations	
Scale	**Mean of means**	**Scale**	**Mean of means**	**Scale**	**Mean of means**
SHAR	5.54	F-SHAR	5.51	S&E	5.24
EMPL	5.43	F-CONSEMP	5.38	EFFC	5.05
LOCL	5.08	F-REJC	5.34	F-EQS&E	5.05
CONS	5.07	F-COMM	4.97	PART	5.00
NATL	4.74	F-ECONREP	4.85	EQTY	4.86
GOVT	4.40	F-ACCPFIN	4.74		
SUPP	4.25	F-SUPP	4.23		
		F-GOVT	4.02		

It is immediately apparent from the table that the respondents tended to score very highly throughout the questionnaire. The lowest mean of the scale means is 4.02 (F-GOVT), which corresponds to 'Slightly Agree' on the Likert scale used. The conclusion can therefore be drawn that, as a group, the respondents believe (1) that corporations do have moral obligations to their stakeholders, and (2) that there is moral benefit to be obtained from following corporate objectives that address social and environmental concerns, increase financial performance and efficiency, decrease inequality and encourage the participation of stakeholders (that is, all four possible objectives).

This appears to provide clear support that the respondents maintain a stakeholder view of the corporation. Although no quantitative data have been gathered from any jurisdictions which adopt a traditional Anglo-American shareholder model of corporate governance to enable a quantitative comparison, the basic tenets of the shareholder model (as presented in chapter two) suggest that adherence to a shareholder model would be reflected in certain specific responses to the questionnaire. Six theoretical expectations for a shareholder model are accordingly postulated, as follows.

Firstly, a score of between 5 and 6 ('Mostly Agree' to 'Completely Agree') on the SHAR and F-SHAR scales, representing the moral obligations of corporations to shareholders, would be expected as this would reflect the primacy of shareholder interests. The mean scores on these scales were 5.54 for SHAR and 5.51 for F-SHAR, and for both the original scales and the factor analysis scales this score was higher than any of the other scales. The higher score given to shareholders, over all other stakeholder groups, suggests that the respondent group leans towards a shareholder orientation. This is supported by the fact that the single questionnaire item with the highest mean score was the item representing the moral obligation to report on economic activities to shareholders (V9, with a mean of 5.86). However, due to a low primary loading, this item was excluded from the factor analysis (see section 4.1 in chapter four).

Secondly, a low score of between 1 and 3.5 (indicating disagreement) on the scales representing the moral obligations of corporations to other stakeholders (GOVT, F-GOVT, LOCL, NATL, F-COMM, CONS, SUPP, F-SUPP, EMPL, F-CONSEMP) would be expected. This includes the government, the local and wider community, employees, consumers and suppliers, and corresponds to Friedman's (1970) insistence that corporations do not have social responsibilities to these stakeholders. The mean of the mean scores for these scales were all above 4, indicating that the respondent group does believe that corporations have moral obligations to these stakeholders. In this respect the respondent group follows a stakeholder orientation.

Thirdly, a low score, ranging from 1 to 3.5 (indicating disagreement), would be expected on the F-ECONREP scale, that represents the moral obligation of corporations to report on its economic activities to stakeholders other than shareholders. Again, this reflects the primacy of shareholder interests and the traditional accounting framework in which reporting on economic activities is designed and performed specifically for shareholders. The mean of the mean scores for this scale was 4.85, indicating that the respondent group believes that corporations do have a moral obligation to report on economic activities to other stakeholders, and thus reflecting a stakeholder orientation.

Fourthly, a low score, ranging from 1 to 3.5 (indicating disagreement), would be expected on the F-ACCPFIN scale, that represents the moral obligation of corporations to accept projects that generate financial benefits for stakeholders other than shareholders. Again, this refers to the shareholder model in which managers act always to increase shareholder wealth, without consideration for whether or not financial benefits are generated for other stakeholders. The mean score on this scale was 4.74, again reflecting a stakeholder orientation on the part of the respondent group.

Fifthly, a high score, ranging from 3.5 to 6 (indicating agreement), would be expected on the EFFC scale, representing the belief that moral benefits are generated when corporations aim to improve financial performance and efficiency. This reflects the underlying moral philosophy of the shareholder model, referring largely to utilitarian principles. The mean score on this scale was 5.05. On its own this would appear to suggest that the respondent group leans towards a shareholder orientation. However, the mean scores on the S&E, PART and EQTY scales, which present alternative corporate objectives that involve greater consideration of the wider group of stakeholders, were 5.24, 5.00 and 4.86 respectively. This indicates that the respondent group identifies moral benefits with all of these objectives presented, and not only with improved financial performance and efficiency. It is difficult to marry a shareholder orientation with these scores, where the respondent group scored higher on corporate objectives that address social and environmental concerns, and returned a similar score for corporate objectives that encourage the participation of stakeholders. Scores on these scales rather suggest a stakeholder orientation.

Lastly, within a strong shareholder orientation companies would not be expected to reject projects that cause harm to stakeholders (other than shareholders). The F-REJC scale includes items that refer to rejecting projects that harm a range of stakeholders, including shareholders. Of the seven questionnaire items making up the scale, two refer to shareholders (the others referring to consumers, the local community and employees). Consequently, very low mean scores of between 1 and 2 (indicating ‘Completely disagree’ and ‘Mostly disagree’) would not be expected, and scores between 2 and 4.5 could reasonably be expected within a strong shareholder orientation. The mean of the mean scores for the respondent group was high, at 5.34. This suggests that despite the inclusion of the shareholder items, respondents scored highly on the other questionnaire items. This is supported by a review of the mean of the scores for each of the items making up the F-REJC scale, presented in table 5.2 (in descending order).

Table 5.2
Mean scores for items making up scale F-REJC

Questionnaire item	**Mean**
Moral obligation to reject projects with financial harm for shareholders	5.53
Moral obligation to reject projects with financial harm for employees	5.53
Moral obligation to reject projects with soc. & env. harm for employees	5.47
Moral obligation to reject projects with soc. & env. harm for consumers	5.38
Moral obligation to reject projects with soc. & env. harm for shareholders	5.37
Moral obligation to reject projects with financial harm for consumers	5.08
Moral obligation to reject projects with financial harm for local community	5.05

It is clear from these mean scores that the respondent group agreed with the assertion that corporations have moral obligations to reject projects that cause harm to various stakeholders. Although rejecting projects with financial harm for shareholders was given the highest score, this was the same as the score for employees, and similar to the scores for all other items (none being below 5). Accordingly, the scores on the F-REJC scale support a stakeholder orientation.

Analysis of the mean of the mean scores for each of the scales suggests that on the whole, the respondent group adopts a stakeholder orientation. The only evidence suggesting otherwise is the primacy given to the scales representing shareholder interests, which indicates that the respondent group does consider shareholder interests to be paramount. However, the small difference in mean scores between the scales (particularly the top two or three), together with the high scores on the F-ECONREP, F-ACCPFIN and F-REJC scales, indicate that the respondent group does not adopt a wholehearted shareholder orientation. The group can consequently be described as maintaining a stakeholder orientation within which shareholders are considered the primary stakeholder, followed closely by employees.

Frequency distributions

The frequency distributions of all 157 responses are depicted in histograms in figures 5.2, 5.3 and 5.4. Figure 5.2 presents frequency distributions for the seven original scales concerning the moral obligations of corporations; figure 5.3 presents frequency distributions for the eight factors identified from the exploratory factor analysis concerning the moral obligations of corporations; figure 5.4 presents frequency distributions for the five scales concerning the moral objectives of corporations. The normal 'bell' curve distribution has been superimposed on all of the histograms for comparison purposes.

The frequency distributions illustrate the number of responses that correspond to the various mean scores on each scale (the size of the 'bins' in which the means are grouped was determined automatically using SPSS). This provides a visual depiction of the responses and illustrates the dispersion, range, skewness and kurtosis of the responses, all of which cannot be determined from the analysis of means only.

A review of the histograms reveals that the majority of the responses across all the scales fell well within the 3.5 to 6 range, representing agreement with the questionnaire statements, and thus reflecting wide moral obligations and objectives. This reflects a stakeholder orientation. Inspection of the highest and lowest mean scores for each scale confirms a stakeholder orientation, where the highest mean score was 6 ('Completely agree) across all scales, whereas the lowest mean score was typically above 2 ('Mostly disagree') and was never 1 ('Completely disagree').

Figure 5.2
Frequency distributions: Moral obligations of corporations, original scales

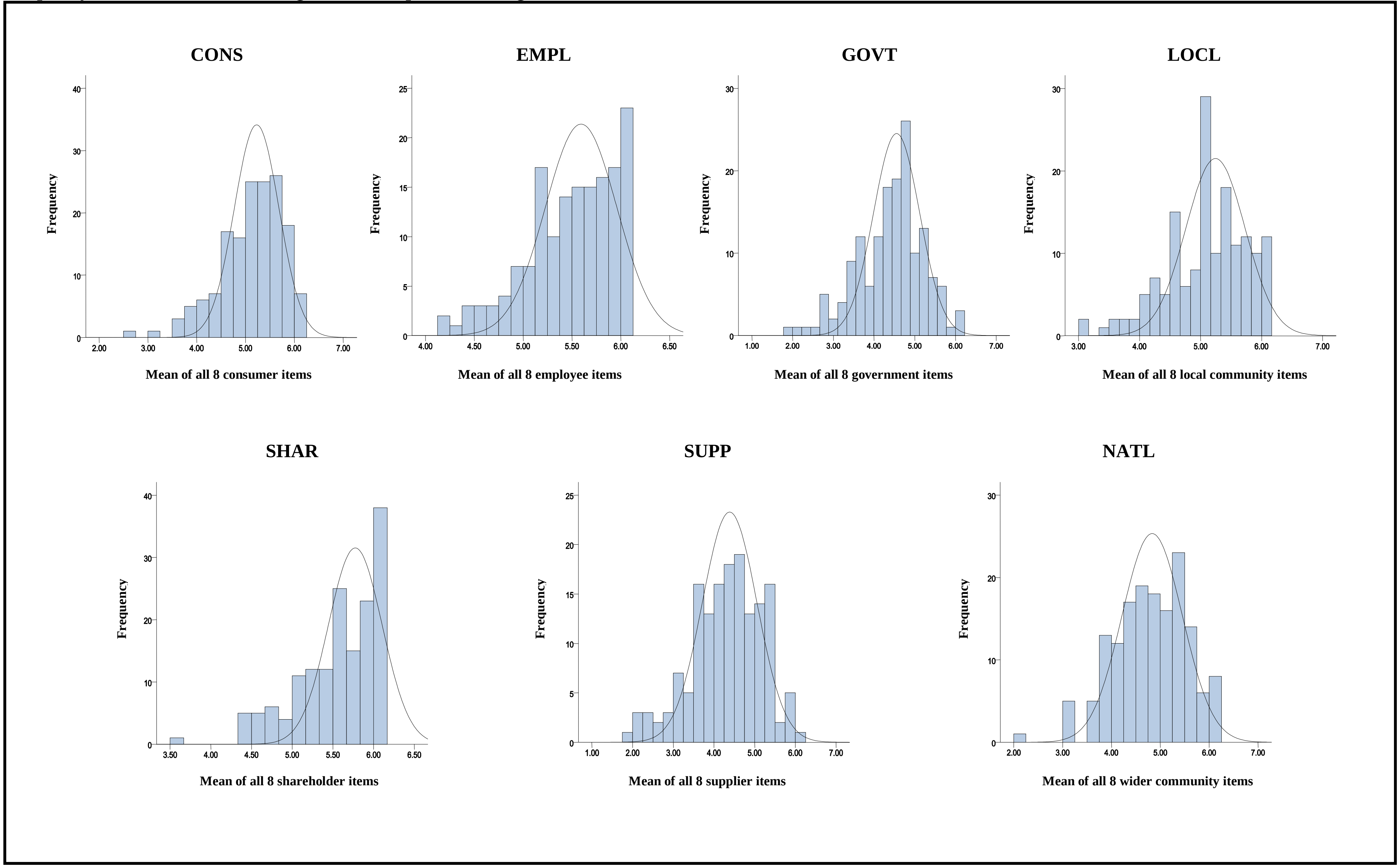


Figure 5.3
Frequency distributions: Moral obligations of corporations, factor analysis scales

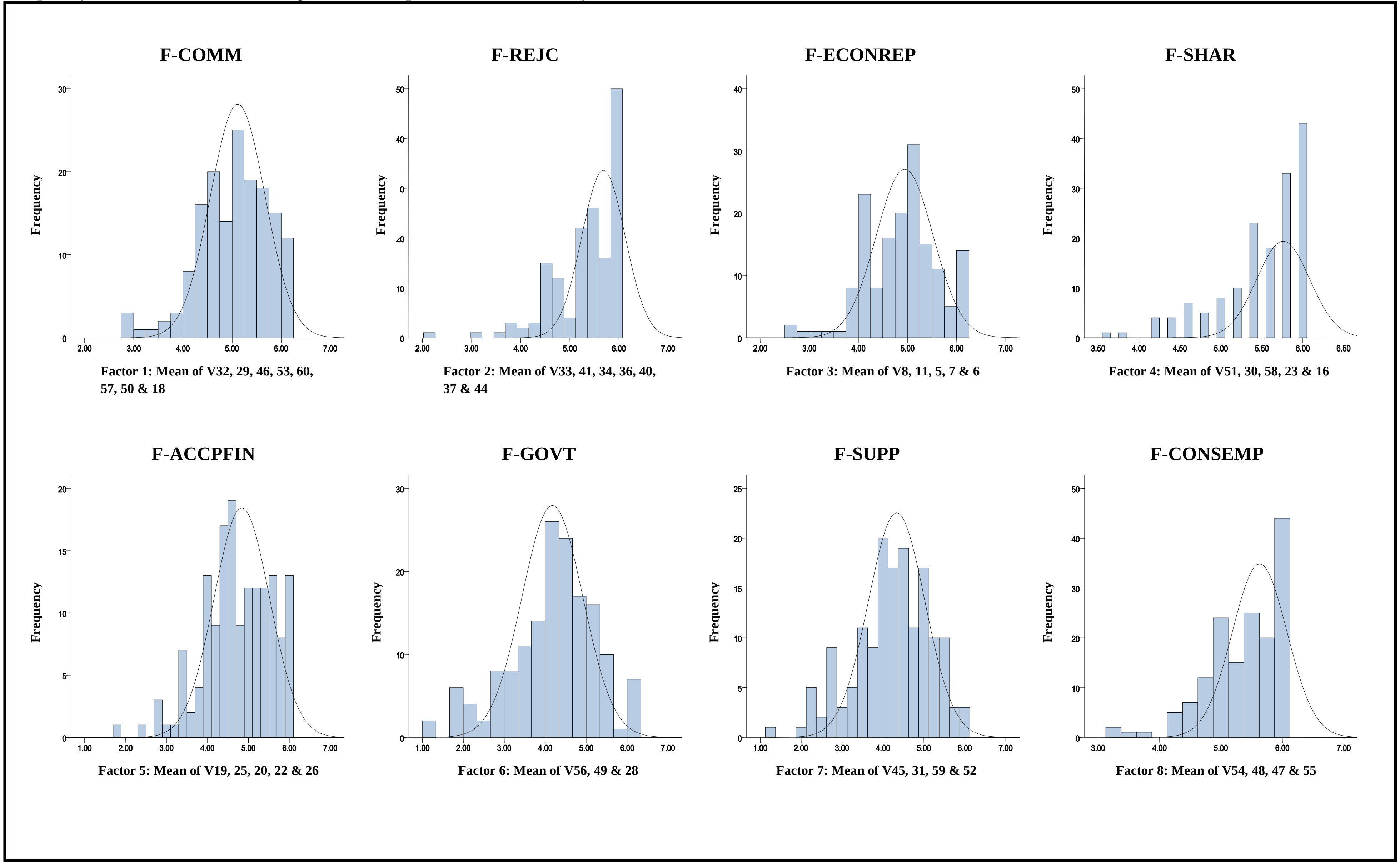
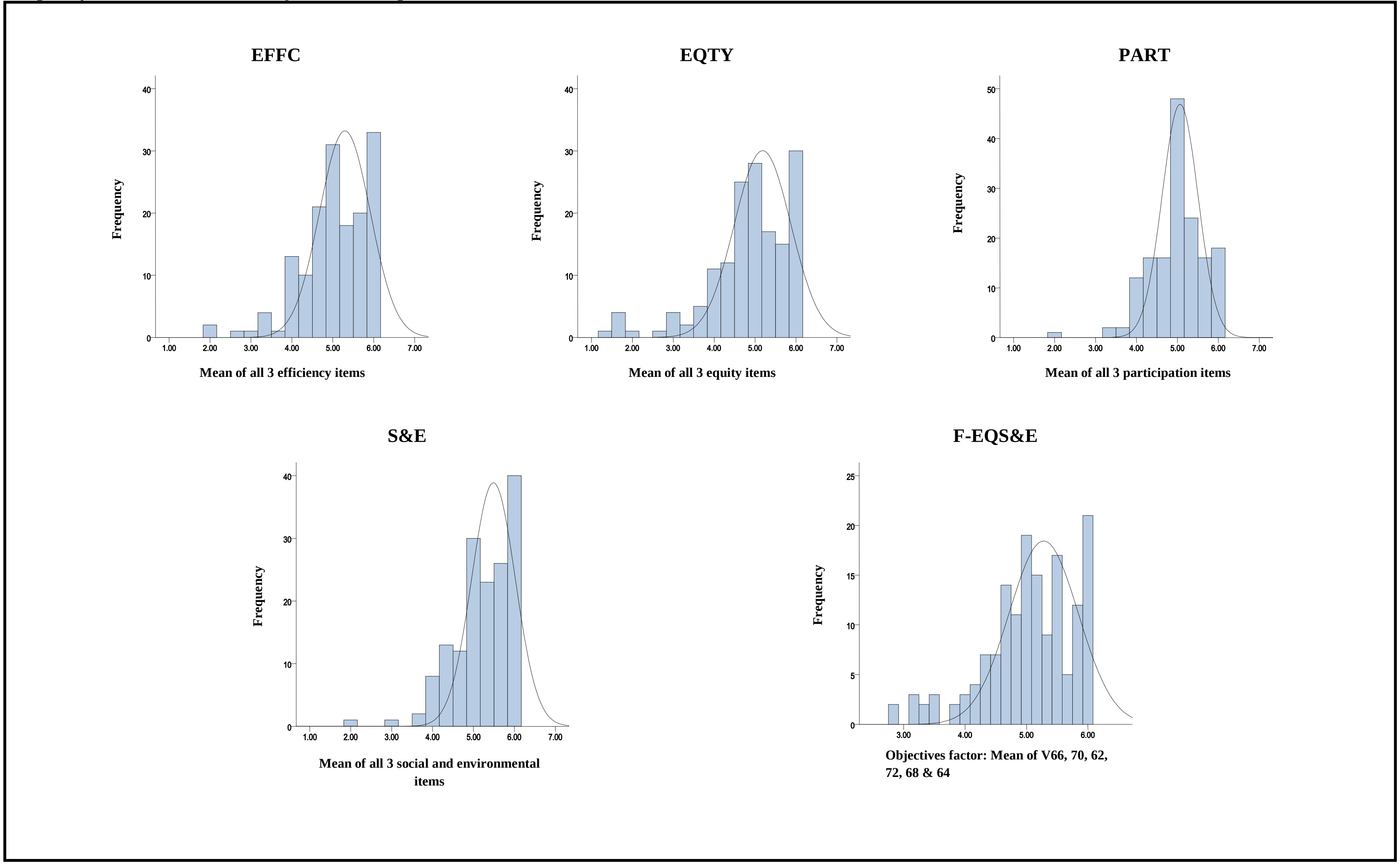


Figure 5.4
Frequency distributions: Moral objectives of corporations



The degree to which the respondents were biased towards moral agreement is also evident in the negative skewness of the distributions. That is, instead of approximating the normal distribution in which the responses are symmetrically distributed, the actual responses for some scales are biased towards higher scores, reflected in histograms that are ‘bunched to the right’ and have small or non-existent right-hand tails. This is particularly noticeable in the SHAR, F-REJC, F-SHAR, F-CONSEMP, EFFC, EQTY and S&E scales, all of which have negative skewness coefficients with a magnitude greater than -1. Furthermore, the modes (representing the mean score ‘bin’ with the highest number of responses) for EMPL, SHAR, F-REJC, F-SHAR, F-CONSEMP, EFFC, EQTY, S&E and F-EQS&E are all 6. As 6 was the highest available response, and following the curve of the normal distribution, it can be hypothesised that some respondents would have scored higher if they could. Conceptually, however, a response of 6 corresponded to ‘Completely agree’, so it is difficult to conceive of a response which indicates more agreement with the questionnaire statements.

It is noticeable that the scales with significantly negatively skewed distributions and high modes include the scales that deal with shareholders’ and employees’ interests (as well as the different corporate objectives). The frequency distributions thus confirm the view suggested by the analysis of means, that the respondent group maintains a stakeholder orientation within which shareholders are considered the most important stakeholder, followed closely by employees.

Normality and outliers

Certain statistical tests and measures are limited to data which is normally distributed. Data which does not fit this distribution can be transformed to limit the effects of skewness and kurtosis, and allow these statistics to be applied. Following De Vaus (2002, p.78), mild to moderate negative skewness can be transformed by squaring the data. In the untransformed data, 15 of the scales had either a skewness or kurtosis coefficient with a magnitude greater than -1. After squaring the data, only one scale had such a coefficient.

Outliers are extreme cases in the data. These can distort certain statistical tests and measures and accordingly need to be investigated to ensure that they are not due to data collection errors, and/or minimised where possible. Outliers were identified using SPSS’ boxplots, which defines outliers as those cases which exceed 1.5 times the interquartile range above the third quartile or below the first quartile. Regarding the mean responses on the 20 scales (providing 3,140 mean responses) a total of 46 outliers were identified in the untransformed data. After squaring the data, only 13 outliers remained. The actual questionnaires for these 13 outliers were then inspected to ensure that no errors in data collection and input had occurred. Given the relatively small number of outliers, and no apparent reason to exclude these cases, no further action was taken.

As transforming the data results in reduced skewness, kurtosis and outliers, data analysis was conducted, where necessary and appropriate, on the transformed data. This is indicated in the results that follow.

Conclusion

Based on a consideration of the theoretical expectations of the shareholder model of corporate governance and an analysis of the means and frequency distributions of the respondent group it is possible to conclude that the respondents maintain a stakeholder orientation, within which shareholders feature prominently, and that they do not subscribe to the traditional tenets of the Anglo-American shareholder model.

Within the limits of the non-statistical generalisability discussed in chapter four, the conclusion can then be drawn that there are significant differences between the moral beliefs of professional accounting students in South Africa and the morality that underlies the Anglo-American shareholder model of corporate governance.

5.2 The views of professional accounting students of different racial groups

Two methods are adopted in understanding how the views of the respondents of different racial groups differ. Firstly, the mean of the mean scores for each scale are compared across the five racial groups, and are evaluated using several different measures of effect size; and secondly, contingency tables for Black and White students are presented and analysed. The former is considered preferable as it makes use of metric data; contingency tables are however provided to provide a thorough exploration of the data and to confirm the results of the means analysis.

Analysis of means

Table 5.3 presents the mean of the mean scores for each of the scales, by racial group. For analysis across all five racial groups, Eta (η), Eta squared (η^2) and the range (being the difference between the highest and lowest mean of means across the five racial groups) are shown. For analysis between Black and White respondents only, the difference between the mean scores, Pearson's correlation coefficient (r), and the coefficient of determination (R^2) are shown. The Black and White respondent scores are shown in bold and are considered separately as none of the other groups have more than 14 respondents.

The η coefficient measures the degree to which the scores are associated with the different racial groups, and η^2 provides an indication of how much of the variance can be explained by racial group. Both η and η^2 include non-linear associations. The r coefficient, and R^2, do the same, but are limited to a linear association (which is identical to η and η^2 where there are only two categories). All of these measures were calculated using the data transformed for normality. The five scales with the largest coefficients have been highlighted in table 5.3.

Inspection of the means and the η coefficient shows that there is little association between the five different racial groups and the mean of the mean scores across most of the scales. Using Blaikie's (2003, p.100) convention regarding measures of association (see section 4.1 in chapter four), the association is negligible in three of the scales (EMPL, EQTY & F-EQS&E), weak in sixteen scales and moderate in only one (F-COMM). These low associations are supported by the η^2 coefficients, which indicate that very little of the variance in the mean scores (at most 13 percent on F-COMM) can be explained by differences across the five racial groups. The largest difference in scores (1.64) is between Black and Coloured respondents on the F-COMM scale. However, as there were only two Coloured respondents, this difference cannot be interpreted meaningfully.

Table 5.3
Means by racial group

	Scale																			
	Moral obligations of corporations, original scales							**Moral obligations of corporations, factor analysis scales**								**Moral objectives of corporations**				
Racial group	**CONS**	**EMPL**	**GOVT**	**LOCL**	**NATL**	**SHAR**	**SUPP**	**1: F-COMM**	**2: F-REJC**	**3: F-ECONREP**	**4: F-SHAR**	**5: F-ACCPFIN**	**6: F-GOVT**	**7: F-SUPP**	**8: F-CONSEMP**	**EFFC**	**EQTY**	**PART**	**S&E**	**F-EQS&E**
Asian	4.50	5.00	4.13	4.00	3.88	5.88	3.50	4.13	4.86	4.60	5.80	3.80	4.00	3.50	5.00	4.67	5.00	5.00	4.67	4.83
Black	**5.07**	**5.45**	**4.47**	**5.23**	**4.94**	**5.52**	**4.21**	**5.20**	**5.28**	**4.84**	**5.53**	**4.93**	**4.21**	**4.21**	**5.45**	**4.95**	**4.92**	**5.15**	**5.24**	**5.08**
Coloured	5.25	5.38	4.75	4.31	3.69	5.13	4.31	3.56	5.00	5.40	5.10	4.70	4.33	4.38	5.25	5.33	4.83	4.83	4.50	4.67
Indian	5.21	5.49	4.25	5.21	4.87	5.59	4.47	5.15	5.55	4.67	5.54	4.81	3.73	4.46	5.59	5.17	4.83	5.10	5.33	5.08
White	**5.04**	**5.42**	**4.36**	**4.96**	**4.59**	**5.55**	**4.25**	**4.80**	**5.38**	**4.89**	**5.48**	**4.59**	**3.91**	**4.20**	**5.29**	**5.10**	**4.81**	**4.87**	**5.24**	**5.03**
η *	0.11	0.09	0.11	0.28	0.29	0.11	0.10	0.36	0.14	0.13	0.11	0.24	0.17	0.10	0.18	0.12	0.08	0.22	0.12	0.07
η^2 *	0.01	0.01	0.01	0.08	0.09	0.01	0.01	0.13	0.02	0.02	0.01	0.06	0.03	0.01	0.03	0.01	0.01	0.05	0.02	0.01
Range	0.75	0.49	0.62	1.23	1.25	0.75	0.97	1.64	0.69	0.80	0.44	1.13	0.60	0.96	0.59	0.66	0.19	0.32	0.83	0.41
Black:White difference	0.03	0.03	0.11	0.27	0.35	-0.03	-0.04	0.40	-0.10	-0.05	0.05	0.34	0.30	0.01	0.16	-0.15	0.11	0.28	0.00	0.05
r (Black and White only) *	0.04	0.04	0.07	0.22	0.24	0.02	0.01	0.30	0.06	0.03	0.06	0.22	0.16	0.01	0.13	0.10	0.08	0.22	0.02	0.05
R^2 (Black and White only) *	0.01	0.01	0.01	0.05	0.06	0.00	0.00	0.09	0.00	0.00	0.00	0.05	0.03	0.00	0.02	0.01	0.01	0.05	0.00	0.00

* These coefficients have been calculated using data transformed for normality

When considering Black and White respondents only, evaluation of the *r* coefficient indicates that the associations between Black and White racial group and the mean scores on most of scales are similarly either negligible or weak. The strongest (moderate) association is found on the F-COMM scale, with a correlation coefficient of 0.30. The highest R^2 coefficient (F-COMM) is 0.09, meaning that only 9 percent of the variance in the outcome can be explained by differences in racial group. As all of the R^2 coefficients are below 0.10 (some approximating zero when rounded to two decimal places), it is possible to conclude that the variance in the mean scores on the various scales cannot be adequately explained in terms of differences between Black and White racial groups.

The largest difference in mean scores between Black and White respondents is 0.40, on the F-COMM scale. As possible scores range from 1 to 6, the fact that the mean of the mean scores of Black and White respondents do not differ by even half a point across all 20 scales shows that overall, the difference in the mean responses between these groups is of little practical significance.

It should be noted, however, that there is some indication of a very weak relationship between Black and White respondents across most of the scales, and a slightly stronger (but still weak) relationship in six specific scales. These six scales include F-COMM, NATL and LOCL that all deal with moral obligations to the community (with F-COMM showing a moderate association), F-ACCPFIN that deals with accepting projects that have financial benefits for stakeholders other than shareholders, F-GOVT dealing with moral obligations to government entities and PART dealing with encouraging the participation of stakeholders.

Contingency tables

The second method used to detect any association between racial groups and the mean scores on the various scales involves the construction of contingency tables, in which racial groups are tabulated against the means for each scale, and certain related coefficients are evaluated. As contingency tables cannot deal with interval data, the mean scores were first re-coded as categorical data, into four categories labelled ‘Low’, ‘Moderate’, ‘High’ and ‘Very high’. The intention was to re-code the responses into four categories of approximately equal size as far as possible, and was performed using SPSS’ ‘visual binning’ function. Note that the upper endpoints of each category were included in the categories for all scales except F-SHAR, F-

CONSEMP & S&E. For these scales this would have resulted in only three categories, in order to obtain four categories the upper endpoints were excluded from each category. One of the endpoints for the PART scale was manually adjusted by 0.001 in order to ensure all four categories were populated.

For measures of association that involve the calculation of a Chi-squared statistic, contingency tables should not include any cells with an expected frequency of less than 1, and not more than 20 percent of the expected frequencies should be less than 5 (Blaikie, 2003, p.98). As the expected frequencies of Asian and Coloured respondents in some categories is inevitably less than 1, and the inclusion of the Indian responses results in expected frequencies of less than 5 in more than 20 percent of the cells (in most if not all of the contingency tables), these racial groups have all been omitted. The re-coding was performed using only the responses from Black and White respondents.

The contingency tables for all of the scales are presented in table 5.4. For each of the two racial groups, the number of responses for each category of mean score is shown in each cell. The proportion of the total for each racial group is shown as a percentage in brackets. The percentages in the total row reflect the expected frequency for each category assuming there is no difference between racial groups. In order to identify patterns in any associations, all overrepresentations are shown in bold. In addition, all cells where the actual frequency percentage differs from the expected frequency percentage by 10 percent or more are highlighted.

Table 5.4
Contingency tables: racial group by scale means

Racial group	Mean score Low	Moderate	High	Very high	Total
CONS					
Black	**18 (29%)**	11 (18%)	**17 (27%)**	**17 (27%)**	63 (100%)
White	21 (27%)	**21 (27%)**	19 (25%)	16 (21%)	77 (100%)
Total	39 (28%)	32 (23%)	36 (26%)	33 (24%)	140 (100%)
EMPL					
Black	18 (29%)	13 (21%)	**22 (35%)**	10 (16%)	63 (100%)
White	**24 (31%)**	**20 (26%)**	21 (27%)	12 (16%)	77 (100%)
Total	42 (30%)	33 (24%)	43 (31%)	22 (16%)	140 (100%)
GOVT					
Black	15 (24%)	15 (24%)	**19 (30%)**	**14 (22%)**	63 (100%)
White	**23 (30%)**	**19 (25%)**	22 (29%)	13 (17%)	77 (100%)
Total	38 (27%)	34 (24%)	41 (29%)	27 (19%)	140 (100%)
LOCL					
Black	12 (19%)	13 (21%)	**18 (29%)**	**20 (32%)**	63 (100%)
White	**25 (33%)**	**24 (31%)**	16 (21%)	12 (16%)	77 (100%)
Total	37 (26%)	37 (26%)	34 (24%)	32 (23%)	140 (100%)

Racial group	Mean score Low	Moderate	High	Very high	Total
NATL					
Black	12 (19%)	13 (21%)	**18 (29%)**	**20 (32%)**	63 (100%)
White	**28 (36%)**	**23 (30%)**	11 (14%)	15 (20%)	77 (100%)
Total	40 (29%)	36 (26%)	29 (21%)	35 (25%)	140 (100%)
SHAR					
Black	**20 (32%)**	11 (18%)	12 (19%)	**20 (32%)**	63 (100%)
White	20 (26%)	**22 (29%)**	**20 (26%)**	15 (20%)	77 (100%)
Total	40 (29%)	33 (24%)	32 (23%)	35 (25%)	140 (100%)
SUPP					
Black	**17 (27%)**	16 (25%)	13 (21%)	**17 (27%)**	63 (100%)
White	18 (23%)	20 (26%)	**22 (29%)**	17 (22%)	77 (100%)
Total	35 (25%)	36 (26%)	35 (25%)	34 (24%)	140 (100%)
F-COMM					
Black	12 (19%)	12 (19%)	**21 (33%)**	**18 (29%)**	63 (100%)
White	**26 (34%)**	**24 (31%)**	16 (21%)	11 (14%)	77 (100%)
Total	38 (27%)	36 (26%)	37 (26%)	29 (21%)	140 (100%)

Table 5.4 (continued)
Contingency tables: racial group by scale means

Racial group	Low	Moderate	High	Very high	Total
			Mean score		
F-REJC					
Black	**18 (29%)**	12 (19%)	17 (27%)	**15 (24%)**	63 (100%)
White	19 (25%)	**16 (21%)**	**28 (36%)**	14 (18%)	77 (100%)
Total	37 (27%)	28 (20%)	45 (32%)	29 (21%)	140 (100%)
F-ECONREP					
Black	**23 (37%)**	10 (16%)	15 (24%)	**15 (24%)**	63 (100%)
White	19 (25%)	**19 (25%)**	**25 (33%)**	14 (18%)	77 (100%)
Total	42 (30%)	29 (21%)	40 (29%)	29 (21%)	140 (100%)
F-SHAR					
Black	11 (18%)	12 (19%)	17 (27%)	**23 (37%)**	63 (100%)
White	**15 (20%)**	**19 (25%)**	**26 (34%)**	17 (22%)	77 (100%)
Total	26 (19%)	31 (22%)	43 (31%)	40 (29%)	140 (100%)
F-ACCPFIN					
Black	15 (24%)	14 (22%)	9 (14%)	**25 (40%)**	63 (100%)
White	**23 (30%)**	**25 (33%)**	**21 (27%)**	8 (10%)	77 (100%)
Total	38 (27%)	39 (28%)	30 (21%)	33 (24%)	140 (100%)

Racial group	Low	Moderate	High	Very high	Total
			Mean score		
F-GOVT					
Black	**13 (21%)**	13 (21%)	16 (26%)	**20 (32%)**	63 (100%)
White	14 (18%)	**31 (40%)**	20 (26%)	12 (16%)	77 (100%)
Total	27 (19%)	44 (32%)	36 (26%)	32 (23%)	140 (100%)
F-SUPP					
Black	**20 (32%)**	13 (21%)	17 (27%)	12 (19%)	63 (100%)
White	22 (29%)	**21 (27%)**	20 (26%)	14 (18%)	77 (100%)
Total	42 (31%)	34 (25%)	37 (27%)	26 (19%)	140 (100%)
F-CONSEMP					
Black	12 (19%)	13 (21%)	14 (23%)	**23 (37%)**	63 (100%)
White	**15 (20%)**	**22 (29%)**	**23 (30%)**	17 (22%)	77 (100%)
Total	27 (19%)	35 (25%)	37 (27%)	40 (29%)	140 (100%)
EFFC					
Black	**25 (41%)**	12 (20%)	13 (21%)	11 (18%)	63 (100%)
White	23 (30%)	15 (20%)	**21 (27%)**	**18 (23%)**	77 (100%)
Total	48 (35%)	27 (20%)	34 (25%)	29 (21%)	140 (100%)

Table 5.4 (continued)
Contingency tables: racial group by scale means

Racial group	**Low**	**Moderate**	**Mean score** **High**	**Very high**	**Total**
EQTY					
Black	**12 (19%)**	22 (36%)	**13 (21%)**	**15 (24%)**	63 (100%)
White	13 (17%)	**38 (49%)**	14 (18%)	12 (16%)	77 (100%)
Total	25 (18%)	60 (43%)	27 (19%)	27 (19%)	140 (100%)
PART					
Black	14 (23%)	19 (31%)	8 (13%)	**20 (33%)**	63 (100%)
White	**30 (39%)**	**25 (33%)**	**12 (16%)**	10 (13%)	77 (100%)
Total	44 (32%)	44 (32%)	20 (15%)	30 (22%)	140 (100%)
S&E					
Black	**15 (24%)**	10 (16%)	17 (27%)	**20 (32%)**	63 (100%)
White	17 (22%)	**18 (23%)**	**28 (36%)**	14 (18%)	77 (100%)
Total	32 (23%)	28 (20%)	45 (32%)	34 (25%)	140 (100%)
F-EQS&E					
Black	18 (29%)	9 (15%)	**17 (27%)**	**18 (29%)**	63 (100%)
White	**24 (31%)**	**19 (25%)**	19 (25%)	15 (20%)	77 (100%)
Total	42 (30%)	28 (20%)	36 (26%)	33 (24%)	140 (100%)

Inspection of the tables reveals that White respondents are overrepresented in the ‘Very high’ category in only a single table (EFFC), yet they are overrepresented in the ‘Low’ category in 10 tables (out of a total of 20). This suggests that White respondents’ views are less extreme than Black respondents, who dominate the overrepresentation in the ‘Very high’ category and share the overrepresentation in the ‘Low’ category. This does, however, ignore the fact that the amount of overrepresentation varies from scale to scale, and when looking only at significant variations from expected frequencies, only five instances are identified:

F-ACCPFIN: Black respondents overrepresented in the ‘Very High’ category by 16 percent

F-ACCPFIN: White respondents underrepresented in the ‘Very High’ category by 14 percent

F-GOVT: Black respondents underrepresented in the ‘Moderate’ category by 11 percent

PART: Black respondents overrepresented in the ‘Very High’ category by 11 percent

NATL: Black respondents underrepresented in the ‘Low’ category by 10 percent

These variations confirm the weak relationships identified in these scales from the means analysis.

In order to measure the strength of the association between the Black and White racial groups and the mean scores on all 20 scales, two coefficients were calculated using the information in the contingency tables. The first, Cramér’s V, is a symmetrical measure of association that shows the strength of any association, whereas the second, lambda (λ**)**, is an asymmetrical measure that specifically identifies the degree to which one variable can be said to influence the other (lambda varies depending on which variable is presumed to influence the other). In this case lambda is calculated using racial group as the predictor (independent) variable and the re-coded mean scores as the outcome (dependent) variable. These coefficients are presented in table 5.5, in descending order.

Table 5.5
Measures of association and influence: Cramér's V and lambda coefficients

Moral obligations of corporations: original factors			**Moral obligations of corporations: factor analysis scales**			**Moral objectives of corporations**		
Scale	**Cramér's V**	**λ**	**Scale**	**Cramér's V**	**λ**	**Scale**	**Cramér's V**	**λ**
NATL	0.27	0.08	F-ACCPFIN	0.35	0.11	PART	0.26	0.09
LOCL	0.25	0.08	F-COMM	0.27	0.09	S&E	0.18	0.03
SHAR	0.19	0.02	F-GOVT	0.25	0.07	F-EQS&E	0.15	0.00
CONS	0.12	0.00	F-ECONREP	0.18	0.06	EQTY	0.15	0.00
SUPP	0.10	0.03	F-CONSEMP	0.17	0.06	EFFC	0.13	0.00
EMPL	0.09	0.03	F-SHAR	0.16	0.06			
GOVT	0.09	0.01	F-REJC	0.11	0.01			
			F-SUPP	0.07	0.00			

Following Blaikie's (2003, p.100) convention for evaluating the strength of associations from the values of coefficients, the Cramér's V coefficients indicate that the associations between Black and White racial group and the mean scores on most of scales are again either negligible or weak. The associations between Black and White racial group and the mean scores on F-ACCPFIN are, however, considered to be of moderate strength (between 0.30 and 0.59).

Lambda can be interpreted as the percentage by which errors in predicting the mean scores can be reduced through knowledge of the respondent's racial group (Blaikie, 2003, p.121). For F-ACCPFIN, which has the highest lambda, knowledge of the respondent's racial group could therefore reduce prediction errors by 11 percent.

Conclusion

The overall picture given by a number of different measures - some symmetrical, some asymmetrical, some linear, some non-linear - as well as inspections of the means and the distributions through contingency tables, shows that there are no large differences between White and Black respondents. A moderate association can, however, be identified in the scale dealing with the moral importance of the community's interests. Weak associations can also be seen in scales dealing with the participation of stakeholders as a moral objective, the moral importance of government entities' interests and the moral obligation to accept projects generating financial benefits for stakeholders other than shareholders. For all of these observed associations, Black respondents scored higher, indicating that compared to the White respondents, this group considers corporations to have greater moral obligations (particularly to the community), and sees the increased participation of stakeholders as generating more moral benefit. With regard to non-statistical generalisability referred to in chapter four (section 4.1), these associations (and the absence of associations) could also be considered to be present in the population of professional accounting students in South Africa. The implications that these associations have for the claim of Descriptive moral relativism are considered in detail in chapter eight.

5.3 Exploratory analysis

In addition to analysing the survey data to find evidence relating to the claim of Descriptive moral relativism with specific regard to the beliefs of professional accounting students in South Africa, and between those of different racial groups, there is an exploratory aspect to this analysis. In this regard, the survey data can be used to investigate (1) whether there are differences between the genders amongst the respondent group, and (2) whether gender is a moderating variable on the relationship between racial group and the mean scores. The latter can be interpreted as whether knowing the gender as well as the racial group of a respondent improves the ability to predict the outcome on the various scales.

As this analysis is not central to the research objectives, the following section is limited to a discussion of the results. The tables presenting the results themselves are provided in Appendix nine.

Association with gender

In order to identify whether there are differences in moral judgements relating to corporate governance between female and male professional accounting students in South Africa, the same analysis as in section 5.2 (in which differences between racial groups were investigated) was performed. This includes an analysis of the mean of the mean scores and the use of contingency tables and related measures (measures of effect size were calculated using transformed data).

Comparison of the mean of the mean scores (table A9.1, the five scales with the highest coefficients have been highlighted) reveals that females scored higher than male respondents on all but one scale (S&E). While this may suggest that females maintain more of a stakeholder orientation than males, the size of the difference is small, the largest difference (on the six-point Likert scale) being 0.31 (F-ACCPFIN). Pearson's correlation coefficient (*r*) was low for all scales, the highest being 0.24 on the CONS scale. The coefficient of determination (R^2) was accordingly very low across all of the scales as well, reaching a maximum of 0.06 (CONS), indicating that very little of the variance in the mean scores can be explained by differences in gender. According to Blaikie's (2003, p.100) convention, 14 out of the 20 scales reflect a negligible association, with the remaining being weak. Comparison of the means does not therefore identify any practically significant differences between female and male respondents.

Inspection of the contingency tables (table A9.2) reveals that females are overrepresented in the 'Very high' category in 17 (out of 20) scales, with males being overrepresented in this category in only one scale (S&E). Male respondents are overrepresented in the 'Low' category in 18 scales, with females being overrepresented in this category in only one scale (EQTY). This confirms the suggestion that females scored higher than male respondents. However, this ignores the fact that in some cases the overrepresentation is minor. When significant variations only are considered (differences of 10 percent or more from the expected frequency percentage), only two scales are identified: EMPL and F-ACCPFIN, in both cases females being overrepresented in the higher categories and males in the lower categories.

These relationships are confirmed through the Cramér's V and lambda (λ) coefficients (table A9.3). Using Cramér's V, most of the associations are weak, with one being negligible (F-SHAR). The largest associations are found in the CONS and F-ACCPFIN scales, each with coefficients of 0.24. Using the directional measure, lambda, the coefficients drop and the highest is 0.12 in the EMPL scale. In this scale, therefore, it is possible to claim that 12 percent of the prediction errors could be eliminated if the gender of the respondent is known. In 18 of the 20 scales, however, lambda is less than 0.05.

Overall, therefore, it is possible to conclude that there are no more than minor differences between the genders, with these weak differences being located primarily in the CONS, F-ACCPFIN and EMPL scales.

Trivariate analysis

Three similar methods were adopted to identify whether or not gender can be considered to be a moderating variable between racial group and the mean scale scores: Means analysis, multiple regression and conditional contingency tables.

Analysis of means

Analysis of means, where the respondent group has been split both by racial group and by gender, reveals slightly larger differences between the groups than when either racial group or gender are considered on their own (table A9.4, the five scales with the highest coefficients being highlighted). In four scales (GOVT, F-ACCPFIN, F-GOVT & PART), the difference between the lowest and highest mean of the mean scores exceeded 0.50. For GOVT and F-GOVT this was between Black male and White male respondents, and for F-ACCPFIN and PART this was between Black female and White male respondents. Overall, the Black female group had the highest mean of the mean scores in 9 out of the 15 moral obligations scales, and the White male group had the lowest in 7 of the 15 moral obligations scales and in 4 of the 5 moral objectives scales. The greater association with both racial group and gender is also reflected in increased η coefficients, which can be considered of moderate strength in 3 of the 20 scales, weak in 13, and negligible in only 4 of the scales.

Multiple regression

Multiple regression analysis involves computing a regression line that can be used to estimate or predict the outcome on one variable, if one has knowledge of the predictor (independent) variables. In this case racial group and gender are both predictor (independent) variables and the mean scale scores is the outcome (dependent) variable. If the results indicate an improvement over bivariate linear regression by racial group (which corresponds to the means analysis from section 5.2 above) then gender can be considered a moderating variable of the relationship between racial group and the mean scale scores.

The results are presented in table A9.5. The multiple correlation coefficient, R, can be compared to Pearson's correlation coefficient *r* in the bivariate analysis (table 5.3). There was some improvement in all scales other than F-ECONREP, F-COMM and EFFC, which all remained constant (the six scales with the highest R are highlighted in table A9.5). The coefficient of determination, R^2, is accordingly also greater across most scales, indicating that the model 'fits' the data better than the bivariate analysis. However, as the highest R^2 is 0.10 (PART), at best the model explains only 10 percent of the variance in the scale scores. The standard error statistics can also indicate whether or not the multiple regression provides better estimates than bivariate analysis. The standard error for the multiple regression is lower than or the same as the bivariate regression in 11 of the 20 scales, and the increases in the other 9 scales are negligible. In this aspect the multiple regression model is approximately the same as bivariate analysis.

In some cases (such as EMPL), the improved correlation coefficient reflects the association (albeit weak) between gender and the mean scale scores, and racial group contributes little to the outcome variable. To identify the relative contributions of gender and racial group more clearly, the standardised beta coefficients (Beta) are inspected. In some scales, either racial group or gender is dominant, reflecting the bivariate analyses reported above, and in other scales Beta is low for both variables, reflecting the lack of an association with either racial group or gender (also identified in the bivariate analysis). For three scales (F-ACCPFIN, F-CONSEMP and PART) Beta for both predictor variables is greater than 0.10, indicating that for these scales both racial group and gender contribute to the stronger associations identified by the correlation coefficient.

As noted above, the multiple regression line can be used to estimate or predict the outcome, given certain values for the predictor variables. In order to arrive at an estimate for the scale scores, the following equation (based on data squared for normality) can be used:

$$Y = \overline{b_r X_r + b_g X_g + a}$$

Where Y is the scale score, X_r is the racial group of the respondent (1 for White, 2 for Black), and X_g is the gender of the respondent (1 for male, 2 for female). The slope of the line and the intercept are reported in table A9.5, where b_r is beta (b) for the racial group variable, b_g is the beta (b) for the gender variable and a is the constant[32]. Due to the poor 'fit' of the model (as represented by the R^2 statistics), the estimate provided by this equation cannot be relied upon with much confidence, and the equation is reported here for completeness.

Finally, collinearity, which refers to the correlation between the independent variables, can present problems in multiple regression. Two diagnostic measures are accordingly calculated: Tolerance and the Variance Inflation Factor (VIF), and low levels of correlation (and therefore acceptable collinearity) are reflected when these measures approximate 1. As the VIF statistics calculated by SPSS range from 1.01 to 1.02, and all of the Tolerance statistics are 0.99, collinearity is not considered to be a problem.

Conditional contingency tables

Conditional contingency tables are similar to the contingency tables used in the investigations of differences between racial groups in section 5.2 and between genders above. However, the use of conditional contingency tables introduces a third variable by separating each of the contingency tables from table 5.4 into two tables: one for female respondents only and one for male respondents only, thereby holding gender constant. This procedure results in twice as many contingency tables, and reduces the number of respondents in each table significantly. As visual inspection of the tables is less useful when the number of respondents is low, the tables have not been reproduced. However, the usual measures of association (Cramér's V) and influence (lambda) have been calculated (table A9.6).

For all scales, there is some increase in either the Cramér's V or the lambda coefficients when gender is introduced as a third variable. In many cases, however, the increase is marginal. There are seven scales in which, for either the female or male table, Cramér's V exceeds 0.30, or lambda exceeds 0.10: LOCL, GOVT, F-ACCPFIN, F-COMM, F-GOVT, S&E and F-EQS&E. These reflect four areas: moral obligations to the community, moral obligations to government entities, the moral obligation to accept projects with financial benefits for stakeholders other than shareholders, and social and environmental concerns as a moral objective. Note that even in these scales, the measures are low; the highest coefficients being found in F-ACCPFIN (Females), where Cramer's V is 0.42 and lambda 0.17. Even in this case, prediction errors are reduced by only 17 percent when the respondent is female and one knows their racial group.

The combination of means analysis, multiple regression and conditional contingency tables indicates that gender is a moderating variable in the relationship between racial group and the mean scale scores for some scales, and that therefore it is beneficial to know both a respondent's gender and racial group if predictions are to be made. As with the bivariate analysis, the relationships identified in the trivariate analysis are, however, weak.

5.4 Conclusion

Determining whether or not there are differences between racial groups and genders amongst a group of students is a descriptive question. In this chapter a number of different techniques have been used to identify and explore the relationships between racial groups, gender and scores representing moral judgements. The primary purpose has been to determine firstly whether there are differences between the respondent group of professional accounting students in South Africa and the Anglo-American model of corporate governance, and secondly, whether there are differences between respondent students of differing racial groups.

The first question has been answered in the affirmative, through a relatively straightforward inspection of the mean scores of the respondent group and the distribution of their responses. These responses were compared to theoretical expectations based on the Anglo-American shareholder model of corporate governance. It was clear that the respondent group rated the moral obligations and objectives of corporations that included the interests of a range of stakeholder groups highly, and accordingly can be described as maintaining a stakeholder orientation. Notably, however, shareholders were rated higher than other stakeholders, although the difference was typically marginal. Within the limits of the non-statistical generalisability discussed in chapter four (section 4.1), it can then be suggested that the same is true of the population of professional accounting students in South Africa.

Differences between racial groups were identified by comparing the means of the different racial groups. The small number of respondents in certain racial groups restricted any meaningful comparison to Black and White students only. Measures of effect size were used to assess associations between the mean scores and racial groups. No large differences were identified on any scales and on only one scale could the association be considered to be of moderate strength. This scale reflected the moral importance of the interests of the community. On most scales the associations were either weak or negligible; the scales dealing with the moral obligation to accept projects with financial benefits to stakeholders other than shareholders, the moral importance of stakeholder participation as a corporate objective and the moral importance of government entities' interests showed marginally higher associations than other scales, although these also could only be considered weak.

The results of the comparison of means were supported by an analysis of contingency tables. With the possible exception of the moral importance of the community's interests, there were therefore no practically significant differences in moral judgements relating to corporate governance between racial groups in the respondent group. Within the limits of non-statistical generalisability discussed in chapter four, it can then be suggested that the same is true of professional accounting students in South Africa generally.

The nature of the data also enabled investigations into possible associations between moral judgements relating to corporate governance and gender, and the combined effect of both racial group and gender. Using the same techniques as the analysis by racial group, only weak and negligible associations were identified with gender. Minor associations (still considered weak) were found in those scales dealing with the moral importance of consumers' and employees' interests and the moral obligation to accept projects with financial benefits to stakeholders other than shareholders.

The effect of both racial group and gender was investigated through means analysis, multiple regression and conditional contingency tables. Measures of effect size suggest that there are moderate associations with both racial group and gender for scales dealing with the moral importance of stakeholder participation as a corporate objective, the moral importance of the community's and government entities' interests, and the moral obligation to accept projects with financial benefits to stakeholders other than shareholders. Although several weak associations were also identified when both racial groups and gender were considered, the amount of variance in the scale scores that can be explained by racial group and gender remained very low, indicating that there are other unknown factors that play a significant role in the respondents' scale scores. These results were largely confirmed through multiple regression and conditional contingency tables.

Finally, it should be remembered that although no associations of real practical significance were identified between racial groups (with perhaps one exception), the absence of differences in moral judgements is of considerable theoretical importance when the claims and arguments of moral relativism are considered. The implications that the identified differences with the Anglo-American stakeholder model, and the absence of differences between racial groups, have for the claims and arguments of moral relativism are discussed further in chapter eight. The next chapter presents the results of qualitative interviews with a sample of professional accounting students in South Africa.

Chapter 6: Perceptions of professional accounting students

Morality, and moral judgements, are complex topics, and can be investigated in a number of different ways. In chapter five, differences in moral judgements were analysed quantitatively through the use of a questionnaire survey. While this can be useful when comparing moral judgements across large groups of people, it may not be possible to develop a thorough understanding of moral judgements through such an approach. In contrast, qualitative analysis of information obtained through semi-structured interviews can provide a deeper understanding of moral judgements. In this chapter the results of such an analysis, following semi-structured face-to-face interviews with a group of professional accounting students in South Africa, are presented. A detailed discussion of the methodology associated with the interviews and the data analysis was presented in chapter four (section 4.2).

This qualitative analysis of interviews addresses research objective 1.4:

1.4 To understand how Black professional accounting students in South Africa perceive the objectives and obligations of corporations.

As noted in chapter four, this can be restated as a research question, "How do Black professional accounting students in South Africa perceive the objectives and obligations of corporations". Different aspects of this question were specifically addressed through the interview schedule (containing six specific questions) and follow-up questions. As discussed in chapter four (section 4.2) the interviewees' comments were summarised and analysed through the use of various categories. This chapter presents an account of the interviewees' perceptions in the categories considered to be most relevant to answering the research question, and some consideration of these perceptions in the light of the underlying morality of the dominant models of corporate governance (as discussed in chapter two, and focusing primarily on the Anglo-American model). The majority of the chapter deals with the perceptions of the 16 Black interviewees who originated from South Africa, Botswana or Zimbabwe; sections 6.5 and 6.6 present the views of the three White South African interviewees and the two interviewees who originated from Kenya respectively.

6.1 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 (see section 2.4). 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 similar to that advocated in the King II report)[33].

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 King II 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 King II 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 analysing 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 believed the requirement for widespread moral obligations to be more than a response to the impact of corporate activities. He insisted 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)

This overall rationale for widespread corporate moral obligations, based on an awareness of the corporation's place in society – its impact, interaction and interdependence with various stakeholder groups, and the wider community, was expressed by 12 of the interviewees. 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 #21 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 #21 above, he considered donations to be acceptable, depending on the community, and where such donations are made on behalf of "the employees and 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 #18), 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 context of poverty in South Africa was 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'"(#18).

> "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 who 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 ..." (#20) 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 moral 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 #21 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." (#21)

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 #20 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 interdependence 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.

6.2 Specific stakeholder groups

During the discussion on corporate obligations, interviewees were asked to elaborate on any moral obligations that corporations may bear to various stakeholder groups. Accordingly, there are a number of comments that relate to specific stakeholders. The majority of these comments referred to shareholders, employees, and the community. There were some comments relating to customers, but few comments were specifically concerned with obligations to either suppliers or government entities. This section presents a summary of the views concerning shareholders, employees and the community.

Shareholders

Interviewees recognised many of the obligations that corporations are traditionally considered to have towards their shareholders. Specific mention was made of the obligation to report and disclose corporate activities (with some mention of 'transparency'), the obligation to make a profit, provide a return on the shareholders' investments and increase shareholder wealth, and the obligation to run and control the business on behalf of the 'owners'. Moral aspects of running and controlling the business were identified on several occasions, with some interviewees insisting that the business be run in a moral manner (by, for example, avoiding dubious activities in developing countries (#10)), that the business maintain a good corporate image, and/or that the trust of the shareholders be honoured. Three interviewees (#6, #10 and #18) expressed the view that some shareholders would not invest only for financial gain, but are interested in how the company operates and makes its profit. Interviewee #18 then considered there to be a potential conflict between different shareholders with different interests and identified a corporate obligation to balance these competing interests.

The obligations to shareholders were justified primarily with reference to the investment made by shareholders. This was sometimes accompanied by the recognition that the shareholders have assumed risk, that the funds are still really 'owned' by the shareholders, or that the directors act as agents for the shareholders. Interviewee #7 also drew attention to the shareholders' ability to appoint directors as a motivation for corporate obligations (with the directors being seen as decision-makers appointed by the shareholders to act on their behalf). Beyond the traditional agency framework, one interviewee (#10) considered that shareholders would expect managers to adhere to certain moral values in running the business, over and above the obligation to provide a return on investment. Interviewee #15 provided another hint of non-financial obligations:

> "... you invest in a company because you want a return, but in that return you also want to be treated as a human being. You want fairness, you want transparency." (#15)

Overall, all 16 interviewees expressed views that correspond to the traditional obligations that corporations are considered to have towards their shareholders, by virtue of their financial investment. Five interviewees, however, also expressed additional expectations regarding the moral values that management should adhere to (such as avoiding dubious practices, demonstrating good moral values and treating shareholders as human beings themselves).

Employees

Many of the comments, specifically concerning the moral obligations of corporations towards their employees, dealt with the provision of acceptable working conditions and employee benefits. It was generally considered that corporations have an obligation to provide fair conditions and benefits – specifically remuneration, medical aid, pension and a safe working environment. Non-provision or avoidance of such benefits (with one interviewee (#15) specifically including casual workers) was seen as immoral. Apart from this, only non-compliance with the law and involvement in questionable business practices (child labour) were considered to be immoral corporate behaviour. Although corporations were not generally considered morally obligated to go further in their dealing with their employees, most interviewees felt that this would be good. Some interviewees indicated that corporations should be concerned for their employees' wellbeing, others that they should actively motivate their employees and create a satisfactory working environment, and others that corporations should endeavour to keep their employees 'happy'. Other, occasional points include reporting to employees regardless of their position in the business, providing preferential terms for goods or services to employees, the potential for involving employees in decision-making (although difficulties with this were also identified) and the need to develop skills locally rather than import them.

The most common justification for this consideration of employee interests was by reference to either their positive or negative consequences. Positive consequences included improved productivity and shareholder wealth, while negative consequences included increased staff turnover, lower productivity and the possibility of strike action. Other reasons given included the recognition that employees rely on the corporation for their income and to support their families, as well as the essential role that employees play within corporations – as the individuals that do the work, and form the "main crux of the company ... who are bringing the money into the company ..." (#16). Interviewee #8 emphasised employees' social needs, noting that corporations provide a "sense of belonging" and the importance of social relationships and social respect. The effect that concern for employees has on the community and the possibility of alleviating poverty through improving employee conditions was also identified.

Although reference to consequences was the most common justification, two interviewees (#2 and #6) specifically mentioned and advocated against using employees as a means to an end. Interviewee #2 believed that corporations should improve the lives of people in society, and when questioned how this could be done, she responded that,

> "... when they hire people, probably do away with cheap labour. Where they want to just - because they know you are desperate for a job, and then they need somebody to use - and then they're just going to give you peanuts, just because you are there, available ... but this employee is investing their labour in this business and they should actually be as, not of course as important financially as those who are contributing money, but they should be given more value, just, not as seen as a means to an end."

Overall, all 16 of the interviewees believed that companies have moral obligations towards their employees. These predominantly involved the provision of acceptable employees' working conditions and consideration of their wellbeing. Ten of the interviewees justified their views with reference to the consequences for the company, although they did not clarify whether this would be for the ultimate benefit of shareholders only or for all stakeholders. Eight of the interviewees did, however, identify other justifications, including considering employees as ends in themselves, and drawing attention to a link between employees and their societal and community context.

Community

Comments regarding corporate obligations to the community included both social and environmental obligations. As these are fairly distinct, they are discussed separately, beginning with social obligations.

The belief that corporations have a moral obligation to 'uplift' the local community was prevalent. This was variously expressed as 'bringing up' the community, 'making a difference', taking good care, or simply 'helping' the local community, and is evident in the following comments:

> "you open a business, yes to make a profit, but you want to improve the place where you are, you want to make it a better place" (#14)

> "I think there are certain things that bring up the community, as an organisation, even if it doesn't ... a little bit of sacrifice here and there, even if it's a small business - doesn't have to be a multi-million dollar business - but I think that it is something that they should strive to do" (#18)

> "I believe that in terms of the community, do something about that area as well, so that you also grow, you upgrade each other." (#20)

> "leave the community in a better way than you found it" (#21)

Specific activities that were suggested related to improving or providing health, education, bursaries, opportunities, sponsoring sporting clubs and giving to charities. A need to communicate and/or report to the local community was also identified by several interviewees. Other, less common, views and observations included the need for corporations to understand local values and customs and then balance these with their existing obligations. Similar to this was the belief that corporations should be sensitive to the community and those who are disadvantaged. One interviewee (#9) identified the inequality present in Johannesburg, noting particularly how retail outlets will open in middle or upper class areas, but not in poorer, informal settlements. He argued that such businesses should

> "actually go there because we know it's kind of risky to invest in such places, but go there and just try them out, hear them out, hear them out, and try to actually build some relationship..."

Other interviewees believed that local (South African) businesses should provide preferential terms to local customers, when compared to international competitors (the petrol industry was given as an example), and that businesses involved in controversial products, such as pharmaceuticals that could be abused, should regulate themselves to limit their negative effects, rather than pursue profits without concern.

In terms of environmental obligations, there was a general view that corporations should not pollute or otherwise negatively impact on the environment, or, at least, that they should take responsibility for any negative impact (acknowledging that in some cases this could be an inevitable consequence of production). Some interviewees identified a need for an awareness of the environmental impact that the corporation may have, and the need for communication and reporting to the community was also recognised. Large mining or manufacturing companies were sometimes referred to, and mention was made of the need for these companies to contribute to environmental protection worldwide, and the need for them to pay the appropriate environmental taxes.

The justification for these moral obligations was often related to the benefits that corporations gain (or have gained) from the community (such as from customers or employees) and the fact that these corporations have used the resources in their local area. In this sense, corporations are considered obligated to return something to the community. Interviewee #14 stated that, "... what they get from the community, they should give back", and interviewee #10 observed that:

> "You know, the sources they're going to be using, human resources, physical resources, that kind of thing, so, at some point they need to give back to the community and they need to do that with some kind of moral, you know, enlightenment." (#10)

The other common justification referred to consequences, either the negative consequences of corporate activities, or the positive consequences of contributing to either social or environmental issues. These positive consequences included improving the corporation's image (and consequently, profits), extending its longevity, developing local skills, caring for future generations and contributing to the 'better good'.

Some interviewees identified other reasons for corporate obligations to the community. These included the notion of corporate citizenship, adherence to a common morality, and bearing moral responsibility in the same way that individuals do. Interviewee #14 considered that while it would not be immoral if a corporation did not contribute to society, that corporation would be selfish and "it just wouldn't be a quality company". Another interviewee (#12) noted that corporations should contribute, as the fact that their competitors would be contributing would create an expectation for them to do so. Interviewee #15 based her view that corporations should provide opportunities for others on the observation that "the system doesn't allow equal opportunity for everybody, so if you are able to give somebody that chance, just, you know, do it." One interviewee (#18) specifically noted that the traditional African value of *ubuntu* would bring corporations to a closer consideration and involvement with their community (traditional African values and *ubuntu* are considered in more detail in section 6.4 below).

Finally, despite the general view that corporations should contribute to the social and environmental issues faced in their communities, this was not considered to be compulsory. One interviewee (#21) expressed the view that it was the role of government to create the appropriate environment (and that corporations could assist), and another (#4) that corporations were obliged to comply with regulations, but were not obligated to go any further. Only two interviewees (#8 and #12) provided any indication that not going beyond what is required by law could be considered immoral.

Overall, all 16 interviewees indicated that corporations do have moral obligations to the community in terms of social and/or environmental commitments, although most did not consider a corporation that did not go beyond its legal requirements to be acting immorally. The views expressed included a common belief that corporations should make a positive contribution to their local community, and that they should bear responsibility for their environmental impacts. Although a number of different justifications were provided for these views, no single justification was predominant.

The Anglo-American model of corporate governance would typically suggest that corporations have moral obligations to their shareholders based on the agency relationship, but that moral obligations to other stakeholders are limited to where there may be a negative impact on shareholder interests. The interviewees' views regarding the specific obligations that corporations have to shareholders by and large corresponds to the Anglo-American model. Although obligations to employees were justified by some on the basis of their consequences for the company, other reasons included taking a wider perspective of the role of the corporation's employees, their needs, and their intrinsic worth. These other reasons in particular suggest a stakeholder model. Lastly, the views regarding corporate obligations to the community are quite firmly within the stakeholder model, referring both to objectives of social 'upliftment' (that are typically removed from the Anglo-American model's focus) and an awareness of the need for corporations to return something to the community.

6.3 Corporate priorities

The previous two sections considered how the interviewees perceived the moral obligations of corporations, from several different aspects, and including a consideration of different stakeholders. This section provides an account of how the interviewees viewed the priorities of corporations. This specifically includes a consideration of how the interviewees prioritised different stakeholder groups, followed by a review of the corporate objectives they considered to have moral benefit, with a particular focus on the morality of profit-making.

Stakeholder groups

Following the 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. This was accompanied by beliefs that corporations should instead achieve a balance across stakeholders, that there should be equality and/or that no preference should be given. These views were further supported by observations 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 (#21) 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 also 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 #18 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" (#18).

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, reflects alignment with a stakeholder model.

Corporate objectives

A specific question addressing which corporate objectives would generate the most moral benefit was included in 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 #21 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." (#21)

Several interviewees prioritised other, non-profit-making objectives, such as addressing social and environmental concerns as corporate citizens, as well as community or employee concerns:

> "businesses are citizens, corporate citizens, and should be viewed as people because they are in fact represented by people..." (#8)

> "if I invest in my community I know in the long run my company will be there for a long time, and my profits will maximise over the years" (#14)

> "The more you are able to serve your community well the more that community will be able to grow, which means you actually land up building the business in the end..." (#15)

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 rather that moral benefits were more closely associated with addressing other stakeholder issues (interviewee #8 also stated that "long-term growth [is] the major objective of companies"). The manner in which profits are made was also 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 is 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 particular in the activities of the corporation is emphasised. This again reflects a stakeholder orientation rather than the Anglo-American model (adequately described by interviewee #4 above).

Profit-making

Following the discussions concerning the moral objectives of corporations, profit-making was explored in more detail by directly asking 15 interviewees 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 #21,

> "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." (#20)

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 (as discussed in section 6.1 and 6.2), a view that is more in line with the stakeholder model.

6.4 Traditional African values

The interview schedule included a specific question addressing whether or not interviewees believed that traditional African values, such as *ubuntu*, 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 may 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." (#18)

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 suggests that it may not be seen as distinct from, say, Christian values, in the workplace. When questioned, interviewees who originated from Zimbabwe or 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 by stakeholders), 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 (one interviewee specifically arguing that an education program is necessary to increase awareness of *ubuntu* (#6)), or that it had been eroded by modernisation and/or colonialism. Interviewee #20 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 also contrasted with the poor record in improving the socio-economic conditions of many South African communities under the existing 'trickle-down' approach to development, implying that *ubuntu* is not currently practiced. Referring to how *ubuntu* relates to employee relations, another interviewee (#15) believed the existing South African business environment to be characterised more by nepotism than by mentoring.

Some interviewees identified some negative aspects of *ubuntu*. These included nepotism, polygamy, a reluctance to ever question those in senior positions and gender inequality. 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 at a corporate level. One interviewee regarded a company that offered lower prices than its competitors (as part of a market penetration strategy (#14)) as an example of *ubuntu* in action, and another (#8) reflected that companies that charged 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* suggests that the concept may 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 (sections 6.1, 6.2 and 6.3). To this extent, *ubuntu* 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 is sufficiently understood or sufficiently widespread to present a source of different moral judgements regarding the obligations and objectives of corporations[34].

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 (#18) 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 (#21) 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 (for example, to "... including employees, including society..." (#2)). Interviewee #21 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".

A number of interviewees also identified other differences between Western countries and South Africa. These include the view that there is a consumerist, materialist culture in the USA, compared to a community-oriented culture in South Africa; that there is greater transparency in South Africa compared to the USA (and Zimbabwe); that in Africa the wealthy are 'above the law', whereas in the UK or USA the law remains in force for all; that there is greater scrutiny of corporations in the USA of UK. A few interviewees recognised the diversity of South African society as a distinguishing feature and interviewee #15 noted that the USA and the UK have had time to "sort of work out the kinks in their system".

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.

6.5 White interviewees

The group of volunteer interviewees included three White students (all originating from South Africa). The perceptions of these interviewees can provide another perspective on the views of the Black interviewees presented above, particularly with regard to any views which could be considered distinctive of Black society. The views of the White students that are considered most relevant are presented in this section.

In general the three White interviewees maintained a similar stakeholder orientation regarding corporate moral obligations. They included a range of stakeholders, and their justifications for widespread corporation obligations included a consideration of the impact that corporations have on the various stakeholders (with large companies having a greater impact, and accordingly greater obligations). These interviewees also expressed similar views concerning whether corporations should sacrifice profits to meet moral obligations, with interviewee #5 noting that "if everybody tries to do something in the world, we could all make it a better place". At the same time, the need to make profits to ensure the survival of the business was acknowledged. Concerning the question of whether corporations should go beyond the law in their relationships with stakeholders, the views were again similar. The law was seen as a minimum, and although it was not considered immoral to limit activities to those prescribed by law, further activities were considered beneficial.

In terms of prioritising obligations and objectives, the White interviewees included a range of stakeholder interests. Although shareholders were sometimes placed at the top of a ranking, the importance of other stakeholders was acknowledged. Regarding corporate objectives, alongside the need to make profits and increase shareholder wealth, the importance of social (including employee) and environmental concerns was emphasised:

> "It's not only, you know, seek profits for the shareholders and directors but also to improve, I don't know, the community around them ..." (#1)

> "We can't all just get rich and expect nobody else to get rich, I mean, and not help the environment and everything. I suppose by building a corporation you could argue that you are helping the community by employing people and supplying everything but you could play a greater role and that's why I think that corporations need to keep that element now and evolve with the times." (#5)

Concerning *ubuntu*, the White interviewees had much the same understanding of the concept as their Black counterparts. They acknowledged that the concept could have a role to play in business, although it would not be necessary and should not be enforced. *Ubuntu* was seen as possibly improving relationships with stakeholders or as the corporation been viewed as a community:

> "... stakeholders are all grouped around one corporation, so that could become one community and they could try and work together to better the corporation as a whole, and all its various stakeholders." (#5)

However, this interviewee then went on to consider that this could lead to a potential conflict of interest. He concluded by noting that while culture was an inevitable part of a business, and that this would be expressed in "helping the environment, local Sowetan communities and football and all that", traditional African values should not be involved. Interviewee #1 also identified a possible negative connotation where traditional African values include a focus on family and the immediate community, noting that "you shouldn't just consider, you know, the people around you, your family or your friends. I think that you should consider everybody."

The similarity of many of the views of the White interviewees indicates that the stakeholder orientation expressed by Black interviewees is not limited to that racial group only. However, there did appear to be more hesitation concerning the application of *ubuntu* in business. These views support the assertions that students in South Africa maintain a stakeholder orientation, regardless of racial group, and that *ubuntu* is not sufficiently understood or sufficiently widespread to present a source of moral difference.

6.6 Interviewees originating from Kenya

The group of volunteer interviewees also included two students who originated from Kenya (in this section referred to as the 'Kenyan interviewees'). As East Africans, the perceptions of these students could provide some additional information regarding the uniqueness of the views of the Black interviewees that originated from Southern African countries.

The two Kenyan interviewees shared the view that corporations have obligations to a range of stakeholders, interviewee #17 going so far as to claim that "companies have to cater for society as a whole". The belief that corporations should sacrifice some profits, in the appropriate circumstances and where it would benefit the company and society was also expressed. Corporate obligations beyond those prescribed by law were considered appropriate where these generated benefits for the company and, in the case of employees, for "human connectivity" (#13). The fact that morality is not always the same as what is prescribed by law was also used to justify extended obligations. Corporations that did not go beyond the legal requirements were not, however, considered immoral.

In terms of ranking different stakeholders, the Kenyan interviewees both placed shareholders at the top, with employees and customers close behind. Profit-making was also seen as a valid primary objective, within certain bounds:

> "I would say profit, net profits first. And then, as long as I don't hurt anybody in the company, not my employees and not the society, then I can make profits, and I can make profits, and I can sustain my employees, and I can then in-turn give back to society." (#13)

Interviewee #17 noted that there is an expectation that companies have a role to play in providing for the 'social needs' of society. Both interviewees suggested that profit-making is not itself a moral objective ("making profit is just a business requirement for a company to survive" (#17)).

Regarding traditional African values, *ubuntu* was not specifically identified as a Kenyan concept by the two interviewees. Both expressed some reluctance to incorporate such values into business, although interviewee #13 did note that valuing people and looking after society could be beneficial traits that can be learned from traditions. Such traditional values should not be enforced, however, and were not considered necessary to run an efficient business. Both interviewees considered that there is a difference between African and Western corporate structures and systems, and indicated that some adjustments by corporations were necessary to take account of the local situation. In the South African context, Black Economic

Empowerment, bursaries and "empowering students" (#13) were specifically identified as ways in which this could be achieved.

The two interviewees who originated from Kenya presented a broad stakeholder approach in which shareholders feature prominently, but in which the societal context is taken into consideration. Taking into account that the interviewees did not themselves identify *ubuntu* as a traditional Kenyan concept, they thus largely displayed much the same orientation towards the moral obligations and objectives of corporations as the other Black interviewees.

6.7 Conclusion

The purpose of this chapter was to present an account of how a group of 16 Black professional accounting students in South Africa perceive the obligations and objectives of corporations, and to provide some consideration of how these perceptions relate to the morality of the dominant models of corporate governance. The account has addressed this objective in several ways.

Firstly, the interviewees' views concerning the extent of obligations that corporations are considered to have, were presented. This included the motivations for these obligations, questions over whether corporations should sacrifice their profits and go beyond what is prescribed by law in achieving their obligations to stakeholders, and the specific obligations that corporations are considered to have towards shareholders, employees and the community. In broad terms, the interviewees expressed views that are more aligned to a stakeholder view than a traditional Anglo-American shareholder view. This can be seen in the wide range of stakeholders considered, the emphasis on employees and the community's interests, and the recognition of the impact, interaction and interdependence of the corporation with its various stakeholders. Within this stakeholder perspective, however, there was also a general acknowledgement of the importance of shareholders and the traditional corporate obligations that corporations are considered to bear to shareholders by virtue of their investment and the agency relationship.

Secondly, the interviewees' beliefs concerning the priorities corporations should have, were presented. This included a consideration of whether stakeholders could be ranked, the 'best' corporate objectives, and the morality of profit-making itself. Again, the interviewees' views can be broadly categorised as corresponding to a stakeholder perspective, within which shareholders are given a prominent position. Rankings tended to indicate a wide consideration of multiple stakeholders, with shareholders being prioritised in several instances. While profit-making was not considered immoral, and considered necessary for the long-term success of the corporation, the importance of wider social and environmental concerns was also clearly expressed, and in some cases profit-making seen as a means of addressing these.

Thirdly, interviewees' views regarding the possible role played by traditional African values and *ubuntu* were presented. The lack of a consistent, clear understanding of *ubuntu*, and the little consideration of *ubuntu* in earlier discussions of corporate obligations and objectives suggests that the concept has little immediate relevance. This is supported by views that *ubuntu* is not currently prevalent in the business world and is a value system from the past, as well as the identification of possible negative aspects of *ubuntu*, such as nepotism and inequality. However, positive aspects of *ubuntu* were identified, and a broad understanding of the community-oriented nature of *ubuntu* suggest that the concept supports (rather than determines) the stakeholder perspective generally maintained by the interviewees.

Lastly, the views of three White students and two Black students who originated from Kenya (over and above the other 16 Black students) on the same issues were presented. Both the White students and the Black students originating from Kenya expressed many of the same views as the other 16 Black students, generally adopting a stakeholder perspective with shareholders as a prominent group. They did appear, however, to be more hesitant concerning the application of *ubuntu*. This serves to emphasise that the stakeholder perspective as described is not limited to Black students originating from Southern African countries, and that *ubuntu* is not sufficiently understood or sufficiently widespread to represent a source of moral difference.

The views of the interviewees, and a consideration of how they relate to the moralities that underlie the dominant models of corporate governance, can be used to assess the claim of Descriptive moral relativism related to corporate governance (as presented in chapter one). This claims that there are differences in moral judgements regarding the obligations and objectives of corporations. The discussion in this chapter indicates that where the interviewees' views are compared to the morality of a traditional, shareholder dominant Anglo-American model, differences can be seen to exist. Fewer differences are evident when comparison is made to the morality underlying stakeholder models of corporate governance.

The implications of this are discussed further in chapter eight. The next chapter, however, moves away from Descriptive moral relativism, and considers the claim of Metaethical moral relativism regarding corporate governance.

Chapter 7: Metaethical moral relativism and corporate governance convergence

The question of whether different people and groups of people maintain different moral judgements has been investigated by researchers in different disciplines and across a variety of different areas for more than a century. The previous four chapters have all contributed to this body of research by examining the question of whether different groups maintain different moral judgements regarding the obligations and objectives of corporations in the Southern African context. The findings provide evidence concerning the claim of Descriptive moral relativism with relation to corporate governance convergence.

Metaethical moral relativism refers to another, separate aspect of moral relativism and addresses the question of whether there is a single 'correct' or 'true' morality, or whether morality varies with culture and history. Gowans (2008) describes Metaethical moral relativism as the claim that,

> "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."

In chapter one (see section 1.1) this was framed in terms of the morality of corporate governance as follows:

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

Both the Metaethical and Descriptive aspects of moral relativism are important for evaluating the normative claim, which in the context of this study claims 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 (see section 1.1 in chapter one). Although the existence of moral disagreement is necessary for questions of moral relativism to have any relevance, it is not in itself sufficient to justify the normative claim. Despite differences in moral judgement, it is conceivable that there may yet be a 'correct' or 'true' morality. The normative claim would, however, be strengthened if it can be demonstrated that there is no 'correct' or 'true' morality, and conversely would be weakened if a 'correct' or 'true' morality can be demonstrated.

The purpose of this chapter is to consider the evidence for the claim of Metaethical moral relativism with regard to the morality of corporate governance, thereby addressing research objective two (see section 1.2 in chapter one):

2. *Metaethical moral relativism*. To study the relevant literature and summarise existing evidence that there is no universally moral form of corporate governance.

The chapter proceeds with an investigation into the meaning of Metaethical moral relativism, from which two specific questions are identified, both of which suggest a universalist morality that stands in opposition to Metaethical moral relativism. The subsequent sections consider the evidence that may support such universalist positions and that would thereby counter the claim of Metaethical moral relativism. The last section of the chapter considers arguments supporting Metaethical moral relativism, particularly those presented by two of its prominent advocates – Gilbert Harman and David Wong, and the extent to which these can be applied to corporate governance.

7.1 The meaning of Metaethical moral relativism

This section considers, in more detail, what is meant by Metaethical moral relativism; this enables questions to be articulated that are then subjected to investigation in subsequent sections. One description of Metaethical moral relativism has been provided by Gowans above, yet as the claim has been stated in a number of different ways, it is worthwhile considering further descriptions, such as those provided by Wong, and by Moser & Carson:

> "[Metaethical moral relativism] often takes the form of a denial that any single moral code has universal validity, and an assertion that moral truth and justifiability, if there are any such things, are in some way relative to factors that are culturally and historically contingent." (Wong, 1991, p.442)

> "Metaethical relativism states that moral judgments are not objectively true or false and thus that different individuals or societies can hold conflicting moral judgments without any of them being mistaken" (Moser & Carson, 2001, p.2)

Moser & Carson go on to distinguish between an extreme and a moderate Metaethical moral relativism. In the extreme version, no moral judgements are considered to be objectively true, whereas in the moderate version some moral judgements are considered to be objectively true, and some are not. As discussed in chapter one (section 1.1), this study is specifically concerned with, and limited to, moral judgements that relate to corporate governance. No consideration is paid to other moral judgements, so the extreme version is not applicable to this study.

The descriptions provided by Wong, and Moser & Carson are consistent with that provided by Gowans above, with the exception that where Gowans and Wong refer to universal validity, Moser & Carson refer to objectivity. It would appear at first glance that moral universalism would be the position contrary to Metaethical moral relativism. Holmes (2007) supports this, and describes moral universalism as a perspective in which "what is fundamentally right and wrong is the same for all people ... it says that if two people differ about what is *basically* right and wrong, at least one of them must be mistaken" (Holmes, 2007, p.151, emphasis in original). In contrast Gowans (2008) notes that "Metaethical moral relativist positions are typically contrasted with moral objectivism", but adds that such moral objectivism would hold that "moral judgments are ordinarily true or false in an absolute or universal sense".

It is possible therefore to position Metaethical moral relativism as contrary to a universally valid, objectivist perspective of morality. However, this immediately suggests that there may also be a non-objectivist but universally valid perspective which would also stand in opposition to Metaethical moral relativism. Some consideration of moral subjectivism (as a non-objectivist perspective) is accordingly appropriate.

Rachels (1993) provides a useful review of the merits of different versions of moral subjectivism. Beginning with what he refers to as a "simple subjectivism" (1993, p.435), he describes it as "a theory which says that, in making moral judgements, people are doing nothing more than expressing their personal desires and feelings. On this view there are no moral 'facts'" (1993, p.432). He then dismisses this theory by referring to the observations that people are sometimes wrong in their moral judgements and that moral disagreements do sometimes occur. Neither of these observations is consistent with a simple subjectivist explanation of morality. Rachels then describes emotivism, as a stronger form of subjectivism, in which moral judgements do not just state an individual's feelings (as in 'I disapprove of theft'), but are best interpreted as quasi-imperatives (such as 'I disapprove of theft. Do so as well', (see Stevenson (1944, p.22)) or as expressions of an attitude (such as 'Damn thievery!'). While emotivism avoids some of the problems of a simple subjectivism, it can also be considered inadequate as it does not account for the role of reasons that are implicit in moral judgements (a point also made by Williams (1972, p.32), discussing subjectivism in general), and does not distinguish reasoning from rhetoric (Hepburn, 1995)[35]. Rachels concludes by postulating a third version of subjectivism, suggested by the work of Dewey[36] and Falk[37]. In this version, a distinction is drawn between moral judgements that are made before and those made after rational consideration of the relevant facts and arguments. The latter are then considered to provide the best basis for a subjectivist morality:

> "something is morally right if it is such that the process of thinking through its nature and consequences would cause or sustain a feeling of approval toward it in a person who was being as reasonable and impartial as is humanly possible. This is just a convoluted way of saying that the morally right thing to do is whatever a completely reasonable person would approve." (Rachels, 1993, p.440)

Along these lines, it is possible then to conceive of a universally valid, subjectivist perspective in which reasonable and impartial people agree on a particular morality. This provides an alternative position that also stands in opposition to Metaethical moral relativism.

The claim of Metaethical moral relativism can be analysed with reference to these opposing positions by raising two questions. Firstly, is there an objective standpoint by which one morality can be shown to be superior to others? (A universally valid, objectivist perspective.) Secondly, is there a single morality to which all people, being as reasonable and impartial as possible, can agree? (A universally valid, subjectivist perspective.) As Metaethical moral relativism denies that either of these questions can be answered in the affirmative, evidence and arguments that support either of these would provide justification for denying the Metaethical claim. If either claim could be shown to be true, then Metaethical moral relativism would be false.

These questions can be applied to the morality of corporate governance as follows:

1. Is there a single, morally superior model of corporate governance? (objective moral universalism)

2. Is there evidence of agreement regarding the morality of corporate governance, amongst people being reasonable and impartial? (subjective moral universalism)

These questions deal primarily with a universalist perspective that stands in opposition to, and is mutually exclusive with, Metaethical moral relativism. Answering either of these questions in the affirmative suggests that Metaethical moral relativism with regard to corporate governance morality is false. The next two sections consider each of these questions in turn. There are, however, some philosophers who actively defend the Metaethical moral relativist claim and provide arguments to support their views. The extent to which these supporters of Metaethical moral relativism present arguments that can be applied to corporate governance is considered in the last section of this chapter.

7.2 Is there a single, morally superior model of corporate governance?

This section considers the principal arguments and reasons that have been provided to support the view that either the shareholder or the stakeholder model is superior, on moral grounds. (The principal models of corporate governance and some discussion of the morality that underlies these models are presented in chapter two.) For this purpose, the shareholder model is represented by the work of Milton Friedman, specifically his 1970 article that was instrumental in furthering the view that shareholder primacy is the only 'correct', 'true' or morally appropriate orientation, and by Hansmann & Kraakman (2001), who provided a more recent, comprehensive case for the superiority of Anglo-American shareholder-oriented corporate governance. The stakeholder model is represented by the work of R. Edward Freeman and his co-authors, who since 1984 have been responsible for widespread consideration of stakeholder interests amongst academics and in practice. In each subsection the central arguments for the moral superiority of each model are presented (in some cases the morality is more implicit than in others) and briefly evaluated.

The Friedman 'doctrine'

Milton Friedman, reflecting the traditional Anglo-American approach to corporate governance articulated by Berle (1931) and Berle & Means (1932), espoused the view that businesses should focus exclusively on economic matters (increasing profits). A number of specific arguments can be identified in his (1970) article *The social responsibility of business is to increase its profits*, which are either explicitly or implicitly moral.

Firstly, Friedman asserts that as corporate executives are agents of their employers (the owners, or shareholders, of the company), spending on social responsibilities (that does not maximise profits) is acting contrary to the interests of one's employers. Secondly, when spending on social responsibilities, executives are effectively spending someone else's money (shareholders, customers or employees, depending on whom is most affected). This is equivalent to imposing and spending a tax, which is a public function. Political processes have been devised to provide adequate safeguards regarding taxation, and consequently it is inappropriate for corporate executives to be acting as civil servants and bypassing these safeguards. Thirdly, executives are not experts at making non-commercial decisions. Allowing or requiring executives to make decisions concerning social concerns will inevitably result in poor and/or unintended consequences.

Friedman ultimately considers the call for social responsibilities to undermine the essence of the free market, private enterprise and capitalism, and advocating social responsibilities is identified with the exploitation of others. The morality of the shareholder orientation is thus considered to be superior: "The difficulty of exercising 'social responsibility' illustrates, of course, the great virtue of private competitive enterprise – it forces people to be responsible for their own actions and makes it difficult for them to 'exploit' other people for either selfish or unselfish purposes. They can do good, but only at their own expense" (Friedman, 1970, p.123).

Weaknesses in Friedman's argument and defence of shareholder theory have been pointed out by a number of scholars. Some (such as Boatright (1994)) have questioned the actual status of shareholders as owners, the validity of the principal-agent view, and the parties to whom directors actually have fiduciary duties, while others (such as Freeman *et al.* (2004)) observe that executives already engage with stakeholders to ensure the best outcome for the corporation. Phillips *et al.* (2003) also note that the shareholder model has not been particularly effective in preventing financial scandals such as Enron and WorldCom, and argue that "managerial opportunism is a problem, but it is no more a problem for stakeholder theory than the alternatives. Indeed, there may be some reason to believe stakeholder theory more resistant to managerial self-dealing" (2003, p.484).

Friedman's description of the responsibilities of executives is also notable:

> "to conduct the business in accordance with their [shareholders'] desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom" (1970, p.33)

This makes room both for shareholders who may not always have profit-making as their only objective and for 'ethical custom' that presumably may vary from place to place and that could consequently place differing demands on corporate executives. The possibility of such 'ethical custom' including the consideration of various other stakeholders as ends in themselves is not considered by Friedman.

In summary, Friedman's arguments that engaging in social responsibilities is immoral have been, to a significant extent, countered by stakeholder theorists. Furthermore, he does not address (and would seem to allow) the possibility of differing ethical customs regarding the relationship between a corporation and its stakeholders. This version of shareholder theory cannot therefore itself be considered to clearly present a morally superior model of corporate governance.

The end of history for corporate law

Where Friedman drew attention to the alleged immorality of social responsibility, a more definitive claim for the superiority of the shareholder model has been made by Hansmann & Kraakman (2001). They pronounced "The end of history for corporate law", arguing that the Anglo-American shareholder model has proved to be superior to its alternatives, and provide a number of reasons to support their view.

Firstly, they characterise three alternatives to the shareholder model that were implemented in the twentieth century as the manager-oriented, labour-oriented and state-oriented models (they acknowledge stakeholder models, but consider these to be variants of the manager-oriented or labour-oriented model). In their view, all of these have failed, leaving the shareholder model as the only viable alternative.

They continue by providing positive reasons for the superiority of the shareholder model, believing that "important economic forces have made the virtues of that model increasingly salient" (2001, p.449). In their view the shareholder model's superiority can be demonstrated by logic, through example, and by referring to the forces of competition. Each of these is considered in turn.

Appeal to logic

Hansmann & Kraakman's appeal to logic takes the form of an assertion that the shareholder model "offers greater efficiencies than the principal alternatives" (2001, p.449). Four reasons are provided to support this assertion. The first is the observation that equity investors cannot be protected by contract, and therefore require the right of control in order to protect their interests. The second reason is an appeal to the observation that when shareholders have strong and exclusive rights, they will have "powerful incentives" (2001, p.449) to maximize the value of the business. The third reason points to the fact that other stakeholders can be protected through contract and regulation, which in turn means that the shareholders' position of value maximisation complements rather than competes with stakeholder interests. The last reason is that even if such contract and regulation is ineffective, changing corporate governance is considered to create "more difficulties than it solves" (2001, p.449).

The first reason appeals to a sense of fairness or justice, as without the right of control, shareholders would be unfairly prejudiced relative to other stakeholders. This has been questioned by Freeman & Evan (1990), however, who use a transaction cost approach to argue that "owners seem to have the least claim to voting membership, as a result of the existence of the market for shares" (1990, p.344) and that "other stakeholders have at least as good a claim as owners" (1990, p.344).

The second, third and fourth reasons above can all be considered to be utilitarian in that they assert that the shareholder model will generate the greatest good for the greatest number, and that attempts to significantly alter the principal aspects of shareholder primacy will have negative (or less positive) consequences. The second reason depends on shareholders actually having a strong incentive to maximise the value of the business. Although it seems clear that shareholders will all have some incentive to maximise the value of the business, the nature and extent of this can be questioned with reference to speculative shareholders that are more interested in short-term gains than long-term value, and those shareholders that prefer to invest in ‘socially responsible’ companies or investment funds, despite the possibility of lower returns. In addition, the last reason would be disputed by advocates of stakeholder models, who would simply claim that the difficulties of changing governance structures would be outweighed by the (moral, and possibly unquantifiable) benefits.

Hansmann & Kraakman’s argument from logic is thus not as self-evident as they suggest. The preferential claim of shareholders to rights of control can be disputed, and without further evidence concerning the incentives of shareholders and the consequences of altering governance structures, their argument suggests that the shareholder model may be superior, but is not sufficient to show that it is superior. Furthermore, in a subsequent section, Hansmann & Kraakman note that “firms operating under the standard [shareholder] model may be no more efficient than other firms in many respects” (2001, p.451) and specifically identify several efficient businesses operating within stakeholder jurisdictions. This would seem to contradict their first assertion above, that the shareholder model “offers greater efficiencies than the principal alternatives” (2001, p.449).

Appeal by example

Hansmann & Kraakman’s appeal by example claims that the shareholder model is superior as the American economy (as a shareholder-oriented jurisdiction) has outperformed the German, Japanese and French economies (all of which maintain variants of stakeholder models). They discard arguments that emphasise the growth periods of Germany and Japan by arguing that the shareholder orientation has only really been practiced from the late 1980s (considering American companies prior to this to have been manager-oriented).

This appeal can be confirmed and extended by reviewing the Gross Domestic Product (GDP) year-on-year growth figures for selected countries (available from the Inter-Agency Group on Economic and Financial Statistics (2010)). A comparison of France, Germany, Italy, Japan, the UK and the USA for the period 1990 to 2009 shows that for 16 of the 20 years, either the UK or the USA had higher GDP growth rates than any of the other countries (see appendix eleven). For 11 of these years, both the USA and UK had higher GDP growth rates than all of the other countries. This provides strong support for Hansmann & Kraakman’s assertion that economies that maintain a shareholder-oriented model have outperformed those with a stakeholder-oriented model. It is worthwhile noting, however, that in the period since Hansmann & Kraakman’s (2001) paper, the growth rates of the different countries have been closer than in the preceding decade, and virtually converged in 2007, before the global financial crisis. It is not yet possible to determine if this is due to convergence towards the Anglo-American model, or if this shows that the superiority of the Anglo-American model is not as great as Hansmann & Kraakman claim. In summary, it is possible to argue that comparative GDP growth rates provide strong support for the superiority of the shareholder model to the extent that (1) the model of corporate governance is a key factor driving the growth rates of different countries, and (2) converging GDP growth rates since 2001 are best explained by convergence towards the Anglo-American model.

Appeal by force of competition

Globalisation has brought companies from different jurisdictions into competition, and Hansmann & Kraakman claim that "it is now widely thought that firms organized and operated according to the shareholder-oriented model have had the upper hand in these more direct encounters as well" (2001, p.450). They refer to a survey in which American and British companies are well represented amongst 'the world's most respected companies', and to advantages which shareholder-oriented companies have, including cheaper capital, "more aggressive development of new product markets, stronger incentives to reorganize along lines that are managerially coherent, and more rapid abandonment of inefficient investments" (2001, p.451), citing research in central Europe to support the claim regarding new product markets. They also argue that in growth industries, shareholder-oriented companies will be more successful as they have greater access to capital through institutional investors and international equity markets, and believe that other models will be confined to "older firms and mature product markets" (2001, p.451).

They admit, however, that shareholder-oriented companies will not necessarily replace others, for two reasons. Firstly, and as noted above, they identify several efficient companies in stakeholder jurisdictions (Japan, Korea, the Netherlands and Germany) and believe that shareholder-oriented businesses "may be no more efficient than other firms in many respects" (2001, p.451). Secondly, the other (stakeholder-oriented) businesses may be able to dominate markets through underpricing or overinvesting. Nonetheless, they believe that the competitive advantages that shareholder-oriented companies have (noted above) will lead to their eventual predominance.

Based on cheaper capital and access to capital markets, it is hard to dispute these competitive advantages, particularly in growth industries and for new products. Hansmann & Kraakman appear then to be successful at showing how shareholder-oriented businesses are likely to predominate over time. Having mechanisms by which a model is likely to be more widely adopted does not, however, imply moral superiority.

To some extent, the analysis also ignores successful American corporations that have adopted a stakeholder orientation. Phillips *et al.* (2003, p.498) draw attention to some of the American 'visionary companies' identified by Collins & Porras (1994) and the fact that the authors (Collins & Porras) did not refer to profit 'maximisation' (preferring instead 'reasonable', 'fair', 'adequate' and 'attractive' profits). This suggests that the eventual predominance of the Anglo-American model may not be solely attributable to corporations that maintain a shareholder perspective.

In summary, the argument for moral superiority presented by Hansmann & Kraakman is convincing only in the utilitarian appeal that is based on the superior economic performance since 1990 of the USA and the UK compared to France, Germany, Italy and Japan. This in turn is dependent on corporate governance models being a key factor driving economic growth, and converging growth rates being best explained by convergence towards the Anglo-American model since 2001.

The stakeholder theory of Freeman *et al.*

Phillips *et al.* (2003) clarify the distinguishing characteristic of stakeholder theory, stating that,

> "attention to the interests and well-being of some non-shareholders is obligatory for more than prudential and instrumental purposes of wealth maximization of equity shareholders. While there are still some stakeholder groups whose relationship with the organization remains instrumental (due largely to the power they yield) there are other normatively legitimate stakeholders than simply equity shareholders alone." (2003, p.481)

They identify several normative justifications for stakeholder theory, including Kantian deontology, Feminist ethics, principles of fairness (including that of John Rawls), implicit social contracts, property rights, risk and the concept of the common good. While there may be a number of different justifications for considering the interests of a variety of stakeholders (and Freeman (1994) in fact calls for a plurality of 'normative cores'), the most influential of these have been those that have drawn on Kantian ethics and principles of fairness, and that are largely deontological. The remainder of this section will focus on these normative justifications of stakeholder theory, particularly those expressed by Evan & Freeman (1993) and by Freeman (1994).

Evan & Freeman (1993) begin *A stakeholder theory of the corporation: Kantian capitalism* by identifying areas in which legislation has been changed or passed that compromises shareholder primacy in certain instances (such as product liability, mandatory provision of consumer safety information, employee discrimination, environmental degradation, anti-trust laws, and even relocation of industrial plants). They argue that these changes in the law have been limiting managerial preference towards shareholder interests, and are thus an indication that managers are not always required to act in the sole interests of their shareholders. This does not, however, contradict Friedman's shareholder theory, as he claimed that managers must act within the confines of the law, and not that the law should refrain from protecting other constituencies. In terms of shareholder theory, this is exactly how the interests of other constituencies should be protected, leaving management to focus purely on shareholder interests.

In developing the stakeholder view, Evan & Freeman (1993, p.100) point out that "property rights are not absolute, especially when they conflict with important rights of others" and that, accordingly,

> "each person has the right to be treated, not as a means to some corporate end, but as an end in itself. If the modern corporation insists in treating others as means to an end, than at minimum they must agree to and hence participate (or choose not to participate) in the decisions to be used as such." (1993, p.100)

Evan & Freeman maintain two basic principles that underlie their theory. Firstly, that the "legitimate rights of others" (1993, p.100) should not be violated, and secondly, that "the corporation and its managers are responsible for the effects of their actions on others" (1993, p.100). Considering the first of these, however, Maitland (1989, 1994) argues that the various stakeholders negotiate their own terms as part of the contracting processes and within a free market. In this view stakeholder rights are not being violated, and "the corporation ... already reflects the interest of all the parties to it, or they would not have contracted with it in the first place" (1994, p.450). He also argues that setting up moral rights for employees would actually "invade a worker's right to freely chose the terms and conditions that he (or she) judges are the best for him" (1989, p.954).

Evan & Freeman then address the basic questions of the purpose of the corporation, and to whom directors have responsibilities by providing two principles to be used to further develop the theory:

> "P1: The corporation should be managed for the benefit of its stakeholders ... The rights of these groups must be ensured, and, further, the groups must participate, in some sense, in decisions that substantially affect their welfare.
>
> P2: Management bears a fiduciary relationship to stakeholders and to the corporation as an abstract entity. It must act in the interests of the stakeholders as their agent, and it must act in the interests of the corporation to ensure the survival of the firm, safeguarding the long-term stakes of each group." (1993, p.103)

To avoid difficulties with extensive stakeholder lists that could be drawn up based on these two principles, Evan & Freeman focus on a narrower definition of stakeholders as groups that "are vital to the survival and success of the corporation" (1993, p.100) and include managers, employees, customers, suppliers, owners and the local community. They go on to expand on the stakes of the various stakeholders, and how they are vital to the corporation's success.

Evan & Freeman (1993) did refer to Rawls's theory of justice in passing, and in another article, (Freeman & Evan, 1990) further developed their basic principles by drawing on Rawlsian principles of justice and fairness (and referring to the 'veil of ignorance') to justify a stakeholder view of the corporation and to argue for stakeholder voting rights. In a 1994 article Freeman called for a pluralism of stakeholder theories with different 'normative cores'. He then proceeded to argue for a stakeholder theory which has pragmatic liberalism and the notions of fairness, autonomy and solidarity (referring to the work of Rawls and Richard Rorty) as its 'normative core':

> "The normative core for this redesigned contractual theory will capture the liberal idea of fairness if it ensures a basic equality among stakeholders in terms of their moral rights as these are realized in the firm, and if it recognises that inequalities among

> stakeholders are justified if they raise the level of the least well-off stakeholder. The liberal idea of autonomy is captured by the realization that each stakeholder must be free to enter agreements that create value for themselves, and solidarity is realized by the recognition of the mutuality of stakeholder interests." (1994, p.415)

Freeman (1994) then goes to on outline a 'Doctrine of Fair Contracts' comprised of six principles derived from hypothesising a Rawlsian 'veil of ignorance', and ultimately suggests changes to corporate law.

Criticism

The arguments for stakeholder theory presented above are based on the deontological ethical theories of either Kant or Rawls. Accordingly, they can be criticised along the same lines that these theories are criticised. Firstly, Kantian deontology can be challenged by pointing out that Kant's categorical imperative required that people are not treated *merely* as a means to an end: "For all rational beings come under the law that each of them must treat itself and all others never merely as a means, but in every case at the same time as ends in themselves" (Kant, 1947, orig. 1785). In the Anglo-American, shareholder-oriented model of corporate governance, voluntary contracting and efficient markets are essential. In such a model stakeholders such as employees, customers and suppliers have the freedom and autonomy to negotiate their terms and the parties with whom they choose to contract. They are consequently not treated 'merely' as a means to an end, but are simultaneously considered ends in themselves, and such a model of corporate governance can thus be considered to satisfy Kant's imperative. (As noted above, Maitland (1989) takes this further, arguing that the stakeholder model actually impinges upon the freedom of various parties to engage in voluntary contracting.)

Similarly Rawls' theory of justice can be criticised. Rawls' principles can be contrasted with Nozick's entitlement theory of justice, in which a distribution of resources is just if certain procedural requirements regarding how resources can be acquired and transferred are met. In Nozick's view, an unequal distribution is not relevant, and thus not necessarily unjust. (See Wong (1984) for a detailed discussion of the incommensurability of these differing conceptions of justice.) Coelho *et al.* (2003b) also point out that applying Rawls's principles to corporate governance would result in the least advantaged parties being favoured, and they question which stakeholder groups (including executive management) would be considered advantaged or disadvantaged.

Furthermore, a number of criticisms are commonly levelled by shareholder theorists. These include criticisms that stakeholder theory is ambiguous and that it allows for managerial abuse. These criticisms are taken up and largely rebutted by Phillips *et al.* (2003). In arguing that stakeholder theory does not mean that all stakeholders are treated equally, however, they suggest that stakeholder theory can be defended as a meritocracy, and quote the Sloan Colloquy (that promoted stakeholder research), stating that "Corporations should attempt to distribute the benefits of their activities as equitably as possible among stakeholders, in light of their respective contributions, costs and risks" (Phillips *et al.*, 2003, p.488). The shareholder model, with the process of voluntary contracting within a free market, could, however, be the approach that best achieves this distributive goal.

Lastly, it is not possible here to adequately detail the various other normative justifications for stakeholder theory that have been put forward. However, the very existence of (and the call for) multiple normative justifications immediately suggests that no single justification has been regarded as definitively superior, on moral grounds.

With the possible exception of the comparison of GDP growth rates across jurisdictions referred to by Hansmann & Kraakman, the arguments of both shareholder and stakeholder theorists are insufficient to support the assertion that there is a single, morally superior model of corporate governance. Consequently, subject to further evidence on the causes of GDP growth and corporate governance convergence since 2001 that could confirm Hansmann & Kraakman's claim, a universally valid, objectivist perspective cannot be maintained.

7.3 Evidence of reasonable and impartial agreement

Although the evidence and arguments do not necessarily support the claim that a particular model of corporate governance is morally superior, it may be possible to identify areas of significant agreement, or a trend towards agreement on which corporate governance model is morally appropriate. As discussed in section 7.1 above, evidence of significant agreement would support a universally valid, subjectivist perspective that is in opposition to the Metaethical moral relativist claim. This section considers firstly the state of the academic debate, followed by a brief indication of other areas in which agreement may be evident.

Academic debate

While the shareholder model can be traced back to the work of Adam Smith (1776), Post (2003a) identifies the beginnings of stakeholder theory with the "expanded view of social responsibility" (2003a, p.31) advocated by Merrick Dodd in 1932. According to Sundarum & Inkpen (2004a), Dodd and Adolf Berle debated the issue until 1954. This debate was reflected in legislative changes in the USA, and Sundarum & Inkpen note that by the 1970s "the three-decade burst of pro-shareholder sentiment during the early part of the twentieth century had been replaced by four decades of pro-stakeholder sentiment" (2004a, p.351), and that the last two decades were then pro-shareholder. Hansmann & Kraakman (2001) similarly refer to a 'manager-oriented' view that existed from the 1930s to the 1960s, that saw managers as "disinterested technocratic fiduciaries who would guide business corporations to perform in ways that would serve the general public interest" (2001, p.444). They refer to a corporate social responsibility literature existing from the 1950s. Milton Friedman's (1970) article was clearly written in response to growing calls for social responsibility, and this was followed by the development of shareholder-oriented agency theory. The growth of stakeholder theory from the 1980s, however, called for stakeholder engagement to become a greater part of the managerial role. Over the last century there does not therefore appear to be any clear trend towards either model.

This lack of agreement is supported by comments in the more recent literature on shareholder and stakeholder theories, which reflect the authors' commitments to their own perspectives:

> "The stakeholder theory is so void of intellectually consistent content that it provides a refuge for knaves and/or fools." (Coelho *et al.*, 2003b, p.54)
>
> "In the field of finance, the logic of shareholder value maximization is accepted as being so obvious that textbooks just assert it, rather than argue for it." (Sundarum & Inkpen, 2004a, p.350)
>
> "I believe we can safely say that the stockholder theory is or at least should be intellectually dead." (Freeman, 1994, p.413)

Hansmann & Kraakman's (2001) article is also notable for stating that the consensus has already been reached, and in its continued reference to the shareholder model as the 'standard' model.

Despite these somewhat categorical statements, the literature includes examples of reasonable debate. The Spring and Fall 2003 editions of the *Mid-American Journal of Business* include exchanges between Coelho *et al.* (supporting the shareholder model) and Post (a stakeholder theorist). In 2004, a similar exchange, between Sundarum & Inkpen (shareholder model) and Freeman *et al.* (as stakeholder theorists) was published in *Organization Science*. As examples of academic debate that could result in reasonable and impartial agreement, the remainder of this section reviews these two exchanges.

Mid-American Journal of Business

Coelho *et al.* (2003a) support Friedman's doctrine and argue along similar lines. They consider the stakeholder model to be ambiguous and "intellectually incomprehensible" (2003a, p.19) due to a flexible list of stakeholders and undefined responsibilities (in monetary terms). In their view, allowing resources to be diverted away from increasing shareholder wealth opens up opportunities for corruption and chaos ("If shareholder interests lose their primacy, then Pandora's Box opens" (2003a, p.19)), and violates the fiduciary duty to shareholders. They also refer to a utilitarian calculus in which "any comparison of the net change in public welfare must take into account: a) the lost benefits to the general public that the pursuit of profit spawns, b) the lost benefits to the shareholders, and c) offsetting these would be the benefits from the socially responsible acts" (Coelho *et al.*, 2003a, p.18).

Post's (2003a) response emphasises the importance of an ethical dimension, in addition to economic and legal aspects of managerial decisions. In his view, the shareholder model, despite its checks and balances, insufficiently addresses the ethical dimension. Referring to Boatright (1994), he also discards beliefs in an implied contract between shareholders and management (denying that the common elements of a contract are present) and in the agency-principal relationship (denying that the essential characteristics of an agency relationship exist). He goes on to refer to Donaldson and Preston's (1995) argument that there is no legal requirement backing shareholder primacy, quoting the American Law Institute's proposed final draft *Principles of Corporate Governance* in 1992 that allow for ethical considerations which would not increase profits. Post also draws on Donaldson and Preston's (1995) analysis of property rights that emphasises the limitations of legal ownership rights where the interests of other parties are involved. He believes that a more contemporary Theory of Property is more in accord with stakeholder theory, and that 19th century shareholder theory is not appropriate in today's "interdependent pluralistic society" (Post, 2003a, p.31).

Regarding the ambiguity of stakeholder theory, Post argues that although stakeholder theory is not as simple as shareholder theory, it is not incomprehensible, and points to Evan & Freeman's (1993) view of the company being a forum where the competing interests of different stakeholder groups are managed (with the long-term survival of the corporation itself being the overriding consideration). Further criticisms concerning the imprecision of the term 'stakeholder' are abated by referring to Evan & Freeman's (1993) and Kaler's (2002) more limited formulation and list of stakeholders.

Coelho *et al.* (2003b) responded to Post by reaffirming the legal status of shareholders as owners of the corporation, by noting both that "Boatright's reasoning has not been adopted by the legal system" (Coelho *et al.*, 2003b, p.52) and that it is factually inaccurate, as well as by claiming that Donaldson and Preston's analysis of property is neither original nor consistent. They also re-emphasise the individual (rather than corporate) nature of ethical decision-making, and re-assert their belief that stakeholder theory is incomprehensible and unworkable. This last belief is supported by pointing to (1) different types of stakeholders within each broad group (such as different types of customers), (2) Rawls's argument that the least advantaged should be favoured (questioning which stakeholders this would include or exclude), and (3) the problem of how conflicts between stakeholders are to be resolved. Furthermore, in their view a stakeholder model of corporate governance would have significant negative consequences as it would make the corporate form itself unattractive, and management would be able to appeal to stakeholder considerations to justify any (miscreant) behaviour.

The exchange is concluded by Post (2003b) where he argues that managerial excesses and abuse would be better curtailed if a group of stakeholders were able to scrutinise management. He disputes Coelho *et al.'s* interpretation of stakeholder theory (for example, that it involves sharing wealth with various stakeholders, as opposed to the long-run profitability of the corporation). He also notes that a single focus (say, on maximising profits) can produce results contrary to what is desired, and hints that consideration of other stakeholders could prove to be a better way of increasing profits (for example, by developing quality products for consumers).

In summary, although the articles provide useful expositions of the competing viewpoints, the arguments made do not appear to have been sufficient to have persuaded either party to modify their position. Accordingly, the debate does not provide any evidence of academic agreement.

Organization Science

Sundarum & Inkpen (2004a) begin by considering the historical debates on stakeholder and shareholder primacy. They then point to problems in making stakeholder theory workable (including distinguishing between important and unimportant stakeholders) and highlight inconsistencies in stakeholder lists. They go on to provide five arguments for shareholder primacy:

> "(1) The goal of maximizing shareholder value is pro-stakeholder. (2) Maximizing shareholder value creates the appropriate incentives for managers to assume entrepreneurial risks. (3) Having more than one objective function will make governing difficult, if not impossible. (4) It is easier to make shareholders out of stakeholders than vice versa. (5) In the event of a breach of contract or trust, stakeholders, compared with shareholders, have protection (or can seek remedies) through contracts and the legal system." (2004a, p.353)

They also point out that stakeholder-oriented corporations are not more likely to be "more responsible corporate citizens" (Sundarum & Inkpen, 2004a, p.356), that American corporations are more likely to be successful in new industries where there is a need for cheap start-up capital, and that stakeholder-oriented jurisdictions have not been immune to corporate governance scandals. They do also acknowledge some potential problems associated with the shareholder model, concerning executive compensation (specifically questioning the appropriateness of stock options and excessive CEO remuneration).

Freeman *et al.* (2004) responded by providing examples of prominent American corporations that are examples of stakeholder theory in practice ("none of them make profitability the fundamental driver of what they do" (2004, p.364)). They re-emphasise that shareholders are stakeholders, and point out that not all non-shareholder-oriented activities are manifestations of stakeholder theory. They also maintain that difficulties in resolving conflicting interests are not unique to stakeholder theory, as even within shareholder-oriented models managers must balance different interests in the course of ensuring that all parties act in the best interests of the corporation. In their view, stakeholder theory provides more resources to assist in resolving conflicting interests, and argue that stakeholder theory is managerial common sense:

"Business is about putting together a deal so that suppliers, customers, employees, communities, managers, and shareholders all win continuously over time" (Freeman *et al.*, 2004, p.365). An illustration of the state of the debate is provided in the way that Freeman *et al.* respond to Sundarum & Inkpen's five arguments - they reverse them, in some cases simply by replacing 'shareholder' with 'stakeholder' and vice versa, and then provide their own reasons to support these contrary (stakeholder) positions.

The exchange is concluded by Sundaram & Inkpen (2004b) where they attempt to correct what they perceive to be misrepresentations of their position. Interestingly, they go to on to specifically state that "managers have moral and ethical responsibilities to all stakeholders" (2004b, p.370) and that "all of us seek a path to a promised land in which accountable corporations managed by ethical decision makers create the greatest values for the greatest number of stakeholders" (2004b, p.371). Although they believe that the shareholder model is the best way of achieving this, this does seem to represent a significant shift away from Milton Friedman's 'doctrine'.

In summary, although the articles provide useful articulations of the two models of corporate governance, neither of the exchanges resulted in agreement on which model is best. Accordingly, after almost a century of debate and continued refinements in position, it does not appear that reasonable and impartial academic agreement has either been achieved or is on the horizon.

Possible aspects of agreement

Despite the continuing rival positions, there are some areas where agreement does appear to be present. The second article by Sundarum & Inkpen referred to above is notable for indicating how shareholder theorists do not necessarily imitate Friedman's (1970) position. Their claim that the decision makers need to act ethically, and that corporations should be involved in creating the greatest value for all stakeholders would seem to be something that stakeholder theorists would agree with. Phillips *et al.* (2003) also note that there is no conflict around the objective of 'value maximization', the conflict is over how this is distributed, and who get a say in decision-making.

Furthermore, and as noted earlier, Maitland (1989, 1994) argues that the free market and voluntary contracting allows for different groups to choose their positions, and to trade-off whichever rights they choose monetarily (such as by employees accepting a position with fewer employee rights, but higher wages). He argues (1994) that there is therefore no fundamental ethical disagreement, as both stakeholder and shareholder theorists agree that all stakeholders have rights that should be respected by the corporation. In his view, the difference is empirical, in that shareholder theorists believe that these rights are already respected through the operation of the free market and voluntary contracting, whereas stakeholder theorists consider these mechanisms to be ineffective in protecting stakeholder rights. As an empirical disagreement, improved empirical knowledge would be able to resolve the disagreement. However, it seems likely that even with perfect empirical knowledge, different parties would disagree on whether the free market and voluntary contracting adequately protect stakeholder rights, precisely because they maintain different conceptions of the value and/or priority of various stakeholder rights.

There may therefore be some agreement, particularly regarding value maximisation as a moral objective and in the belief that all stakeholders have some rights. However, disagreement continues concerning how value is to be maximised, and different moral judgements regarding the value and/or priority of different stakeholder groups remain. The different models of corporate governance encapsulate and embody these different perspectives, and consequently there is little evidence of a single universally valid, subjectivist perspective regarding corporate governance.

7.4 Arguments supporting Metaethical moral relativism

The preceding two sections considered the arguments and evidence that can be used to support a universalist perspective. A lack of evidence for moral universalism does not necessarily mean that Metaethical moral relativism is true. Consequently it is worthwhile considering some of the arguments made by those who actively support Metaethical moral relativism.

Metaethical moral relativism is sometimes associated with moral disagreement and diversity, and the existence of such disagreement and diversity is sometimes taken to be evidence that morality is relative and that no universal morality exists. As noted in chapter one (see section 1.1), however, the existence of moral disagreement (the truth of the claim of Descriptive moral relativism) does not necessarily mean that Metaethical moral relativism is true. It is quite possible that individuals or groups disagree on certain issues, with some (or one) of these individuals or groups being actually ‘correct’ or ‘true’, and the others being mistaken.

Metaethical moral relativism is sometimes associated with other perspectives on morality, such as moral subjectivism, moral irrealism and moral non-cognitivism. The problems with subjectivism have been mentioned in section 7.1 above, and such a perspective does not seem to provide any support for Metaethical moral relativism. Moral realism and moral cognitivism together provide a view that there are moral facts (moral realism), “that moral judgements express our beliefs about what these moral facts are, and that we can come to discover what these facts are by engaging in moral argument and reflection” (Smith, 1991, p.402). In contrast, moral irrealism and non-cognitivism holds that there are no moral facts and that “moral judgements simply express our desires about how people behave” (Smith, 1991, p.403). Like desires, moral judgements could then vary from person and person, without different people being mistaken. This suffers from the same sort of criticism as moral subjectivism, however, and, like Rachels (1993), Smith (1991, p.403) argues that the view that moral judgements are no more than desires does not adequately account for the existence of moral argument and reflection.

Gowans (2008) notes that the prominent defenders of moral relativism are Gilbert Harman and David Wong. Their more positive arguments supporting Metaethical moral relativism, and the implications these have for corporate governance, are now considered in turn.

Harman’s naturalistic relativism

Harman (2001, orig. 1984) presents a naturalistic argument for Metaethical moral relativism, arguing that people do differ in their values, and that this difference is not due to anything being overlooked, or to people being unreasonable or irrational. However, differences in moral judgements do not on their own necessarily mean that there is no universal morality, and Harman’s relativism is based both on a naturalistic interpretation of morality, and the view that morality “arises when a group of people reach an implicit agreement or come to a tacit understanding about their relations with one another” (Harman, 1975, p.3). Harman’s naturalistic interpretation is one in which “Our having the moral beliefs we have can be explained entirely in terms of our upbringing and our psychology, without any appeal to an independent realm of values and obligations” (2001, orig. 1984, p.170), and where the interest of moral philosophers is focused on how morality is to be explained in natural (scientific) terms (2001, orig. 1984, p.171). In Harman's view, this naturalism implies "a moral relativism that says different agents are subject to different basic moral requirements depending on the moral conventions in which they participate" (2001, orig. 1984, p.168). That is, as morality reflects an implicit agreement within a group of people on a variety of issues, judgement over whether or not something is moral can only be made with reference to the implicit agreement. As there are many different groups of people, so there are many different agreements, and many different 'true' moralities.

In considering how Harman's relativism can be applied to corporate governance, several limitations can be identified. Firstly, although Harman's view that morality is based on implicit agreements may suggest a variety of valid agreements and a wide-ranging relativism, his (1975) defence of relativism is limited to what he calls "inner judgments" (1975, p.4). These are judgements over whether or not an individual ought to behave in a certain way (and that reflect a shared implicit moral agreement). He clarifies the limitations of this relativism, stating that it

> "is not meant to apply, for example, to the judgment that someone is evil or the judgment that a given institution is unjust. In particular, I am not denying (nor am I asserting) that some moralities are 'objectively' better than others or that there are objective standards for assessing moralities" (Harman, 1975, p.4).

While Harman's argument regarding 'inner judgments' may therefore be applied to our judgements over whether a particular corporation's activities are considered to be wrong, it is not applicable to the general claim that there is no objective or universal corporate governance morality. Furthermore, even regarding the limited applicability of this argument, Harman relies upon a number of examples to demonstrate instances of moral relativism with which he believes the reader would intuitively agree. It is not clear, however, that non-relativists would necessarily agree. (For example, where a band of cannibals eat a shipwreck survivor, Harman asserts that while we may call the cannibals 'savages', "we will not say that they ought not to have eaten their captive" (Harman, 1975, p.5).)

Secondly, Harman's later (2001, orig. 1984) work focuses on the distinction between naturalistic and autonomous approaches to morality, claiming that those philosophers that adopt a naturalistic approach tend towards relativism, whereas those who consider morality to be autonomous tend towards moral absolutism[38]. Harman does not in this case specify that his argument is limited to 'inner judgements', but instead is based on two premises: (1) that if a person does not intend to perform a certain action, and there is no fault or error in their reasoning, then that person has no reason to perform that action, and (2) there are people who do not intend to perform certain actions, and there is no evidence (of a scientific nature) that they have failed in their reasoning. These people do not then have any reasons to perform those actions. Harman (2001, orig. 1984, p.173) uses the example of a criminal, who has no intention to avoid harming others, and in the absence of evidence that the criminal has somehow failed in his/her reasoning, he/she therefore maintains a morality that is no more wrong than a morality in which harming others is prohibited.

Harman acknowledges that someone adopting an autonomous approach to morality would find fault with his argument. He also notes (2001, orig. 1984, p.168) that it is possible to be both a naturalist and a moral absolutist (although it would be uncommon), or to accept an autonomous approach to morality and maintain moral relativism. Although Harman adopts a naturalistic (and relativist) view, he sees "no knockdown arguments for either side" (2001, orig. 1984, p.183), and considers it to be ultimately a matter of judgement.

Accordingly, those who reject a naturalistic approach to morality would not be persuaded by Harman's argument for relativism (whether applied to corporate governance or not). Conversely, those who accept a naturalistic approach to morality may tend to accept moral relativism regarding corporate governance to the extent that different models of corporate governance reflect different implicit agreements, and in the absence of any empirical evidence that shows the reasoning underlying any particular model of corporate governance to be flawed. However, as (for Harman) the adoption of relativism / absolutism is largely related to the adoption of a naturalistic / autonomous approach to morality, and he does not present an argument for a naturalistic approach (although acknowledging his preference for naturalism), his argument is successful more at highlighting this relationship than in persuading non-relativists (or those undecided) to accept relativism. He notes (2001, orig. 1984, p.183) in conclusion that "I have not tried to show that one side is correct. I have tried to bring out the central issue".

Harman succeeds, then, in drawing attention to how moral judgements have relevance within a shared system of moral conventions. This leads to questioning how moral requirements could possibly be universally applied to people who do not participate in a particular convention, and to the view that certain moral requirements cannot then be considered universally applicable. However, Harman also clearly allows for some objectivity regarding morality, and the adoption of a naturalistic approach to morality does not necessarily rule out certain aspects of morality that may be universally applicable. As Harman does not elaborate on where the objective aspects of morality begin and end, it is difficult to determine the extent to which his approach can be applied to corporate governance. In addition, and as noted above, his reduction of the relativist / absolutist debate to the distinction between naturalistic and autonomous approaches to morality serves more to highlight underlying differences between relativists and absolutists, than provide an argument for relativism itself.

David Wong adopts a similar approach in certain respects, considering the universalist view (that when there is moral disagreement, someone must be wrong in their moral judgements) to be less plausible than a relativist approach in which multiple moralities are considered to be ‘true’. The following section considers Wong’s approach in some detail, closing with a brief comparison to Harman’s position.

Wong’s moral relativity

Wong (1984) presents six claims that are made regarding the objectivity or subjectivity of morality:

1. Moral statements have truth values;
2. There are good and bad arguments for the moral positions people take;
3. Nonmoral facts ... are relevant to the assessment of the truth value of moral statements
4. There are moral facts (that may or may not be claimed to be reducible in some way to nonmoral facts);
5. When two moral statements conflict as recommendations to action, only one statement can be true;
6. There is a single true morality. (1984, p.1)

He argues that accepting claims 1 to 4, while denying claims 5 and 6, reconciles objective and subjective aspects of morality, and provides a better explanation of moral differences and disagreement than the explanations provided by non-relativists. He proceeds by (1) identifying morality as the 'ought' statements or rules that regulate conflict between people and within individuals, (2) eliminating non-relativist explanations of moral difference and disagreement as being implausible and unconvincing, and (3) asserting that a relativist analysis that permits morality to vary across different groups (but that still addresses the basic function of morality) provides a better explanation of moral difference and disagreement.

Wong (1984, p.175) provides a summary of his argument as follows:

> "Human beings have needs to resolve internal conflicts between requirements and to resolve interpersonal conflicts of interest. Morality is a social creation that evolved in response to these needs. There are constraints on what a morality could be like and still serve those needs. These constraints are derived from the physical environment, from human nature, and from standards of rationality, but they are not enough to eliminate all but one morality as meeting those needs. Moral relativity is an indication of the plasticity of human nature, of the power of ways of life to determine what constitutes a satisfactory resolution of the conflicts morality is intended to resolve."

This argument is a limited version of moral relativism as Wong asserts the truth of the first four claims above, and depends on a non-relative view of the basic function of morality. He expands on this basic function of morality, stating that:

> "adequate moralities must promote the production of persons capable of considering the interests of others. Such persons would need to have received a certain kind of nurturing and care from others. An adequate morality, then, whatever else its content, would have to prescribe and promote the sorts of upbringing and continuing interpersonal relationships that produce such persons." (1991, p.446)

And in a later work identifies five specific constraints on what could constitute an adequate morality:

> "requiring human beings to seek only that which they have some propensity to seek; inclusion of norms of reciprocity in light of strong self-interest; in specification of norms and reasons, balancing self- and other-concern in ways that include putting less

> pressure on other-concern through provision of some 'payoff' in terms of self-interest; justifiability of norms and reasons to the governed in terms of their interests when presented without falsification; and finally the value of accommodation of moral disagreement." (2006, p.65)

Wong makes use of a number of examples of different moralities to demonstrate his relativist perspective. These include the difference between virtue-centred and rights-centred moralities, different concepts of distributive justice (he refers specifically to the work of John Rawls and Robert Nozick) and differences within virtue-centred moralities (referring to Ancient Greek and Confucian moralities). He argues that all of these moralities achieve the basic function of morality, that the non-relativist explanations are unsatisfactory and inadequate in explaining the continued moral disagreement, and that a relativist position provides a better explanation of the moral differences.

The implications that this has for the morality of corporate governance can be considered as follows. Firstly, both the shareholder and stakeholder models can claim to achieve the function of regulating interpersonal conflict, and comply with the requirements of adequate moralities, albeit in different ways. Where the shareholder model relies largely on voluntary contracting and the free market, the stakeholder model prefers a more active engagement with the different parties affected by a corporation. Secondly, in terms of explaining the persistent disagreement, non-relativists would insist that one party is mistaken or ignorant in some way. This is indeed what the different theorists referred to in section 7.3 above have done. However, the debate is far from settled and neither party's arguments are conclusive. Furthermore, the areas of agreement across the shareholder and stakeholder models are limited, and the models reflect more fundamental differences in the relative value and/or priority of different stakeholder groups. These differences are similar to, and appear to be as incommensurable as some of the moral differences that Wong uses as examples (such as the difference between Rawls and Nozick's concepts of justice). In this regard, Wong's approach does provide a framework that supports the claim that there is no single true corporate governance morality.

There are similarities between Wong and Harman's arguments, with both considering moral relativism to provide a more plausible explanation of moral difference and diversity than non-relativism. Like Harman, Wong adopts a naturalistic approach to morality. However, there are a number of reasons why, for the non-relativist (or undecided), his approach is more persuasive. Firstly, he acknowledges and provides a more comprehensive account of objective aspects of moral judgements and objective constraints on what could constitute an adequate morality. Secondly, although he adopts a naturalistic approach, he does not exclude non-empirical methods, but insists that "philosophy should not employ a distinctive, a priori method for yielding substantive truths shielded from empirical testing" (Wong, 2006, p.30). This is not inconsistent with Harman's description of an autonomous approach to morality (see endnote 38). Lastly, where Harman's naturalism accepts a "scientific conception of the world as an account of everything there is" (Harman, 2001, orig. 1984, p.182), he adopts not only methodological naturalism, but metaphysical or ontological naturalism as well. Wong's naturalism, however, is more limited, and those who do not accept metaphysical or ontological naturalism are likely to find it more convincing.

7.5 Conclusion

The purpose of this chapter is to consider the evidence for the claim of Metaethical moral relativism with regard to the morality of corporate governance. This objective has been achieved firstly, by articulating the concept of Metaethical moral relativism and identifying the opposing moral perspectives. This resulted in the identification of two questions, both of which reflect universalist perspectives, and that enable investigation of the claim with regard to corporate governance. These include the question of whether there is a single, morally superior model of corporate governance, and the question of whether there is evidence of reasonable and impartial agreement.

Secondly, investigations into the first question concluded that the moral arguments for both the shareholder and stakeholder models were largely insufficient to establish the moral superiority of either model. The only argument that could prove more decisive was Hansmann & Kraakman's appeal by example, in which the GDP growth rates of Anglo-American jurisdictions are seen to be consistently higher than selected stakeholder jurisdictions over the 20 years since 1990. However, the relationship between corporate governance models and GDP growth, and the convergence of GDP rates since 2001 require further investigation.

Thirdly, investigation into the state of the academic debate revealed a distinct lack of agreement and the absence of any trend over the last century. Recent debates in the academic literature have highlighted the different stances of shareholder and stakeholder theorists, but do not demonstrate agreement. Although there are several areas in which agreement could be suggested, these are general in nature, and moral differences over which model best achieves a certain (agreed upon) objective, and the relative value and/or rights of different stakeholder groups remain.

Lastly, consideration of the arguments put forward to defend Metaethical moral relativism, particularly the work of Gilbert Harman and David Wong, identified that while certain views of morality are not consistent with the existence of moral argument and reflection, the moral disagreement that underlies different models of corporate governance could be best explained by a relativist approach. Wong's approach in particular, can be considered persuasive, as differing corporate governance models can claim to perform the basic function of morality, non-relativist explanations of the differences (that a particular party is mistaken) appear insufficient, and the moral differences underlying the differing models appear to be incommensurable.

In conclusion, with the possible exception of the utilitarian argument that can be made on the basis of comparative GDP growth rates of shareholder and stakeholder jurisdictions, the arguments and evidence are insufficient to establish a universalist perspective regarding the morality of corporate governance. Wong's limited relativist approach suggests that the claim of Metaethical moral relativism does indeed have merit, and it is consequently possible to claim that it is more likely that 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.

Chapter 8: Normative moral relativism and corporate governance in South Africa

The purpose of this study is to apply the claims of moral relativism to a specific issue in business ethics – corporate governance convergence, with particular reference to South Africa. As noted in chapter one (section 1.1), when applied to corporate governance, Descriptive moral relativism claims that there are significant differences in moral judgements regarding the objectives and obligations of corporations. Evidence to support this claim in the South African context was presented in chapters three to six. Metaethical moral relativism claims that there is no absolute or universal moral truth regarding the relationship between the corporation and society, and more than one model of corporate governance can therefore claim to be morally right. Arguments and evidence relevant to this claim were considered in chapter seven. Normative moral relativism claims 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 (this would also apply to interference with another society's corporate governance model). This chapter brings the study to a close by considering the implications that the earlier findings have for this normative claim and examining the normative argument in more detail. This achieves research objective 3 (see section 1.2 in chapter one):

3. To examine the claim that it is morally wrong to prescribe the Anglo-American corporate governance model in South Africa.

The chapter begins by summarising the findings from the earlier chapters. This is followed by a discussion of the implications that these findings have for the claim of Normative moral relativism, including an examination of the normative argument, its applicability and its limitations. The chapter concludes with a consideration of the study's practical implications and potential areas of future research.

8.1 Findings relevant to the claims of Descriptive and Metaethical moral relativism

Chapters three to six examined the claim of Descriptive moral relativism with regard to corporate governance in South Africa in a number of different ways. The claim of Metaethical moral relativism was examined in some detail in chapter seven. Without repeating the detail provided in those chapters, this section summarises the findings. The implications of these are then considered in section 8.2.

Descriptive moral relativism

The claim of Descriptive moral relativism with regard to corporate governance in South Africa specifically asserts that 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 (see section 1.1 in chapter one). This claim was examined in three ways. Firstly, a literature study of existing evidence of such moral disagreement in South Africa was conducted (chapter three). Secondly, a quantitative survey of a sample of professional accounting students in South Africa was conducted (chapters four and five). Thirdly, a series of qualitative semi-structured interviews with a sample of professional accounting students in South Africa was conducted (chapters four and six). In some instances, moral disagreement was investigated with regard to how South African views may or may not differ from traditional Anglo-American views, and in other instances possible differences between South Africans of differing racial groups were investigated.

The literature study of existing evidence concluded that there was limited evidence of different or distinct moral judgements regarding the objectives and obligations of corporate governance in South Africa. This was evident in:

- The theoretical approach adopted in the King reports on corporate governance, with the latest report (King III) specifically advocating a ‘stakeholder inclusive’ approach that corresponds with the stakeholder theory of Freeman;

- Beliefs implicit in the Country Review Mission of South Africa held in 2006, that indicate that corporations are expected to engage in the development of South African society in a way that exceeds single-minded profit-making as a corporate objective, and obligations that are limited to shareholders alone;

- The aspirational and inspirational moral philosophy of *ubuntu*, which has significant potential as a moral ideal for nation-building in post-apartheid South Africa, and that has implications for the obligations and objectives of corporations;

- Cross-cultural business studies research which indicates a very low tolerance of inequality and a preference for relationships and caring over achievements and material success within South Africa. These characteristics imply widespread obligations and objectives for corporations.

The evidence is limited in several ways. Firstly, there is little practical evidence of these different moral judgements being applied. Secondly, as noted in chapter two (see section 2.4), the corporate and legal structures relevant to corporate governance in South Africa are Anglo-American in character (such as the preference for a single-tiered board structure, a financial reporting framework oriented towards shareholders, and company law that was based on UK statutes (sharing its common-law legal tradition), without significant amendments being made that might reflect a stakeholder orientation). Thirdly, there are some cross-cultural studies that show similarities between South Africans and Anglo-American groups, and some that question traditional assumptions about South African society (including the assumption that Black South Africans are less individualistic that their White counterparts).

The quantitative surveys conducted amongst a group of professional accounting students in South Africa also provided some evidence of different moral judgements:

- As a total group, the students in South Africa clearly expressed the view that corporations have moral obligations to a range of stakeholders, although shareholders may have marginal priority;

- Similarly, as a total group, the students clearly expressed the view that there is moral benefit from a range of corporate objectives, not only those aimed at increasing financial performance and efficiency, but also those that address social and environmental concerns, the participation of stakeholders and inequality;

- Within the group the only moderately significant difference between Black and White students concerned the moral obligations of a corporation to the community, with Black students indicating greater obligations than White students;

The qualitative interviews conducted with a group of professional accounting students in South Africa also provided some evidence:

- The interviewees generally expressed the view that corporations have obligations to a wide range of stakeholders, including shareholders, employees and the community. The impact, interaction and interdependence of the corporation and various stakeholders was also recognised;

- Concerning the priorities of corporations, the interviewees again included a wide range of stakeholders and the need to address social and environmental concerns. Shareholders and profit-making were, however, also prioritised;

The qualitative interviews were also notable in the sense that some ambiguity about the concept of *ubuntu* was expressed, questioning whether this presents a distinct source of differing moral judgements. Furthermore, the views of White interviewees as well as interviewees from Kenya confirmed that the stakeholder perspective was not limited to Black students from Southern Africa.

There is some clear evidence of moral judgements in South Africa that differ from those in Anglo-American jurisdictions. There are also some limitations, however, as well as areas of agreement with Anglo-American jurisdictions: the Anglo-American corporate and legal structures are by and large uncritically accepted, and in some instances shareholders remain the prioritised stakeholder (reflecting an instrumental stakeholder theory that is more compatible with Anglo-American corporate governance than normative stakeholder theory, see section 2.1 in chapter two). The limitations and commonalities with Anglo-American jurisdictions do not, however, negate the moral judgements identified and that differ from those that underlie the Anglo-American approach to corporate governance. These are valid moral judgements that accordingly do provide support for the claim of Descriptive moral relativism.

Metaethical moral relativism

As described in chapter one (section 1.1), when applied to corporate governance, Metaethical moral relativism claims that there is no absolute or universal moral truth regarding the relationship between the corporation and society, and more than one model of corporate governance can claim to be morally right. Arguments and evidence that could support this claim were considered in chapter seven.

This investigation concluded, firstly, that attempts to demonstrate the moral superiority of either the shareholder or stakeholder model of corporate governance have to date been largely insufficient. The only possible exception to this is where GDP growth rates of Anglo-American jurisdictions are consistently higher than those in other jurisdictions, yet evidence over the last decade questions this interpretation. Secondly, there has been a distinct lack of agreement in the debate over differing models of corporate governance over the last century. Even though some aspects may be agreed upon, fundamental moral disagreements remain.

Lastly, in contrast to a universalist interpretation that insists that a single model of corporate governance is morally right, a limited metaethical moral relativism appears to provide a better explanation of the persistent moral disagreement. The most persuasive argument for metaethical moral relativism is provided by Wong (1984, 2006); applying this to corporate governance convergence, it can be argued that the competing models all achieve the basic function of morality, that the non-relativist explanations are insufficient, and that the moral differences appear to be incommensurable. Accordingly, the claim of Metaethical moral relativism is considered more likely than non-relativist alternatives.

The investigations presented in chapters three to seven therefore provide some evidence which can support the claims of both Descriptive and Metaethical moral relativism to varying extents.

8.2 The implications for Normative moral relativism

As noted in chapter one (section 1.1) certain relationships can be identified between the three claims of moral relativism:

1. If Descriptive and Metaethical moral relativism can be justified, then Normative moral relativism is significantly strengthened.

2. Similarly, if either Descriptive or Metaethical moral relativism cannot be justified, then Normative moral relativism is significantly weakened.

3. If Descriptive moral relativism cannot be justified, this not only weakens Normative moral relativism, but renders it redundant.

4. If Descriptive moral relativism can be justified, but Metaethical 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.

As discussed above (section 8.1) there is some evidence to support the claims of Descriptive and Metaethical moral relativism with regard to corporate governance in South Africa. To the extent to which both of these claims can be justified, the relationships in points (2), (3) and (4) above do not apply. The first point does, however, apply and within the limits of the evidence provided to justify the claims of Descriptive and Metaethical moral relativism, the claim of Normative moral relativism is accordingly strengthened. That is, as there is evidence that there are certain different and distinct moral judgements in South Africa (which are relevant to corporate governance and differ from the Anglo-American model), and as more than one model of corporate governance can claim to be morally right (or true), the claim that it is morally wrong to impose an Anglo-American model of corporate governance in South Africa is strengthened.

Despite this support for the normative claim, the argument is not deductively valid. That is, accepting the claims of Descriptive and Metaethical moral relativism does not logically require that the claim of Normative moral relativism be accepted. As neither of the claims of Descriptive and Metaethical moral relativism actually provides any prescription of how one ought to behave, simply deriving such a normative prescription from these descriptive claims is problematic. The addition of a normative premise that could be justified could, however, overcome this difficulty. In this respect, Wong's work on moral relativism is again relevant as he provides such an additional premise, in earlier (1984) work, in a value of tolerance, and in his more recent (2006) work, in a value of accommodation. The next sections consider each of these in turn.

A value of tolerance

Wong's value of tolerance is expressed in his 'justification principle'. Referring to Kantian deontological morality, he expresses this as the principle that "one should not interfere with the ends of others unless one can justify the interference to be acceptable to them were they fully rational and informed in all relevant circumstances" (Wong, 1984, p.181). He also argues that the justification principle can be derived with reference to Mill's utilitarianism, where individual autonomy is a necessary condition for achieving individual well-being, and consequently that “when an individual’s freedom is restricted in such a way that it cannot be justified to him or her, the kind of growth that Mill thought to be essential to well-being is frustrated” (1984, p.184). This requirement of non-interference amounts to a value of tolerance when two individuals (or groups) express their different and conflicting moralities.

Wong notes (1984, p.182), however, that the strength of the value of tolerance is dependent upon whether this justification principle is maintained within the morality of a certain individual or group. Although he shows how it can be derived with reference to Kant’s or Mill’s moral systems, it may not be maintained in other moral systems. Furthermore, Wong adds (1984, p.182) that even where such a value of tolerance is maintained, it must still be weighed up against other moral principles that may place conflicting demands (such as a principle to prevent harm to others). The other principles may outweigh the justification principle and the value of tolerance. In some situations it may be possible to compromise and observe the conflicting duties partially (1984, p.183). These additional considerations introduce an element of subjectivity to the question of when and where the value of tolerance applies.

A value of accommodation

More recently, Wong (2006) investigated in more detail the requirements, or constraints, on what could constitute an adequate morality. He identifies five such constraints, as follows (see also chapter seven, section 7.4):

> “requiring human beings to seek only that which they have some propensity to seek; inclusion of norms of reciprocity in light of strong self-interest; in specification of norms and reasons, balancing self- and other-concern in ways that include putting less pressure on other-concern through provision of some ‘payoff’ in terms of self-interest; justifiability of norms and reasons to the governed in terms of their interests when presented without falsification; and finally the value of accommodation of moral disagreement.” (2006, p.65)

Wong explains that the value of accommodation commits one “to supporting noncoercive and constructive relations with others although they have ethical beliefs that conflict with one’s own” (2006, p.64). He bases the necessity of such a value upon the observation that there are serious moral disagreements both within and across societies and that without such accommodation to ensure the "stability and integrity of these traditions and societies" (2006, p.64), repression would result. In addition to insisting upon accommodation as a necessary constraint for any adequate morality, Wong (2006, p.251) provides two additional, although less compelling, reasons in support of the value. Firstly, he argues that noncoercive and constructive relationships are desirable ends in themselves - that accommodation reflects a respect for others that is characteristic of moral maturity. Secondly, he considers that accommodating others' differences may be instrumental in achieving cooperation in those areas that are shared.

Wong (2006, p.252) suggests that the value of accommodation is evident in practice, and emphasises that it is applicable not only across societies, but to moral disagreements present within individual societies. He considers that members of a society are continually negotiating and reconciling competing moral claims, even where they share certain significant moral beliefs. The value of accommodation is not, therefore, a radically new or different moral requirement:

> "a natural consequence of [recognising the value of other ways of life] is that one seeks to integrate at least some of [the] values one sees in other ways of life into one's own commitments, and that this project of integration is not so different from what we do all along in attempting to reconcile the plurality of values typically present in our moralities." (2006, p.242)

As this suggests, Wong also sees this accommodation as being more than passive acceptance of others' views, and that it includes "an openness to be influenced by others, to bridge differences" (2006, p.257), and entails an opportunity "to learn from them even if we do not desire to copy the paths they have taken" (2006, p.260). Despite these sentiments, the value of accommodation suffers from the same problem as the value of tolerance, in that there are occasions where it does not override other values. Accordingly, some judgement is necessary to determine the situations in which accommodation is to be followed and those in which certain other values are maintained. Wong is unable to provide definitive guidance on how such judgement is to be exercised.

The applicability of tolerance or accommodation

As there are occasions when tolerance or accommodation are overridden by other values, whether one accepts or rejects a value of tolerance or accommodation would appear to be a subjective judgement, taking into account the circumstances of different situations and competing moral values. In this view it is conceivable that when faced with identical circumstances one person may accept a value of tolerance or accommodation, while another may consider some other value to be overriding.

However, there are certain situations in which accommodation or tolerance would not override other moral values. If, for instance, we are faced with a choice between accommodating / tolerating and intervening in a situation where someone is inflicting needless cruelty on a group of defenceless people, there is little doubt that the value of accommodation or tolerance would be overridden. Similarly, although Wong considers the value of accommodation to be necessary in order to avoid repression, it is not clear that repression of certain values is always without merit. Wong does not suggest, for instance, that value systems that permit slavery, racism or gratuitous cruelty to humans should be accommodated (his focus is rather on competing value systems such as those that have developed in Western and Eastern nations).

If a value of accommodation or tolerance is not always necessary, and if it must be cast aside when certain other values demand attention, the question of when exactly this value does play a role is relevant and important. With regards to issues such as slavery, racism and gratuitous cruelty to humans, it could be argued that neither accommodation or tolerance play a role as it can be demonstrated that these actions are either objectively immoral or that there is universal agreement that they are immoral (such a demonstration would highlight the competing, overriding values). As discussed in chapter seven, questions of objectivity and universality are implicit in the claim of Metaethical moral relativism. It follows that the strength of Meatethical moral relativism has direct implications for the value of accommodation or tolerance. Where there is little support for the claim of Metaethical moral relativism, then the value of accommodation or tolerance would carry little weight and may be overridden. Furthermore, if the claim of Metaethical moral relativism is accepted by all parties on a certain issue, and yet one party insists on intervening in the behaviour of another then we would expect that party to provide some additional reason for their intervention. Such reason would not, of course, refer to the moral superiority of their action in any universal or objective manner or they would not have accepted the claim of Metaethical moral relativism.

The value of tolerance or accommodation therefore provides a justifiable normative premise that is necessary to proceed from descriptive claims to the claim of Normative moral relativism. Although these values may be overridden, and Wong does not illustrate the circumstances in which such a value is overriding, these values would be most applicable where the claim of Metaethical moral relativism can be supported, as any competing values would then require further justification by those wishing to intervene.

In the case of corporate governance, in chapter seven (and as noted in section 8.1 above) it was concluded that the claim of Metaethical moral relativism can currently be justified (it is considered to be more likely than the alternatives). This conclusion may be disputed by some parties, and additional arguments or evidence that challenge the claim of Metaethical moral relativism would be relevant. Until such additional arguments or evidence are provided, however, and in the absence of any other reasons that could justify intervention, a value of tolerance or accommodation is applicable and can be justified in regard to the issue of corporate governance convergence.

The argument and its limitations

Based on the discussions above, the central argument underlying the claim of Normative moral relativism can now be formulated as follows:

1. There is evidence of certain moral judgements in South Africa that are relevant to corporate governance and that differ to those underlying the Anglo-American model;

2. More than one model of corporate governance can claim to be morally right or true;

3. Given 2., and in the absence of any other reasons justifying intervention, a value of tolerance or accommodation, which requires that one ought not to interfere with those who maintain different moral judgements, is applicable and can be justified.

Within the limits of the evidence and arguments supporting these premises, it is possible to conclude that it is morally wrong to impose an Anglo-American model of corporate governance in South Africa.

There are limitations to this argument. The first premise in particular can be subjected to a number of criticisms as the evidence presented in chapters three to six is limited in several ways. This includes the nature of the evidence itself, with there being little practical evidence of the different moral judgements being applied. The sources considered in this study are by necessity limited – only four sources of existing evidence were explicitly considered in chapter three, and the empirical studies focussed on professional accounting students only. Other sources not considered in this study could conceivably provide stronger or contrary evidence. There is also evidence of moral agreement (such as the uncritical acceptance of Anglo-American corporate structures and financial reporting oriented to shareholders) that questions the degree to which the different and distinct moral judgements identified are significant (noting that Gowans' (2008) description of Descriptive moral relativism, as presented in section 1.1 of chapter one, entails 'significant' moral disagreement). In addition, both the first and second premises are subject to revision with the provision of additional empirical data. This is, however, true of all arguments informed by empirical data.

The last premise is subject to the limitations of Wong's arguments for tolerance and/or accommodation. This includes the subjectivity that is necessarily involved in determining whether or not (and the extent to which) the value of tolerance or accommodation is justified when applied to corporate governance. As noted above, this is related both to the strength of the argument for Metaethical moral relativism, as well as any other reasons that could support competing values that may outweigh the value of accommodation or tolerance.

Within these limitations, this study has, however, provided evidence that supports the claim that it is morally wrong to impose an Anglo-American model of corporate governance in South Africa. This has a number of practical implications, and several possible avenues for further research can be identified. These are considered in the next section.

8.3 Practical implications and future research possibilities

As noted in section 1.1 of chapter one, South Africa provides a useful case study for the application of moral relativism to corporate governance convergence. One of the reasons given referred to the nation-building of post-apartheid South Africa. The African Renaissance and New Partnership for Africa's Development reflect the belief that Africans need to develop African solutions for their problems, rather than uncritically accept Western practices and institutions (see chapter three). This continues to be played out in South Africa, where in 2010 and 2011 there have been calls for nationalisation of the country's mines, with the leader of the African National Congress' Youth League commenting that "neo-liberal politics and economics were previously smuggled into the ANC" (Anonymous, 2010b) and appealing instead to the ANC's Freedom Charter in which common ownership of the country's mineral resources was implied.

In the context of post-apartheid nation-building this study has provided some justification for the claim that it is morally wrong to impose an Anglo-American model of corporate governance in South Africa. This has several practical implications. Firstly, developments in Anglo-American corporate governance should not be uncritically accepted as 'best practice', and the deliberation over how they could apply to South Africa should take into account the moral judgements implicit in corporate governance. Secondly, existing corporate governance structures should be reconsidered to see how they might best reflect moral judgements maintained within South Africa. This need not necessarily occur only at a macro level, but could involve an openness to alternative practices at the level of individual corporations. The findings of the investigations into the claim of Descriptive moral relativism (as summarised in section 8.1) can provide a starting point for such consideration of alternative practices. These findings point towards a stakeholder orientation that emphasises the relationship of the corporation with its community and its role in alleviating the socio-economic inequality that characterises South African society. This suggests that corporations identify the extent to which their governance practices reflect such a stakeholder orientation and that they reconsider what may be the most appropriate reporting practices, stakeholder engagement processes and/or board structure for example.

The force of these practical implications is inevitably related to the strength of the normative argument, which, as noted above, faces certain limitations. These limitations can be overcome through additional research, particularly research that is specifically directed at describing the moral judgements of South Africans as these relate to the objectives and obligations of corporations (as noted in section 8.2 above, arguments and evidence regarding the claim of Descriptive moral relativism have direct implications for the argument of Normative moral relativism). This could include, for example, replication of the questionnaire survey developed in chapter four across South Africa, and amongst different populations (that is, not only professional accounting students). Similarly, further qualitative interviews, possibly using different methodologies (such as focus groups) could provide additional evidence of different or distinct moral judgements. Studies that address the practical application of *ubuntu*, the motivations underlying sustainability reporting, and further cross-cultural studies would also be relevant for the claim of Descriptive moral relativism. Regarding the claim of Metaethical moral relativism, empirical research that could inform different corporate governance models' claims to moral superiority would prove useful. The development of distinctive corporate governance approaches in countries such as China and India, as well other developing countries, may also present alternative claims to moral superiority that should then be evaluated.

Lastly, while the application of moral relativism to corporate governance convergence in this study has focused on South Africa, it is no doubt applicable to many countries that are undergoing a similar post-colonial nation-building process. The overall approach adopted in this study could therefore also be applied to other countries in Africa, Asia and Latin America.

8.4 Conclusion

This chapter began by summarising the findings regarding the claims of Descriptive and Metaethical moral relativism that were presented in detail in chapters three to seven. The implications for the claim of Normative moral relativism were then discussed and examined, following the relationships identified in chapter one (section 1.1). Where there is some evidence that supports the claims of Descriptive and Metaethical moral relativism, the introduction of a value of tolerance or accommodation enables a normative conclusion to be drawn. Within the limitations of this study, it is possible then to conclude that it is morally wrong to impose an Anglo-American model of corporate governance on South Africa. Despite the limitations, some practical implications that the argument has for South African corporate governance were considered, and several ways in which the limitations could be overcome or at least mitigated through further research were identified.

This study has contributed to the field of business ethics in a number of ways. Overall, it has provided a structured application of the different claims of moral relativism to a specific issue in business ethics (namely, corporate governance convergence), in a way that has not previously been done. This has entailed reviewing the predominant models of corporate governance in terms of their morality, evaluating existing evidence of moral judgements in South Africa, developing a quantitative survey instrument to identify possible differences in moral judgements regarding corporate governance, obtaining empirical evidence regarding the moral judgements of samples of professional accounting students, evaluating the arguments relevant to the claim of Metaethical moral relativism, and examining the implications for the claim of Normative moral relativism. This application of moral relativism within the South African context has immediate practical relevance to the project of nation-building in post-apartheid South Africa, and it is hoped that the arguments presented in this study can be both strengthened and extended in future research.

Appendices

Appendix 1	Research strategy and chapter outline
Appendix 2	Newspaper articles from a search using the term ‘ubuntu’
Appendix 3	Newspaper articles from searches using the terms ‘African values’ and ‘African values + business’
Appendix 4	Newspaper articles from a search using the terms ‘African culture + business’
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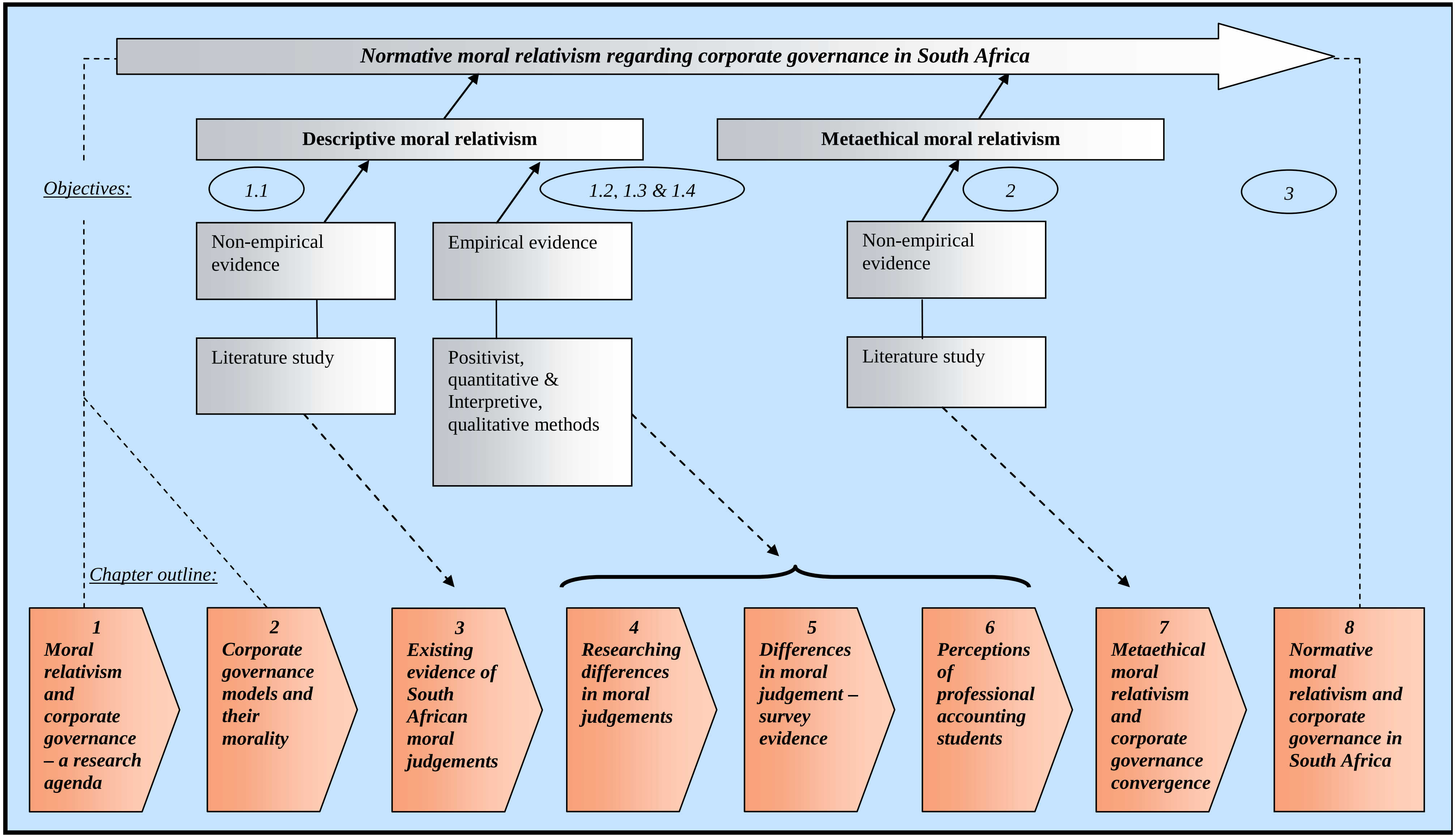
Appendix 1: Research strategy and chapter outline



Appendix 2: Newspaper articles from a search using the term 'ubuntu'

Ubuntu as overcoming differences

"Conformity jails over freedom", *City Press*, 28 March 2010 (the paradox of the ubuntu philosophy as a means of overcoming difference, and the conformity and ethnocentrism of African culture)

"Let's live up to the ideals of ubuntu", *Cape Argus*, 9 July 2010 (the conflict of *ubuntu* and xenophobia)

"Morning always follows a night of lunacy", *Cape Times*, 27 April 2010 (*ubuntu* as a sense of humanity, linked to overcoming difference)

"Outlaws cook up hatred against foreigners", *Citizen*, 22 July 2010 (the conflict of *ubuntu* and xenophobia)

"Proudly South African and filled with the spirit of ubuntu", *Pretoria News*, 31 May 2010 (Rugby in Soweto, *ubuntu* as overcoming racial differences)

"Vilakazi comes alive", *City Press*, 23 May 2010 (Rugby in Soweto, ubuntu as overcoming racial differences)

"We must make laws that bite", *Sowetan*, 11 June 2010 (the conflict of ubuntu and xenophobia)

Other aspects of ubuntu

"A sip from the cup of ubuntu", *The Star*, 12 July 2010 and "Dankie, Suid-Afrika, dankie vir ubuntu", *Rapport*, 20 June 2010 (a comment on the hospitality during the FIFA World Cup, *ubuntu* as interconnectedness)

"Artivists fight for ubuntu. Who's listening?", *City Press*, 4 April 2010 (the role of artists, *ubuntu* as living in community)

"Compelled to act, even against the voice of reason", *Sunday Times*, 23 May 2010 (*ubuntu* as human interconnectedness, related to Desmond Tutu's concepts of goodness)

"Contralesa would be satisfied with government if ...", *Daily Dispatch*, 26 May 2010 (*ubuntu* as building a caring and moral society)

"For the poor folks in Nkandla, Zuma is hero", *The Star*, 25 March 2010 (*ubuntu* linked to sharing amongst the poor)

"Gevra: Ubuntu vir SA mode", *Beeld*, 9 April 2010 (overcoming factional differences within the South African fashion industry)

"Leading with a spirit of ubuntu", *Business Day*, 17 February 2010 (reflections of a CEO, linking *ubuntu* to a common humanity)

"Leaner and looking good", *Financial Mail*, 26 February 2010 (financial report on SAB&T Ubuntu Holdings)

"Local love for tourist is offered back to us", *The Star*, 20 July 2010 (a letter responding to the comment above, *ubuntu* as the essence of being human)

"Teach our children good values for a successful life while they are young", *Sunday Independent*, 25 April 2010 (*ubuntu* linked to child protection and youth development)

"The bad behaviour of the visitors", *Witness*, 29 Ma y 2010 (*ubuntu* as hospitality for guests)

"The Golden Rule", *The Star*, 21 May 2010 (the 'Charter for Compassion', *ubuntu* as awareness of a common humanity)

"Ubuntu must guide HIV policies at work", *City Press*, 14 February 2010 (the need for compassion for employees who have HIV)

"Where is ubuntu for gay people?", *Sunday Independent*, 30 May 2010 (a letter to the editor calling for compassion and justice towards homosexual people)

Appendix 3: Newspaper articles from searches using the terms 'African values' and 'African values + business'

Articles related to business

"A return to African values", *Business Day*, 13 April 2004 (the importance and alignment of traditional African values with corporate governance)

"African business faces a values crisis", *The Star*, 20 July 2006 (the lack of business ethics and high levels of corruption and fraud)

"African values for business", *Financial Mail*, 4 May 2001 (the need for a corporate governance model that reflects traditional African values)

Articles with a cultural topic

"African custom provides security", *Business Day*, 14 February 2005 (the importance of traditional African culture in providing social security)

"High art speaks to the human condition, and SA needs it", *Business Day*, 3 February 2000 (the conflict between Western art music and Afrocentrism)

"We must bring back ancient African calendar", *Sowetan Sunday World*, 22 September 2002 (a link between traditional African culture and moral / social disintegration)

Articles with a moral topic

"African values boost morality", *The Star*, 17 April 2002 (launch of the Moral Regeneration Movement and the loss of traditional leaders and traditional African values)

"Moral regeneration coming to Jhb soon", *Citizen*, 11 December 2003 (launch of the Moral Regeneration Movement and the link with *ubuntu*, African Renaissance and NEPAD)

"Same-sex marriages 'will destroy African culture and values'", *Sunday Argus*, 27 August 2006 (conflict of same-sex marriage with traditional African morality)

Articles with a political topic

"Build African security on democratic values", *This Day*, 27 February 2004 (the need for human rights in Africa)

"DA undermines African cultural values and traditions", *The Star*, 17 February 2006 (the conflict between the Democratic Alliance and traditional health practitioners)

"Muslim party promotes universal values", *The Weekender*, 28 March 2009 (the African Muslim Party and a universal value system)

"PAC needs to reconnect people with African values", *City Press*, 15 July 2007 (the role of the Pan Africanist Congress in challenging the ANC on African values)

"Real African values", *Financial Mail*, 30 January 2004 (the consistency of liberalism with the African nationalism of Thabo Mbeki)

"Work towards restoring true African values", *Business Day*, 5 August 2002 (the role of traditional leaders)

"Zimbabwe helped to distil South African democratic values", *Cape Times*, 21 February 2005 (the implications of the Zimbabwe crisis for the values of the ANC)

Articles with a religious topic

"Hindus urged to imprint their values on South African life, embrace unity", *Natal Witness*, 15 August 2005 (the contribution of Hindu values to South African life)

"Muslims must be defending African values", *City Press*, 19 February 2006 (the need for African Muslims to address African issues)

Other articles

"A South African looks at US with the eyes of a political philosopher", *Sunday Independent*, 28 July 2002 (the reflections of an author with a link to inequality in the USA and South Africa)

"Ads must reflect African values", *Saturday Star*, 31 August 2002 (the integration and reflection of Africa values in the advertising industry)

"At least we're semi-proudly South African", *Sunday Times*, 9 September 2007 (a reference to the World Values Survey)

"In love with the African continent", *Daily News*, 27 February 2004 (a personal reflection by a political minister of the inspiration he gained from African and other values)

"Rebirth must be at grassroots", *Independent on Saturday*, 28 April 2001 (*ubuntu* as a component of the African Renaissance, and the need for re-education)

Appendix 4: Newspaper articles from a search using the terms 'African culture + business'

"A leopard of colours", *The Star*, 5 July 2002 (discusses an exhibition of jewellery and clothing as part of the African Union's cultural programme)

"Rotten payment culture socks Abil in the guts", *Sunday Times*, 1 December 2002 (financial analysis of a culture of non-payment on the business of a micro-lender)

"South African players must read the global rules", *Citizen*, 25 August 2003 (argues that African tradition are largely irrelevant for business in a globalising world)

"Uniquely African flavour nurtured by home fires", *Sunday Independent*, 1 September 2002 (discusses the influence of Swazi culture on a jewellery school)

"Urbanised African energy", *Weekly Mail and Guardian*, 30 September 2004 (discusses a line of designer clothing that appeals to a modern urban African culture)

Appendix 5: Survey questionnaire

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QUESTIONNAIRE: THE MORAL OBLIGATIONS AND OBJECTIVES OF CORPORATIONS

Respondent: V1 | | | 1

Please answer each question by circling an appropriate number in a shaded box or by writing your answer in the shaded space provided

SECTION A: BACKGROUND INFORMATION

1. What **academic year** are you **currently registered** for at UP?

2nd Year	**1**	V2 4
3rd Year	**2**	

2. What is your **gender**?

Male	**1**	V3 5
Female	**2**	

3. What is your **ethnicity**?

White	**1**	V4 6
Black	**2**	
Coloured	**3**	
Indian	**4**	
Asian	**5**	
Other (please specify):		

SECTION B continues on the next page ……

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SECTION B: MORAL OBLIGATIONS OF CORPORATIONS

In this section we would like to know your beliefs regarding the ***moral obligations*** *of corporations*

For each of the statements below, please indicate whether you "**Completely Agree**", "**Mostly Agree**", "**Slightly Agree**", **Slightly Disagree**", "**Mostly Disagree**" or "**Completely Disagree**". There are **no right** and **no wrong** answers, please be as **objectively honest** as possible.

4. Corporations have a **moral obligation** to **report on their economic activities** to ……	Completely Agree	Mostly Agree	Slightly Agree	Slightly Disagree	Mostly Disagree	Completely Disagree		
Consumers	6	5	4	3	2	1	V5	7
Employees	6	5	4	3	2	1	V6	8
Government entities	6	5	4	3	2	1	V7	9
The local community	6	5	4	3	2	1	V8	10
Shareholders	6	5	4	3	2	1	V9	11
Suppliers	6	5	4	3	2	1	V10	12
The wider (national) community	6	5	4	3	2	1	V11	13

5. Corporations have a **moral obligation** to **report on their social and environmental activities** to ……	Completely Agree	Mostly Agree	Slightly Agree	Slightly Disagree	Mostly Disagree	Completely Disagree		
Consumers	6	5	4	3	2	1	V12	14
Employees	6	5	4	3	2	1	V13	15
Government entities	6	5	4	3	2	1	V14	16
The local community	6	5	4	3	2	1	V15	17
Shareholders	6	5	4	3	2	1	V16	18
Suppliers	6	5	4	3	2	1	V17	19
The wider (national) community	6	5	4	3	2	1	V18	20

6. Corporations have a **moral obligation** to **accept new projects that generate financial benefits** for ……	Completely Agree	Mostly Agree	Slightly Agree	Slightly Disagree	Mostly Disagree	Completely Disagree		
Consumers	6	5	4	3	2	1	V19	21
Employees	6	5	4	3	2	1	V20	22
Government entities	6	5	4	3	2	1	V21	23
The local community	6	5	4	3	2	1	V22	24
Shareholders	6	5	4	3	2	1	V23	25
Suppliers	6	5	4	3	2	1	V24	26
The wider (national) community	6	5	4	3	2	1	V25	27

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SECTION B: (cont.) MORAL OBLIGATIONS OF CORPORATIONS

7. Corporations have a **moral obligation** to **accept new projects that generate social and/or environmental benefits** for ……	**Completely Agree**	**Mostly Agree**	**Slightly Agree**	**Slightly Disagree**	**Mostly Disagree**	**Completely Disagree**		
Consumers	6	5	4	3	2	1	V26	28
Employees	6	5	4	3	2	1	V27	29
Government entities	6	5	4	3	2	1	V28	30
The local community	6	5	4	3	2	1	V29	31
Shareholders	6	5	4	3	2	1	V30	32
Suppliers	6	5	4	3	2	1	V31	33
The wider (national) community	6	5	4	3	2	1	V32	34

8. Corporations have a **moral obligation** to **reject new projects that may generate financial harm** for ……	**Completely Agree**	**Mostly Agree**	**Slightly Agree**	**Slightly Disagree**	**Mostly Disagree**	**Completely Disagree**		
Consumers	6	5	4	3	2	1	V33	35
Employees	6	5	4	3	2	1	V34	36
Government entities	6	5	4	3	2	1	V35	37
The local community	6	5	4	3	2	1	V36	38
Shareholders	6	5	4	3	2	1	V37	39
Suppliers	6	5	4	3	2	1	V38	40
The wider (national) community	6	5	4	3	2	1	V39	41

9. Corporations have a **moral obligation** to **reject new projects that may generate social and/or environmental harm** for ……	**Completely Agree**	**Mostly Agree**	**Slightly Agree**	**Slightly Disagree**	**Mostly Disagree**	**Completely Disagree**		
Consumers	6	5	4	3	2	1	V40	42
Employees	6	5	4	3	2	1	V41	43
Government entities	6	5	4	3	2	1	V42	44
The local community	6	5	4	3	2	1	V43	45
Shareholders	6	5	4	3	2	1	V44	46
Suppliers	6	5	4	3	2	1	V45	47
The wider (national) community	6	5	4	3	2	1	V46	48

10. During **long-term strategic planning**, corporations have a **moral obligation** to **consider the interests** of ……	**Completely Agree**	**Mostly Agree**	**Slightly Agree**	**Slightly Disagree**	**Mostly Disagree**	**Completely Disagree**		
Consumers	6	5	4	3	2	1	V47	49
Employees	6	5	4	3	2	1	V48	50
Government entities	6	5	4	3	2	1	V49	51
The local community	6	5	4	3	2	1	V50	52
Shareholders	6	5	4	3	2	1	V51	53
Suppliers	6	5	4	3	2	1	V52	54
The wider (national) community	6	5	4	3	2	1	V53	55

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SECTION B: (cont.) MORAL OBLIGATIONS OF CORPORATIONS

For each of the statements below, please indicate whether you "**Completely Agree**", "**Mostly Agree**", "**Slightly Agree**", **Slightly Disagree**", "**Mostly Disagree**" or "**Completely Disagree**". There are **no right** and **no wrong** answers, please be as **objectively honest** as possible.

11. In day-to-day decision making, corporations have a **moral obligation** to **consider the interests** of ……	Completely Agree	Mostly Agree	Slightly Agree	Slightly Disagree	Mostly Disagree	Completely Disagree	For Office Use		
Consumers	6	5	4	3	2	1	V54		56
Employees	6	5	4	3	2	1	V55		57
Government entities	6	5	4	3	2	1	V56		58
The local community	6	5	4	3	2	1	V57		59
Shareholders	6	5	4	3	2	1	V58		60
Suppliers	6	5	4	3	2	1	V59		61
The wider (national) community	6	5	4	3	2	1	V60		62

SECTION C: MORAL OBJECTIVES OF CORPORATIONS

*In this section we would like to know your beliefs regarding the **moral objectives** of corporations*

For each of the statements below, please indicate whether you "**Completely Agree**", "**Mostly Agree**", "**Slightly Agree**", **Slightly Disagree**", "**Mostly Disagree**" or "**Completely Disagree**". There are **no right** and **no wrong** answers, please be as **objectively honest** as possible.

12. Short-term corporate **objectives** (*within 12 months*) generate the **greatest moral benefit** when they **are aimed** at ……	Completely Agree	Mostly Agree	Slightly Agree	Slightly Disagree	Mostly Disagree	Completely Disagree	For Office Use		
Improving financial performance & efficiency	6	5	4	3	2	1	V61		63
Decreasing inequality within the corporation	6	5	4	3	2	1	V62		64
Encouraging the participation of stakeholders in the corporation	6	5	4	3	2	1	V63		65
Addressing social and environmental concerns	6	5	4	3	2	1	V64		66

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SECTION C: (cont.) MORAL OBJECTIVES OF CORPORATIONS

For each of the statements below, please indicate whether you "**Completely Agree**", "**Mostly Agree**", "**Slightly Agree**", **Slightly Disagree**", "**Mostly Disagree**" or "**Completely Disagree**". There are **no right** and **no wrong** answers, please be as **objectively honest** as possible.

13. Medium-term corporate **objectives** (*1 - 5 years*) generate the **greatest moral benefit** when they are aimed at ……	Completely Agree	Mostly Agree	Slightly Agree	Slightly Disagree	Mostly Disagree	Completely Disagree			
Improving financial performance & efficiency	6	5	4	3	2	1	V65		67
Decreasing inequality within the corporation	6	5	4	3	2	1	V66		68
Encouraging the participation of stakeholders in the corporation	6	5	4	3	2	1	V67		69
Addressing social and environmental concerns	6	5	4	3	2	1	V68		70

14. Long-term corporate **objectives** (*over 5 years*) generate the **greatest moral benefit** when they are aimed at ……	Completely Agree	Mostly Agree	Slightly Agree	Slightly Disagree	Mostly Disagree	Completely Disagree			
Improving financial performance & efficiency	6	5	4	3	2	1	V69		71
Decreasing inequality within the corporation	6	5	4	3	2	1	V70		72
Improving the participation of stakeholders in the corporation	6	5	4	3	2	1	V71		73
Addressing social and environmental concerns	6	5	4	3	2	1	V72		74

Thank you for your participation and time

Appendix 6: Demographic information of interviewees

Table A6.1
Demographic information of interviewees

Interviewee	Country of origin	Racial group	Gender	Institution
1	South Africa	White	Female	Monash South Africa
2	Zimbabwe	Black	Female	Monash South Africa
3	Botswana	Black	Male	Monash South Africa
4	South Africa	Black	Female	Monash South Africa
5	South Africa	White	Male	Monash South Africa
6	Zimbabwe & South Africa	Black	Male	Monash South Africa
7	Zimbabwe	Black	Male	Monash South Africa
8	Botswana	Black	Male	Monash South Africa
9	South Africa	Black	Male	Monash South Africa
10	Zimbabwe	Black	Male	Monash South Africa
11	Botswana	Black	Male	Monash South Africa
12	Zimbabwe	Black	Male	Monash South Africa
13	Kenya	Black	Female	Monash South Africa
14	South Africa	Black	Female	Monash South Africa
15	South Africa	Black	Female	Monash South Africa
16	Botswana	Black	Male	Monash South Africa
17	Kenya	Black	Male	Monash South Africa
18	Zimbabwe	Black	Male	Monash South Africa
19	South Africa	White	Male	University of Pretoria
20	Zimbabwe	Black	Female	University of Pretoria
21	South Africa	Black	Male	University of Pretoria

Appendix 7: Interview schedule

A. Opening & introduction

1. Explain the nature of the project and the topic under investigation
2. Obtain informed consent and assure confidentiality
3. Explain that the interview should not last more than 45 minutes, and that it will be recorded using a digital voice recorder
4. Opening question: Where about does the respondent come from?

B. Beliefs and experiences regarding corporate morality and value systems

Each of these answers should be probed by asking 'why' the respondent holds this opinion, and for explanations and examples.

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

   (If necessary, can prompt with an example of a moral obligation: companies have a moral obligation not to dump nuclear waste into rivers, and a list of stakeholders)

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

   (If necessary, can prompt with a list of possible corporate objectives: maximising profit and shareholder wealth, providing for employees, contributing to society and the community)

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?

C. Closing

1. Thank the respondent for his/her involvement and time
2. Ask respondent if he/she has any questions
3. Provide contact information if respondent is interested in the findings

Appendix 8: Interview data analysis

Table A8.1
Initial categories

Category	**Category**

Moral judgements:
 	
- Communitarian
    - Shareholders
    - Employees
    - Customers
    - Suppliers
    - Local community
    - Wider community
    - Government
    - Others
    - General, or multiple stakeholders
- Consequentialist (with subcategories for each stakeholder group)
- General moral judgements
- Kantian (with subcategories for each stakeholder group)
- Moral comments without underlying philosophy (with subcategories for each stakeholder group)
- Other morality (with subcategories for each stakeholder group)
- Virtue ethics (with subcategories for each stakeholder group)
	Non-moral judgements:
	
	- Customers
	- Employees
	- Government
	- Irrelevant
	- Local community
	- Others
	- Shareholders
	- Suppliers
	- Wider community

Table A8.2
Final categories

Category	**Category**
Moral judgements:	Non-moral judgements*:
- Corporate priorities	- Customers**
- Objectives	- Employees
- Profit-making	- Government
- Rankings	- Irrelevant
- Different viewpoints*	- Local community**
- Differences between students and/or family group*	- Not comprehensible or unsuitable
- Different morality in the working world*	- Others**
- Differences between racial groups*	- Shareholders
- Extent of corporate obligations	- Suppliers**
- Interdependence of stakeholders	- Wider community**
- The law	
- Sacrifice	
- Stakeholders***	
- Community	
- Customers	
- Employees	
- Government	
- Others	
- Shareholders	
- Suppliers	
- Traditional African values	
- African and Western values	

* These categories were omitted from the description and analysis (see section 4.2).

** These categories did not contain any data.

*** Within each of these categories, there were subcategories for the following moral philosophies: Communitarian, Consequentialist, Kantian, Moral comments without any underlying philosophy, Other morality, Virtue ethics. Some of these categories contained no, or very little, data and accordingly were not always considered relevant to the description and analysis.

Appendix 9: Exploratory analysis results

Table A9.1
Means by gender

Racial group	Scale																			
	Moral obligations of corporations, original scales							**Moral obligations of corporations, factor analysis scales**									**Moral objectives of corporations**				
	CONS	**EMPL**	**GOVT**	**LOCL**	**NATL**	**SHAR**	**SUPP**	**1: F-COMM**	**2: F-REJC**	**3: F-ECONREP**	**4: F-SHAR**	**5: F-ACCPFIN**	**6: F-GOVT**	**7: F-SUPP**	**8: F-CONSEMP**	**EFFC**	**EQTY**	**PART**	**S&E**	**F-EQS&E**
Female	5.19	5.51	4.46	5.10	4.79	5.57	4.30	5.00	5.42	4.87	5.53	4.87	4.09	4.30	5.48	5.10	4.89	5.11	5.21	5.05
Male	4.89	5.33	4.32	5.04	4.66	5.49	4.17	4.92	5.24	4.82	5.47	4.56	3.92	4.13	5.23	5.02	4.81	4.84	5.27	5.04
r *	0.24	0.19	0.09	0.05	0.09	0.08	0.07	0.06	0.15	0.03	0.06	0.20	0.07	0.08	0.19	0.05	0.05	0.18	0.03	0.02
R^2 *	0.06	0.04	0.01	0.00	0.01	0.01	0.01	0.00	0.02	0.00	0.00	0.04	0.01	0.01	0.04	0.00	0.00	0.03	0.00	0.00
Female:Male difference	0.30	0.18	0.14	0.06	0.13	0.08	0.13	0.08	0.18	0.05	0.06	0.31	0.17	0.17	0.25	0.08	0.08	0.27	-0.06	0.01

* These coefficients have been calculated using data transformed for normality

Table A9.2
Contingency tables: gender by scale means

Racial group	Low	Moderate	High	Very high	Total
			Mean score		
CONS					
Female	17 (19%)	22 (24%)	**26 (28%)**	**27 (29%)**	92 (100%)
Male	**23 (35%)**	**19 (29%)**	14 (22%)	9 (14%)	65 (100%)
Total	40 (26%)	41 (26%)	40 (26%)	36 (23%)	157 (100%)
EMPL					
Female	21 (23%)	23 (25%)	**35 (38%)**	13 (14%)	92 (100%)
Male	**26 (40%)**	16 (25%)	13 (20%)	10 (15%)	65 (100%)
Total	47 (30%)	39 (25%)	48 (31%)	23 (15%)	157 (100%)
GOVT					
Female	19 (21%)	**26 (28%)**	26 (28%)	**21 (23%)**	92 (100%)
Male	**23 (35%)**	15 (23%)	18 (28%)	9 (14%)	65 (100%)
Total	42 (27%)	41 (26%)	44 (28%)	30 (19%)	157 (100%)
LOCL					
Female	22 (24%)	23 (25%)	**25 (27%)**	**22 (24%)**	92 (100%)
Male	**19 (29%)**	**20 (31%)**	14 (22%)	12 (19%)	65 (100%)
Total	41 (26%)	43 (27%)	39 (25%)	34 (22%)	157 (100%)

Racial group	Low	Moderate	High	Very high	Total
			Mean score		
NATL					
Female	23 (25%)	21 (23%)	**24 (26%)**	**24 (26%)**	92 (100%)
Male	**22 (34%)**	**17 (26%)**	12 (19%)	14 (22%)	65 (100%)
Total	45 (29%)	38 (24%)	36 (23%)	38 (24%)	157 (100%)
SHAR					
Female	24 (26%)	18 (20%)	**26 (28%)**	**24 (26%)**	92 (100%)
Male	**20 (31%)**	**19 (29%)**	12 (19%)	14 (22%)	65 (100%)
Total	44 (28%)	37 (24%)	38 (24%)	38 (24%)	157 (100%)
SUPP					
Female	21 (23%)	27 (29%)	18 (20%)	**26 (28%)**	92 (100%)
Male	**19 (29%)**	**20 (31%)**	**14 (22%)**	12 (19%)	65 (100%)
Total	40 (26%)	47 (30%)	32 (20%)	38 (24%)	157 (100%)
F-COMM					
Female	22 (24%)	23 (25%)	**27 (29%)**	**20 (22%)**	92 (100%)
Male	**21 (32%)**	16 (25%)	16 (25%)	12 (19%)	65 (100%)
Total	43 (27%)	39 (25%)	43 (27%)	32 (20%)	157 (100%)

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Table A9.2 (continued)
Contingency tables: gender by scale means

Racial group	Low	Moderate	Mean score High	Very high	Total
F-REJC					
Female	19 (21%)	**19 (21%)**	**29 (32%)**	**25 (27%)**	92 (100%)
Male	**23 (36%)**	11 (17%)	20 (31%)	10 (16%)	65 (100%)
Total	42 (27%)	30 (19%)	49 (31%)	35 (22%)	157 (100%)
F-ECONREP					
Female	25 (27%)	19 (21%)	**30 (33%)**	**18 (20%)**	92 (100%)
Male	**20 (31%)**	**17 (26%)**	16 (25%)	12 (19%)	65 (100%)
Total	45 (29%)	36 (23%)	46 (29%)	30 (19%)	157 (100%)
F-SHAR					
Female	17 (19%)	19 (21%)	29 (32%)	**27 (29%)**	92 (100%)
Male	**13 (20%)**	**14 (22%)**	**22 (34%)**	16 (25%)	65 (100%)
Total	30 (19%)	33 (21%)	51 (33%)	43 (27%)	157 (100%)
F-ACCPFIN					
Female	20 (22%)	22 (24%)	**24 (26%)**	**26 (28%)**	92 (100%)
Male	**22 (34%)**	**23 (35%)**	12 (19%)	8 (12%)	65 (100%)
Total	42 (27%)	45 (29%)	36 (23%)	34 (22%)	157 (100%)

Racial group	Low	Moderate	Mean score High	Very high	Total
F-GOVT					
Female	17 (19%)	28 (30%)	24 (26%)	**23 (25%)**	92 (100%)
Male	**13 (20%)**	**23 (36%)**	**17 (27%)**	11 (17%)	65 (100%)
Total	30 (19%)	51 (33%)	41 (26%)	34 (22%)	157 (100%)
F-SUPP					
Female	24 (26%)	22 (24%)	**30 (33%)**	16 (17%)	92 (100%)
Male	**22 (34%)**	15 (23%)	17 (27%)	10 (16%)	65 (100%)
Total	46 (30%)	37 (24%)	47 (30%)	26 (17%)	157 (100%)
F-CONSEMP					
Female	13 (14%)	21 (23%)	27 (29%)	**31 (34%)**	92 (100%)
Male	**15 (23%)**	**18 (28%)**	18 (28%)	13 (20%)	65 (100%)
Total	28 (18%)	39 (25%)	45 (29%)	44 (28%)	157 (100%)
EFFC					
Female	28 (31%)	**20 (22%)**	23 (25%)	**20 (22%)**	92 (100%)
Male	**25 (39%)**	11 (17%)	15 (23%)	13 (20%)	65 (100%)
Total	53 (34%)	31 (20%)	38 (25%)	33 (21%)	157 (100%)

Table A9.2 (continued)
Contingency tables: gender by scale means

Racial group	**Low**	**Moderate**	**Mean score High**	**Very high**	**Total**
EQTY					
Female	**18 (20%)**	35 (38%)	18 (20%)	**21 (23%)**	92 (100%)
Male	11 (17%)	**30 (47%)**	**14 (22%)**	9 (14%)	65 (100%)
Total	29 (19%)	65 (42%)	32 (21%)	30 (19%)	157 (100%)
PART					
Female	25 (28%)	27 (30%)	**17 (19%)**	**22 (24%)**	92 (100%)
Male	**24 (38%)**	**21 (33%)**	7 (11%)	12 (19%)	65 (100%)
Total	49 (32%)	48 (31%)	24 (16%)	34 (22%)	157 (100%)
S&E					
Female	22 (24%)	16 (17%)	**33 (36%)**	21 (23%)	92 (100%)
Male	15 (23%)	**14 (22%)**	16 (25%)	**19 (30%)**	65 (100%)
Total	37 (24%)	30 (19%)	49 (31%)	40 (26%)	157 (100%)
F-EQS&E					
Female	27 (29%)	26 (28%)	13 (14%)	**26 (28%)**	92 (100%)
Male	**20 (31%)**	**19 (30%)**	**13 (20%)**	12 (19%)	65 (100%)
Total	47 (30%)	45 (29%)	26 (17%)	38 (24%)	157 (100%)

Table A9.3
Measures of association and influence by gender: Cramér's V & lambda coefficients

Moral obligations of corporations: original factors			Moral obligations of corporations: factor analysis scales			Moral objectives of corporations		
Scale	**Cramér's V**	**λ**	**Scale**	**Cramér's V**	**λ**	**Scale**	**Cramér's V**	**λ**
CONS	0.24	0.08	F-ACCPFIN	0.24	0.04	PART	0.15	0.02
EMPL	0.22	0.12	F-REJC	0.19	0.03	S&E	0.13	0.03
GOVT	0.18	0.04	F-CONSEMP	0.17	0.04	EQTY	0.13	0.00
SHAR	0.15	0.02	F-ECONREP	0.10	0.04	F-EQS&E	0.12	0.00
NATL	0.13	0.01	F-COMM	0.10	0.04	EFFC	0.10	0.00
SUPP	0.12	0.00	F-GOVT	0.10	0.00			
LOCL	0.11	0.02	F-SUPP	0.10	0.05			
			F-SHAR	0.05	0.00			

Table A9.4
Means by racial group and gender

		Scale																			
		Moral obligations of corporations, original scales							Moral obligations of corporations, factor analysis scales								Moral objectives of corporations				
Racial group	**Gender**	**CONS**	**EMPL**	**GOVT**	**LOCL**	**NATL**	**SHAR**	**SUPP**	**1: F-COMM**	**2: F-REJC**	**3: F-ECONREP**	**4: F-SHAR**	**5: F-ACCPFIN**	**6: F-GOVT**	**7: F-SUPP**	**8: F-CONSEMP**	**EFFC**	**EQTY**	**PART**	**S&E**	**F-EQS&E**
White	Male	4.91	5.31	4.16	4.88	4.48	5.48	4.21	4.73	5.21	4.84	5.43	4.52	3.70	4.09	5.15	5.06	4.68	4.62	5.16	4.92
	Female	5.15	5.50	4.52	5.02	4.67	5.60	4.28	4.85	5.51	4.92	5.52	4.64	4.08	4.30	5.40	5.13	4.91	5.06	5.31	5.11
Black	Male	4.76	5.31	4.68	5.22	4.91	5.38	4.05	5.16	5.12	4.90	5.38	4.59	4.51	4.08	5.24	4.98	4.95	5.03	5.30	5.13
	Female	5.22	5.52	4.37	5.24	4.95	5.59	4.29	5.21	5.35	4.81	5.61	5.10	4.06	4.27	5.55	4.94	4.91	5.20	5.21	5.06
η *		0.26	0.20	0.21	0.24	0.26	0.17	0.09	0.31	0.22	0.06	0.16	0.30	0.24	0.09	0.25	0.11	0.13	0.33	0.09	0.12
η^2*		0.07	0.04	0.04	0.06	0.07	0.03	0.01	0.09	0.05	0.00	0.03	0.09	0.06	0.01	0.06	0.01	0.01	0.11	0.01	0.01
Range		0.47	0.21	0.52	0.35	0.47	0.22	0.24	0.48	0.39	0.12	0.23	0.57	0.81	0.22	0.39	0.20	0.27	0.59	0.15	0.21

* These coefficients have been calculated using data transformed for normality

Table A9.5
Multiple regression statistics (all statistics have been calculated using data transformed for normality)

	Scale																			
	Moral obligations of corporations, original scales							Moral obligations of corporations, factor analysis scales								Moral objectives of corporations				
Statistic	**CONS**	**EMPL**	**GOVT**	**LOCL**	**NATL**	**SHAR**	**SUPP**	**1: F-COMM**	**2: F-REJC**	**3: F-ECONREP**	**4: F-SHAR**	**5: F-ACCPFIN**	**6: F-GOVT**	**7: F-SUPP**	**8: F-CONSEMP**	**EFFC**	**EQTY**	**PART**	**S&E**	**F-EQS&E**
R	0.25	0.21	0.09	0.23	0.25	0.17	0.07	0.30	0.22	0.03	0.15	0.28	0.17	0.09	0.25	0.10	0.12	0.32	0.04	0.09
R^2	0.06	0.04	0.01	0.05	0.07	0.03	0.01	0.09	0.05	0.00	0.02	0.08	0.03	0.01	0.06	0.01	0.01	0.10	0.00	0.01
Std error (bivariate regression)	6.41	4.99	6.86	6.20	6.75	5.04	7.35	6.41	6.61	6.98	5.48	7.68	7.96	7.80	6.20	7.71	8.57	6.18	6.72	6.88
Std error (multiple regression)	6.23	4.91	6.87	6.21	6.75	4.99	7.36	6.42	6.48	7.00	5.45	7.58	7.98	7.80	6.08	7.74	8.57	6.03	6.74	6.89
Constant	20.6	26.2	17.6	20.8	16.5	28.6	17.3	18.1	25.7	24.8	27.5	14.2	13.1	16.2	22.9	27.6	20.4	17.0	26.8	23.5
b (racial group)	0.12	0.13	0.92	2.65	3.18	-0.35	-0.25	3.84	-1.09	-0.37	0.48	3.17	2.59	0.05	1.30	-1.58	1.19	2.47	0.16	0.62
b (gender)	3.22	2.03	0.77	0.99	1.22	1.71	1.09	1.00	2.94	-0.04	1.50	2.78	0.36	1.47	2.69	0.44	1.52	2.98	0.56	0.98
Beta (racial group)	0.01	0.01	0.07	0.21	0.23	-0.04	-0.02	0.29	-0.08	-0.03	0.04	0.20	0.16	0.00	0.10	-0.10	0.07	0.20	0.01	0.05
Beta (gender)	0.25	0.20	0.06	0.08	0.09	0.17	0.07	0.07	0.22	0.00	0.13	0.17	0.02	0.09	0.21	0.03	0.09	0.23	0.04	0.07

Table A9.6
Trivariate analysis, measures of association and influence: Cramér's V & lambda coefficients

Moral obligations of corporations: original factors			**Moral obligations of corporations: factor analysis scales**			**Moral objectives of corporations**		
Scale	**Cramér's V**	**λ**	**Scale**	**Cramér's V**	**λ**	**Scale**	**Cramér's V**	**λ**
NATL	0.27	0.08	F-ACCPFIN	0.35	0.11	PART	0.26	0.09
Male	0.29	0.08	Male	0.27	0.09	Male	0.29	0.06
Female	0.29	0.08	Female	0.42	0.17	Female	0.15	0.00
LOCL	0.25	0.08	F-COMM	0.27	0.09	S&E	0.18	0.03
Male	0.34	0.03	Male	0.33	0.08	Male	0.27	0.10
Female	0.19	0.03	Female	0.35	0.13	Female	0.14	0.00
SHAR	0.19	0.02	F-GOVT	0.25	0.07	F-EQS&E	0.15	0.00
Male	0.22	0.03	Male	0.40	0.09	Male	0.29	0.11
Female	0.18	0.07	Female	0.31	0.10	Female	0.16	0.00
CONS	0.12	0.00	F-ECONREP	0.18	0.06	EQTY	0.15	0.00
Male	0.20	0.00	Male	0.20	0.00	Male	0.17	0.00
Female	0.07	0.00	Female	0.19	0.07	Female	0.27	0.02
SUPP	0.10	0.03	F-CONSEMP	0.17	0.06	EFFC	0.13	0.00
Male	0.13	0.05	Male	0.22	0.05	Male	0.08	0.00
Female	0.13	0.03	Female	0.14	0.00	Female	0.18	0.02
EMPL	0.09	0.03	F-SHAR	0.16	0.06			
Male	0.17	0.00	Male	0.15	0.05			
Female	0.19	0.00	Female	0.16	0.07			
GOVT	0.09	0.01	F-REJC	0.11	0.01			
- Male	0.34	0.14	Male	0.22	0.00			
- Female	0.17	0.02	Female	0.16	0.00			
			F-SUPP	0.07	0.00			
			Male	0.10	0.00			
			Female	0.14	0.02			

Appendix 10: Tests of statistical significance

As noted in chapter four (section 4.1), inferential tests of statistical significance are not meaningful when the sample is a non-probability sample. However, given the widespread use of such tests, the results are presented here for illustrative purposes.

When comparing means, *t*-tests can identify statistically significant results when there are two groups (such as gender, or Black and White racial groups), and ANOVAs can identify statistically significant results where there are more predictor (independent) variables. In both cases the outcome (dependent) variable is the mean scores of the scales (transformed for normality).

The results of separate *t*-tests (independent means) using racial group (Black or White only) and gender as the predictor variables are shown in table A10.1 (all statistically significant results are highlighted). Following Field (2005, p.303), the *t*-statistic, number of degrees of freedom and the significance (p) value are reported. Using a 95 percent probability level, p values of less than 0.05 are considered statistically significant. As no initial prediction was made concerning which group would have higher scores, two-tailed tests were used.

For most scales, Levene's test for equality of variance indicated that the assumption of homogeneity of variance was not broken ($p > 0.05$). For *t*-tests by racial group (Black and White only) this assumption was, however, broken for four scales (F-REJC, F-ACCPFIN, F-GOVT and F-EQS&E), so in these cases the results 'where equal variances were not assumed' are reported. For *t*-tests by gender, this assumption was not broken for any scales.

ANOVAs for both racial group (Black and White only) and gender show statistically significant differences ($p < 0.05$) in eight scales: CONS, LOCL, NATL, F-COMM, F-REJC, F-ACCPFIN, F-CONSEMP and PART. Field (2005, p.359) recommends that the number of degrees of freedom and the *F*-statistics are reported. These are presented in table A10.2.

All results confirm those presented previously in chapter five (table 5.3) and appendix nine (tables A9.1 and A9.5). For the statistically significant results it can be stated that *if* the sample had been randomly drawn, the chance of each of these differences having occurred in the sample, with a population that had, in fact, no differences, is very small (less than 5 percent). Consequently, in those circumstances it would be reasonable to suggest that such differences also existed in the population.

Table A10.1
Results of *t*-tests (all statistics have been calculated using data transformed for normality)

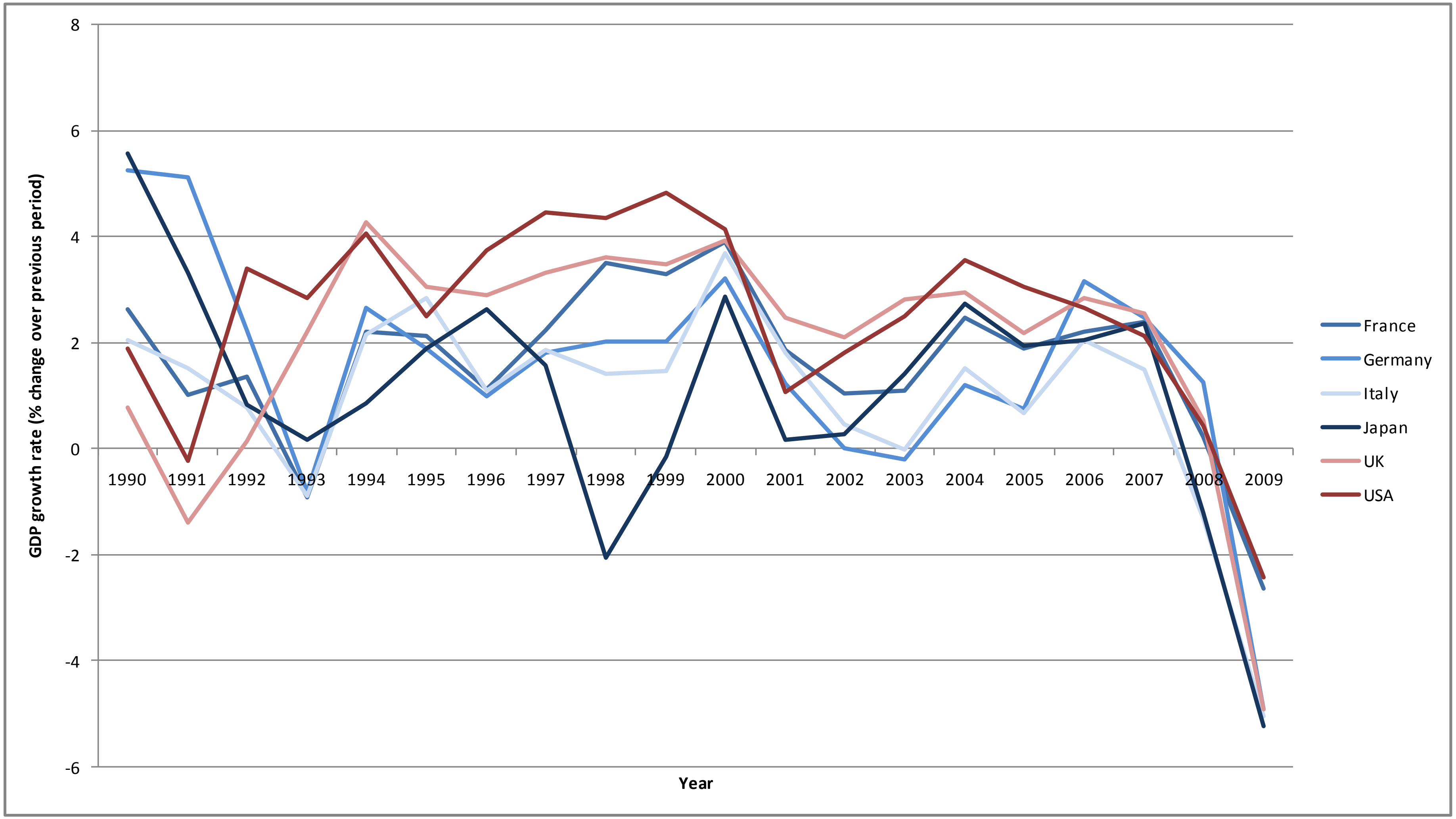
	Scale																			
	Moral obligations of corporations, original scales							Moral obligations of corporations, factor analysis scales								Moral objectives of corporations				
Statistic	**CONS**	**EMPL**	**GOVT**	**LOCL**	**NATL**	**SHAR**	**SUPP**	**1: F-COMM**	**2: F-REJC**	**3: F-ECONREP**	**4: F-SHAR**	**5: F-ACCPFIN**	**6: F-GOVT**	**7: F-SUPP**	**8: F-CONSEMP**	**EFFC**	**EQTY**	**PART**	**S&E**	**F-EQS&E**
t-tests (Racial group)																				
t-statistic	-0.43	-0.41	-0.87	-2.61	-2.89	0.19	0.11	-3.62	0.64	0.32	-0.69	-2.60	-1.90	-0.17	-1.53	1.16	-0.94	-2.65	-0.20	-0.61
Degrees of freedom	138	138	138	138	138	138	138	138	111	138	138	117	118	137	137	136	137	136	137	118
Significance (*p*) value	.668	.685	.389	.010	.004	.847	.914	.000	.527	.750	.490	.011	.060	.868	.129	.249	.350	.009	.846	.541
t-tests (Gender)																				
t-statistic	-3.05	-2.40	-1.13	-0.63	-1.13	-1.03	-0.86	-0.76	-1.88	0.33	-0.69	-2.59	-0.88	-1.00	-2.46	-0.57	-0.67	-2.30	-0.37	-0.21
Degrees of freedom	155	155	155	155	155	155	155	155	154	155	155	155	154	154	154	153	154	153	154	154
Significance (*p*) value	.003	.017	.260	.531	.258	.304	.394	.451	.063	.745	.491	.011	.381	.317	.015	.572	.504	.023	.710	.832

Table A10.2
Results of ANOVAs: Statistically significant differences

Scale	Degrees of freedom (model, residuals)	*F*-statistic
CONS	2, 137	4.497
LOCL	2, 137	3.824
NATL	2, 137	4.723
F-COMM	2, 137	6.955
F-REJC	2, 136	3.579
F-ACCPFIN	2, 137	5.841
F-CONSEMP	2, 136	4.392
PART	2, 135	7.674

Appendix 11: Gross Domestic Product comparison by country

Figure A11.1
Change in Gross Domestic Product by country, 1990 to 2009



Source: Inter-Agency Group on Economic and Financial Statistics (2010)

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Endnotes

[1] For the purposes of this study, the terms 'ethics' and 'morality', and their derivations, are considered to have identical meaning. As far as is possible, and with the exception of quotations and terms such as 'business ethics', the term 'morality' will be used.

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

[3] There is no single methodology that prescribes how moral disagreements can be rationally resolved. An assessment of the nature and the extent of the disagreements is, however, likely to provide some indication of their possible resolution.

[4] Wong's views are considered in more detail in chapters seven and eight.

[5] Wong (1993:449) notes that when faced with Metaethical moral relativism,

> "we must strive to find what will be for us the right or the best thing to do, and also deal with the feelings of unease caused by the recognition that there is no single right or best thing to do. This task, no matter how difficult, is not the end of moral reflection. It instead may be the beginning of a different sort of reflection that involves on the one hand an effort to reach an understanding with those who have substantially different values, and on the other the effort to stay true to one's own values."

[6] The terms "South African professional accounting students" and "professional accounting students in South Africa" refer to students studying an undergraduate degree in South Africa that (with the appropriate postgraduate study) could eventually lead to qualification as a professional accountant.

[7] At the time of writing (March 2011), elements of chapters one and two had been published in *Corporate Governance: An International Review* (West, 2009). Parts of chapter five were presented as a conference paper at the Asia-Pacific Interdisciplinary Perspectives on Accounting conference in Sydney, July 2010, and published in the proceedings thereof (West, 2010).

[8] See Clarke (2004, 2005, 2007), Monks & Minow (2004), Solomon & Solomon (2004) and Rossouw and Sison (2006) for more comprehensive reviews.

[9] Berle & Means were not the first to identify this problem – Adam Smith (1776) recognised it in his *Wealth of Nations*, and Sir Adrian Cadbury (2002, cited in Solomon and Solomon (2004, p.4)) has pointed out references to the problem in the Liberal Industrial Inquiry of 1926-1928 in the UK. However, Berle & Means' (1932) *The Modern Corporation and Private Property* has proved most influential in this regard.

[10] Although all civil law systems can ultimately be traced back to Roman law.

[11] Wieland (2005) includes Switzerland, Czechoslovakia [sic], Portugal, Sweden, Finland, Great Britain and Ireland in the shareholder model; Denmark, the Netherlands, Spain, Lithuania, Poland, Romania and Slovakia in the stakeholder cooperation model; and Austria, Belgium, Germany, France, Italy, Hungary, Russia and Turkey in the firm-oriented stakeholder model.

[12] See LaPorta *et al.* (1998) for a detailed investigation into how different legal systems (and legal 'families') influence corporate governance regimes around the world.

[13] South African accounting standards correspond to International Financial Reporting Standards. Published financial reports are addressed to the 'members' (i.e. shareholders) of a company. Furthermore, outflows of resources to stakeholders other than shareholders (such as interest or salaries) are treated as expenses and are deducted in the calculation of a company's profit or loss. In contrast, outflows of resources to shareholders (such as dividends) are not considered to be expenses, but are treated as changes in shareholders' equity.

[14] A more detailed discussion of what *ubuntu* entails is presented in chapter three, section 3.3.

[15] The term 'irrational exuberance' was originally coined by Alan Greenspan, chairman of the Federal Reserve Board in Washington in a speech delivered on December 5, 1996, after which stock markets around the world fell by 2-4% (Shiller, 2005). The term has come to refer to a period of wild speculation that may inflate market values.

[16] One could argue that there are other factors that could explain these different levels of sustainability reporting, such as the amount of media attention given to corporate responsibility practices in different countries. While a high level of sustainability reporting may not therefore necessarily reflect an underlying stakeholder orientation for a given country, it is reasonable to expect countries in which a stakeholder orientation is predominant to have a high level of sustainability reporting.

[17] Ramose, for example, insists that *ubuntu* is not only a moral concept, but is "the root of African philosophy" (2003c, p.230) and "the fundamental ontological and epistemological category in the African thought of the Bantu-speaking people" (2003c, p.230). He also considers the word to be

> "a gerundive, a verbal noun denoting a particular state of being and becoming at the same time. It thus denotes a particular action already performed, an enduring action or state of be-ing and the openness to yet another action or state of be-ing" (2003b, p.643).

[18] *Lobola* is a traditional Southern African marital custom, similar to a dowry, in which a prospective husband makes a payment to his fiancée's family.

[19] The term 'etic' is an anthropological term that refers to the study of a culture through the use of generalisable theories that can be applied across a variety of cultures. In contrast, the term 'emic' focuses on the description of indigenous practices in a given culture. See Marshall (1998).

[20] A comparison can be drawn between *ubuntu* and Christian values in this regard. Christian values have obvious aspirational and inspirational usage, Christian values of previous eras accommodated some practices (such as slavery and racial discrimination) that are now widely considered to be undesirable, and continuities with Christian tradition can be disputed. However, a consideration of how Christian values are manifest would identify areas such as health, education and poverty alleviation (through Christian hospitals, schools and charities), as well as their influence on issues such as abortion, euthanasia and same-sex marriage. The practical evidence of Christian values operating in society would then provide support for the claim that these values are widely held, and consequently that they could provide a source of distinct and different moral judgements.

Similarly, other ideologies or value systems could be said to present sources of distinct and different moral judgements. For example, right-libertarianism could be one such source in Anglo-American jurisdictions. Consideration of how such libertarianism actually has a practical impact on society (in terms of issues such as gun control, government policies on narcotic drugs and prostitution) could enable a similar evaluation of whether it is sufficiently widely held to provide a source of distinct and different moral judgements, that could then have implications for corporate governance.

The conclusion regarding *ubuntu* in this chapter is accordingly subject to change if and when there is more practical evidence of *ubuntu* in South African society.

[21] Hofstede (1984, p.83) described the four value dimensions as follows:

> *Individualism vs Collectivism*
>
> Individualism stands for a preference for a loosely knit social framework wherein individuals are supposed to take care of themselves and their immediate families only … The fundamental issue addressed by this dimension is the degree of interdependence a society maintains among individuals. It relates to people’s self-concept: ‘I’ or ‘we’.
>
> *Large vs Small Power Distance*
>
> Power Distance is the extent to which the members of a society accept that power in institutions and organisations is distributed unequally … The fundamental issues addressed by this dimension is how a society handles inequalities among people when they occur.
>
> *Masculinity vs Femininity*
>
> Masculinity stands for a preference in society for achievement, heroism, assertiveness, and material success. Its opposite, Femininity, stands for a preference for relationships, modesty, caring for the weak, and the quality of life. The fundamental issue addressed by this dimension is the way in which a society allocates social (as opposed to biological) roles to the sexes.
>
> *Strong vs Weak Uncertainty Avoidance*

Uncertainty Avoidance is the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. This feeling leads them to beliefs promising certainty and to maintaining institutions protecting conformity … The fundamental issue addressed by this dimension is how a society reacts on the fact that time only runs one way and that the future is unknown: whether it tries to control the future or let it happen.

[22] *Long- versus Short-term Orientation* refers to the extent to which a culture programs its members to accept delayed gratification of their material, social and emotional needs (Hofstede, 2001, p.xx).

[23] Trompenaars & Hampden-Turner describe these cultural orientations as follows (1997, p.8):

Achievement – Ascription: Achievement meand that you are judged on what you have recently accomplished and on your record. Ascription means that status is attributed to you, by birth, kinship, gender or age, but also by your connections (who you know) and your educational record.

Individualism – Communitarianism: Do people regard themselves primarily as individuals or primarily as part of a group?

Neutral – Emotional: Should the nature of our interactions be objective and detached, or is expressing emotion acceptable?

Specific – Diffuse: When the whole person is involved in a business relationship there is a real and personal contact, instead of the specific relationship prescribed by a contract. In many countries a diffuse relationship is not only preferred, but necessary before business can proceed.

Universalism – Particularism: The universalist approach is roughly: “What is good and right can be defined and always applies”.

And (1997, p.141):

Inner – Outer Directedness: [Inner-directed] culture tends to identify with mechanisms; that is, the organisation is conceived of as a machine that obeys the will of its operators... [Outer-directed culture] tends to see an organisation as itself a product of nature, owing its development to the nutrients in its environment and to a favourable ecological balance.

[24] Schwartz (1999, p.27) described the cultural value types as follows:

Affective Autonomy: A cultural emphasis on the desirability of individuals independently pursuing affectively positive experience.

Conservatism: A cultural emphasis on maintenance of the status quo, propriety, and restraint of actions or inclinations that might disrupt the solidary group or the traditional order.

Egalitarianism: A cultural emphasis on transcendence of selfish interests in favour of voluntary commitment to promoting the welfare of others.

Harmony: A cultural emphasis on fitting harmoniously into the environment.

Hierarchy: A cultural emphasis on the legitimacy of an unequal distribution of power, role and resources.

Intellectual Autonomy: A cultural emphasis on the desirability of individuals independently pursuing their own ideas and intellectual directions.

Mastery: A cultural emphasis on getting ahead through active self-assertion.

[25] Membership statistics for CIMA in South Africa are not publicly available. Personal communication from Premi Chetty (Customer Services Team Leader) from CIMA in South Africa, received on 27 November 2009, confirms that there are more than 1,000 members. This suggests, however, that membership is not greatly different from Botes' (2005) estimate of 1,200.

[26] Membership statistics for the Association for Accounting Technicians in South Africa are not publicly available, and attempts to contact the Association have not been successful. However, as the Association was recently launched, and is targeted as an entry-level accounting qualification providing a basis for further qualification with SAICA, ACCA or CIMA, it is not considered a significant competitor to SAICA.

[27] Members of SAICA are the only accountants entitled to call themselves 'Chartered Accountants' in South Africa and to use the CA(SA) designation.

[28] The stakeholder groups listed here are the same as those suggested by Evan & Freeman (1993), with the exception of 'management' and the 'wider community'.

As management and the directors are the moral agents of the corporation, there is little use in considering the moral obligations that they have to themselves and this category has been omitted. The 'wider community' has been added as this corresponds closely with the role of corporations in society as a whole, a relevant issue when considering corporate governance systems that are applicable to entire nations.

[29] Note that the term 'racial group' is preferred to 'ethnicity' in this discussion and the ensuing analysis due to possible cultural associations with the term 'ethnicity'.

[30] This is sometimes referred to as 'nomological' validity (Hair *et al.*, 1998).

[31] The term 'Black' is sometimes used to include non-White racial groups, including Indians and Coloureds. The emphasis in this study, however, is on identifying differences between different racial groups. As the inclusion of

Coloured and/or Indian groups with the Black group could mask or exaggerate differences between individual racial groups, this wider interpretation of 'Black' has not been adopted.

[32] For example, for PART, the score for a Black female can be estimated to be 5.28, from: $Y = \overline{2.47 \quad 2 \; + \; 2.98 \; (2) + 17.0}$

[33] Paragraph 5.1 of the Introduction to the King II report states that:

> "One is liable to render an account when one is accountable and one is liable to be called to account when one is responsible. In governance terms, one is accountable at common law and by statute to the company if a director, and one is responsible to the stakeholders identified as relevant to the business of the company. The stakeholder concept of being accountable to all legitimate stakeholders must be rejected for the simple reason that to ask boards to be accountable to everyone would result in their being accountable to no one."

[34] Other arguments and evidence (with a similar conclusion) concerning the meaning and applicability of *ubuntu* in the South African corporate governance context are presented in chapter three (section 3.3).

[35] See MacIntyre (1985) for a more detailed discussion of the context of emotivism's development and additional objections to emotivism as an adequate moral theory.

[36] Dewey's pragmatism sought to apply the methods of inquiry that are prevalent in science to questions of morality, aesthetics, metaphysics and politics. Harrison describes Dewey's position as requiring "the application of intelligent inquiry, the self-correcting method of experimentally testing hypotheses created and refined from our previous experience" (Harrison, 1995, p.197).

[37] Falk (1953) analysed moral prescriptions and identified the reasoning implicit in moral imperatives such as those presented by emotivist accounts of morality. He concluded that these moral prescriptions are attempts "to teach someone to appreciate something" (1953, p.171), and that, as such, they are both attempts at practical conversion and objective claims.

[38] Harman (2001, orig. 1984, p.168) describes the autonomous approach to morality as that in which

> "We begin with our initial moral beliefs and search for general principles. Our initial opinions can be changed to some extent so as to come into agreement with appealing general principles and our beliefs about the facts, but an important aspect of the appeal of such principles will be way in which they account for what we already accept."

For Harman, the key difference between the naturalistic and autonomous approaches is in the role played by science, where the naturalistic approach concentrates "on finding the place of value and obligation in the world of facts as revealed by science" (Harman, 2001, orig. 1984, p.166).