Volume 13 Issue 10
Originally issued as A5

Global Journal of Management and Business Research
Administration and Management
Volume 13 Issue 5 Version 1.0 Year 2013
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals Inc. (USA)
Online ISSN: 2249-4588 & Print ISSN: 0975-5853

# Shaping Business Ethics and Corporate Governance: An Inclusive African Ubuntu Philosophy

By James Kamwachale Khomba, Rhoda C Bakuwa & Ella Cindy Kangaude-Ulaya
*University of Malawi*

*Abstract -* Cultural beliefs and philosophies are fundamental in shaping a society. Lately, there have been various discussions about the values of the African Ubuntu philosophy in many aspects as it relates to issues of human relationships, business ethics and corporate governance. As a governing African philosophy, the Ubuntu is inclusive in nature as it considers all members of the community (organisation) as one entity aiming at achieving one purpose. There have been assertions that the ultimate success of any organisation operating in an African environment is premised on this Ubuntu framework. This study aimed at establishing corporate governance approach as practiced by organisations within an African context. Thus, the paper analyses and reports on research findings pertaining to issues towards general business ethics and corporate governance approaches within an African context. The study results show that Africa's socio-cultural framework that is premised on the Ubuntu philosophy resonates with general principles surrounding business ethics and corporate governance.

*Keywords :* *africa, business ethics, corporate conscie-nce, corporate governance, corporate social responsebility, malawi, stakeholders, sustainability, ubuntu.*

*GJMBR-A Classification :* *JEL Code: G34, M14*




*Strictly as per the compliance and regulations of:*

© 2013. James Kamwachale Khomba, Rhoda C Bakuwa & Ella Cindy Kangaude-Ulaya. This is a research/review paper, distributed under the terms of the Creative Commons Attribution-Noncommercial 3.0 Unported License http://creativecommons.org/licenses/by-nc/3.0/), permitting all non-commercial use, distribution, and reproduction inany medium, provided the original work is properly cited.

# Shaping Business Ethics and Corporate Governance: An Inclusive African Ubuntu Philosophy

James Kamwachale Khomba [α], Rhoda C Bakuwa [σ] & Ella Cindy Kangaude-Ulaya [ρ]

*Abstract* - Cultural beliefs and philosophies are fundamental in shaping a society. Lately, there have been various discussions about the values of the African *Ubuntu* philosophy in many aspects as it relates to issues of human relationships, business ethics and corporate governance. As a governing African philosophy, the *Ubuntu* is inclusive in nature as it considers all members of the community (organisation) as one entity aiming at achieving one purpose. There have been assertions that the ultimate success of any organisation operating in an African environment is premised on this *Ubuntu* framework. This study aimed at establishing corporate governance approach as practiced by organisations within an African context. Thus, the paper analyses and reports on research findings pertaining to issues towards general business ethics and corporate governance approaches within an African context. The study results show that Africa's socio-cultural framework that is premised on the *Ubuntu* philosophy resonates with general principles surrounding business ethics and corporate governance. Central to the findings is the revelation that Africa's socio-cultural framework has a direct impact on business ethics, corporate governance approaches and overall corporate performance of organisations operating in Africa. It is expected that the study findings will influence organisations in Africa to adhere strictly to the provisions and recommendations of the King III Report on Good Corporate Governance.

*Keywords : africa, business ethics, corporate conscience, corporate governance, corporate social responsebility, malawi, stakeholders, sustainability, ubuntu.*

## I. Introduction

In the wake of various corporate scandals and amid increasing concern about environmental sustainability issues, there has been a great deal of debate regarding the applicability of business ethics in the modern business age. The discussion on this topic was highlighted with the failures of giant corporations such as Enron, WorldCom and Parmalat, largely due to corporate governance issues (West, 2009). There was also a corporate environmental scandal involving BP (British Petroleum), when oil spilled into the Atlantic Ocean in the Gulf of Mexico. As many as 5 000 barrels of oil a day spilled into the ocean waters, threatening the US and Mexican coastal areas and causing environmental and ethical alarms (BBC News, 2010). The state of Florida declared the incident a state of emergency. As a response to the oil spill, the US administration banned oil drilling in new areas on the US coast while the cause of the oil spill off the Louisiana coast was being investigated.

Subsequent to such experiences, there has been a great deal of focus shift on how modern businesses are supposed to be managed. Many business executives and other stakeholders have begun looking more closely at how morally corporations are supposed to behave in their operations. This has led to a renewed emphasis on business ethics and good corporate governance considerations. Ethical issues are usually debated in terms of corporate governance, environmental degradation and global warming, corporate social responsibility, and corporate conscience (Kleine and Von Hauff, 2009; Nakano, 2007).

Apart from the requirement that organisations should run their operations in the most economical, efficient and effective manner possible to increase performance, today, there is an increasing insistence on the need for organisations to be ethical as well. Within the business framework (Khomba and Vermaak, 2012), there is a clear relationship between corporate activities and other stakeholders within and outside the organisation.

In corporate relationships, it seems reasonable to expect that operating organisations should serve different stakeholders in an ethical manner. A corporation should engage with its internal and external stakeholders to determine its current ethical reputation amongst the stakeholders, as well as what their ethical expectations are of that organisation (Rossouw, 2010b). Thus, under the corporate governance requirements, a corporation should account for its ethical performance and duly report it to relevant stakeholders.

## II. Research Aim and Objectives

There have been different approaches used by corporate managers worldwide in governing of their companies. This study aimed at establishing corporate governance approach as practiced by organisations

*Author α : Associate Professor, Department of Management Studies University of Malawi, MALAWI. E-mails : jkkhomba@poly.ac.mw, jkkhomba@gmail.com*
*Author σ : Senior Lecturer, Department of Business Administration University of Malawi, MALAWI. E-mail : rbakuwa@poly.ac.mw*
*Author ρ : Lecturer, Department of Business Administration University of Malawi, MALAWI. E-mail : eulaya@poly.ac.mw*



© 2013 Global Journals Inc. (US)

within an African context. Thus, the paper analyses and reports on research findings pertaining to issues towards general business ethics and corporate governance approaches within an African framework that is premised on the *Ubuntu* philosophy.

Specifically, the article gives the background to the general business ethics and corporate governance, introduces the African *Ubuntu* philosophy, details research design and methodology used during the study, reports on research findings and finally makes conclusions and recommendations about the study.

## III. Premises of Business Ethics

Business ethics focuses on what is good and right in a particular economic activity, where an organisation engages in a moral analysis and assessment of such economic activities and practices (Smith, 1790). Business ethics entails the study of the ethical dimensions of organisational economic activity on the systematic, organisational and intra-organisational levels (Rossouw, 2010a).

Ethics refers to a set of rules that define right and wrong conduct and that help individuals distinguish between fact and belief, decide how such issues are defined and what moral principles apply to the situation (Hellriegel et al, 1992). Moral principles describe the impartial general rules of behaviour that are of great importance to a society, along with the values the society represents. Moral principles are fundamental to ethics. Ethical behaviour would be characterised by unselfish attributes that balance what is good for an organisation with what is good for the stakeholders as well. Thus, business ethics would embrace all theoretical perspectives regarding the ethicality of competing economic and social systems.

The discussion of the business ethics dimensions are varied, depending largely on social and economic elements surrounding the organisations concerned. The view that prevails depends on the roles that organisations are supposed to play internally and in society in general. In macro-ethics, the central question is the fairness of the organisational choice of economic system and also ethical merit of the key elements of such a system. Essentially, these key elements comprise the profit motive, private property, the limited liability of corporations, competition, and free markets (Du Plessis, 2010; Smith, 1776; Collier and Roberts, 2001). It can be argued that whilst corporations are regarded as a means for the maximisation of shareholders' wealth, they should also ultimately improve the socio-economic welfare of local communities, although that may not initially be their intended purpose.

## IV. African Socio-Cultural Framework and *Ubuntu* Philosophy

The word Ubuntu is derived from a Nguni (isiZulu) aphorism: *Umuntu Ngumuntu Ngabantu,* which can be translated as "a person is a person because of or through others" (Moloketi, 2009; Tutu, 2004). Ubuntu can be described as the capacity in an African culture to express compassion, reciprocity, dignity, humanity and mutuality in the interests of building and maintaining communities with justice and mutual caring (Khoza, 2006; Luhabe, 2002; Mandela, 2006; Tutu, 1999)

The *Ubuntu* philosophy represents an African conception of the human being, and his/her relationship with the community that embodies the ethics that define Africans and their social behaviours (Mbigi and Maree, 2005). Africans are social beings that are in constant communion with one another where a human being is regarded as a human being only through his or her relationships to other human beings. Therefore, the survival of a human being is dependent upon other people – the community and society.

Within an African environment, socio-cultural underpinnings rigorously apply and the African *Umunthu* or *Ubuntu* (humanness) philosophies are omnipresent throughout the continent. Therefore, the *Ubuntu* socio-cultural dimensions apply and are considered critical in any organisation operating in Africa (Lutz, 2009; Mangaliso, 2001; Mbigi and Maree 2005). Africa has its own unique socio-cultural settings, which have a direct impact on people-centred systems encompassing leadership, employee welfare, extended family systems, caring and sharing, and corporate governance. Thus, the socio-cultural diversity premised on the use of Western management systems would pose a great challenge within an Africa-based organisation.

## V. Corporate Governance Worldviews

Whilst the above scenario could be true, organisations usually pursue wider corporate agendas. There are many views on the roles of corporations, depending on regional perspectives (Rossouw, 2009). These varied views have given rise to different approaches on how organisations are managed or governed (corporate governance) in different parts of the world. There are several corporate governance regimes around the world that are underpinned by different sets of socio-cultural frameworks, which in turn reflect the societies in which these frameworks were developed. In addition, corporate governance regimes are also directed by the question: For whose benefit should corporations be governed?

Corporate governance frameworks can generally be classified as embodying certain ideologies. The



© 2013 Global Journals Inc. (US)

exclusive corporate governance regime is typical of the USA (Rossouw, 2009), where organisations are perceived to be primarily pursuing the financial interests of shareholders. By contrast, the perception that prevails in Continental Europe is that an organisation is a multi-purpose institution which is obliged to serve and satisfy a variety of stakeholder concerns and interests. Thus, a stakeholder-centred approach towards business ethics is associated with most European states, Asia and Africa. The main difference is that the African perspective on the ethics of corporate governance is mostly grounded by an inclusive ethic of governance, whilst the Asian perspective on the ethics of corporate governance is founded on the expansive ethic of governance (West, 2009).

An inclusive corporate governance regime under the African *Ubuntu* philosophy signifies that an organisation has an explicit commitment to serve the interests of both shareholders and non-shareholding stakeholders. Such an organisational commitment to a stakeholder-centred approach towards corporate governance is partly influenced by African socio-cultural values. The African *Ubuntu* philosophy emphasises the importance of community, solidarity, coexistence, and the inclusion of community members (Broodryk, 2005; Mangaliso 2001; Mbigi and Maree, 2005).

Furthermore, it has been observed that the African inclusive governance approach could also be a result of strong support of developmental activities on the African continent (West 2009). Finally, such an inclusive approach in Africa is also partly influenced by the strong presence of state-owned enterprises that pursue both social and economic agendas. In the inclusive nature of the African society, the recent King III Report on governance for South Africa "seeks to emphasise the inclusive approach to governance" (Institute of Directors in Southern Africa, 2009).

An expansive corporate governance regime is represented by the Asian community. Asian corporate governance engages the expansive approach, which represents a mid-position between a shareholder-centred approach and a stakeholder-centred approach (Reddy in Rossouw, 2009). However, it is not a matter of a trade-off between the two governance approaches, but rather a synthesis between shareholder and stakeholder interests. The expansive approach to corporate governance with Asian society is partly the result of the lesser prominence of shareholder concerns in Asian companies, as many companies in Asia are either state-owned or small-and-medium enterprises (SMEs) owned by family members, and hence, shareholder concerns are less pronounced. Furthermore, studies reveal that in an Asian society, informal external corporate governance through societal norms, practices and values are often more influential than the formal external corporate governance mechanisms of laws and regulations (Rossouw, 2009).

The above literature analysis of both the African and Asian ethics reveals that society and other external stakeholders have more influence on the internal governance of corporations than statutes and regulations do. This picture differs from that in America and Continental Europe. A leaning towards a stakeholder-centred approach is discernable in both the Asian and African perspectives. Therefore, employing the American exclusive shareholder-centred approach to corporate governance within an African framework would be a total mismatch towards an inclusive nature of the African society.

## VI. African Corporate Governance Guidelines

Most of the corporate governance guidelines in African countries generally resemble the systems used in the UK (West, 2009), largely because many African countries are members of the Commonwealth. As a result, local company laws have been influenced strongly by British company laws. Although the British Common Law is not binding on African countries, it continues to play a pivotal role in the legal frameworks of many African countries. British cases still carry some weight in business applications on the African continent. In South Africa, the King Committee was established in 1992 under the chairmanship of Professor Mervyn King (Du Plessis and Prinsloo, 2010; West, 2009). The King Committee was established with the task of providing a set of corporate governance guidelines for South Africa. This followed the release of the Cadbury Report in the UK in 1992, and an increasing interest in the subject worldwide. The King I Report covered many of the same issues as the Cadbury Report, paying considerable attention to the board of directors and the protection of shareholders. However, the use of non-financial concerns and engagement with other stakeholders were also mentioned in the King I Report.

The King II Report is notable for explicitly adopting an inclusive stakeholder-centred approach to corporate governance that has its roots in the stakeholder theory, in opposition to the model of shareholder primacy maintained in the UK and USA (West, 2009). The South African imperatives were reinforced in the passing of the Broad-based Black Economic Empowerment Act, No 53 of 2003 (South Africa, 2003), which established a formal structure to reward companies meeting certain criteria, usually related to the level of black ownership, employment and procurement practices. Another development was the inclusion of the international financial reporting standards (IFRS) into corporate reports. The international financial reporting standards have been officially adopted within the corporate governance reporting systems in South Africa and most African countries.



© 2013 Global Journals Inc. (US)

The King II Report was reviewed in response to the new company legislation, and this culminated in a new corporate governance report, the King III Report. The key theme of the King III Report is an even greater focus on sustainability and ethical reporting systems that should be adopted by corporations (Du Plessis and Prinsloo, 2010). In general, the King III Report adopts the same overall stance as the King II Report, encouraging companies to take a stakeholder approach while maintaining formal structures with a shareholder orientation.

The King III Report acknowledges the importance of stakeholders and sustainability reporting in that "reporting should be integrated across all areas of performance ... and should include reporting on economic, social and environmental issues" (Institute of Directors in Southern Africa, 2009). The inclusion of three parameters – economic, social and environmental – is consistent with the triple bottom line reporting requirement that companies and organisations need to display a corporate conscience in respect of social and environmental sustainability as well. Consideration of future generations is vital in business ethics and corporate governance issues.

South Africa's corporate governance guidelines provide a fair representation of corporate governance on the African continent as a whole in the provision of an inclusive stakeholder-centred approach towards corporate governance. Rossouw (2005) observes that analysis of corporate governance reports across Africa, mostly sub-Saharan Africa, reveals that all reports, apart from those from Nigeria, advocate inclusive stakeholder-centred corporate governance.

However, companies that wish to implement inclusive corporate governance guidelines are faced with managerial challenges. Many corporations, especially large ones, have not been able to fulfil their corporate governance requirements when it comes to their corporate social responsibility (Bendixen, Abratt and Jones, 2007). Corporations have instead oppressively abused employees and other stakeholders in many ways. For instance, many multinational companies are making abnormal profits at the expense of the local communities and the natural environment. Such malpractices jeopardise stakeholder co-existence and the sustainability of future business.

Another challenge is that citizenship is not yet fully embedded and represented in most boards or operating structures or systems of many organisations, despite the claim that organisations have social and environmental responsibilities (Brignall and Modell, 2000). There is an indication that the needs of different stakeholders are not incorporated and that performance measurement systems do not take the effect of power relationships and conflict into consideration. Pressures from different stakeholders are usually inconsistent and contradictory, especially in the public sector.

Generally, corporate governance issues in Africa are in their infancy and are, therefore, transitional. Although corporate governance guidelines tend to take a stakeholder-centred approach to represent the African society, there is still a compromise with the application of UK laws in the legal framework that includes company laws.

## VII. A Conceptual Framework of Stakeholder Relationships and Networks

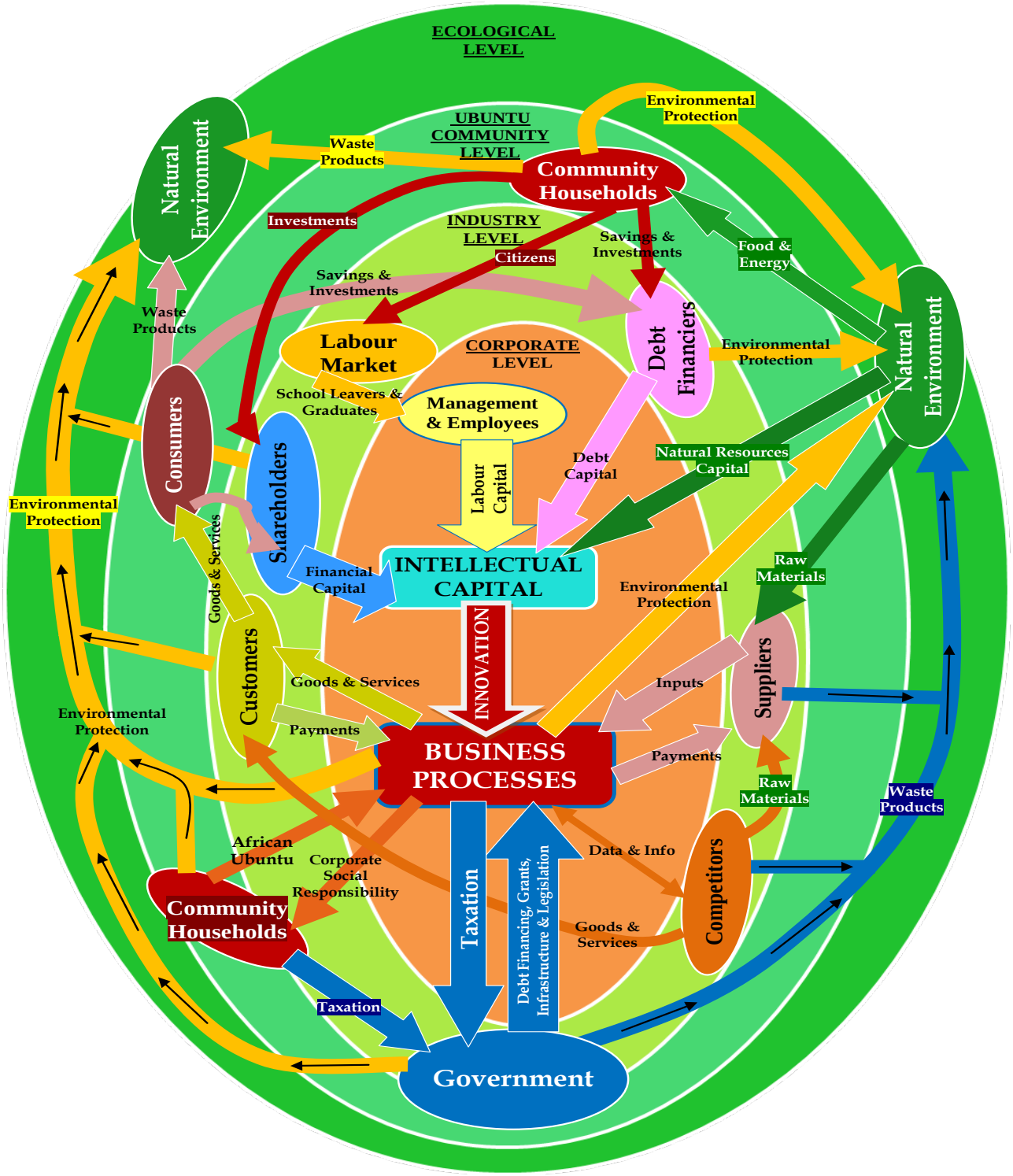
To give a better picture about the African environment, Khomba (2011) developed a conceptual framework of stakeholder relationships and networks (the *Ubale* Framework – "ubale" is a Bantu language that means "relationships"), as depicted in Figure 1, below.

There are four systems layers in the conceptual framework, namely the corporate level, the industry level, the *Ubuntu* community level, and the ecological (natural environmental) level. On a daily basis, and in a very complex way, different stakeholders interact with an organisation for different business transactions. Generally, any business comprises such complex activities involving different constituents that are linked to take the entity towards organisational success. For any business to maintain its sustainability, it is imperative that all stakeholders are ethically and morally treated.



© 2013 Global Journals Inc. (US)

*Figure 1 :* A conceptual framework of stakeholder relationships and networks (The *Ubale* Framework)




*Source : Khomba (2011:8)*

The essence of the *Ubale* Framework is that of relationships and networks in respect of all stakeholders that are engaged in the creation of wealth for an organisation. Such stakeholder relationships and networks resonate with the foundations of the African *Ubuntu* philosophy where all members are regarded as



© 2013 Global Journals Inc. (US)

one community or society. The above *Ubale* Framework is founded on the recognition of the interconnectedness of and relationships between corporate activities and all stakeholders.

## VIII. Research Design and Methodology

*a) Exploratory Research*

Initially, some exploratory research, as recommended by Babbie and Mouton (2007) was conducted in Malawi to ascertain the general framework on corporate governance issues in African companies. During this exploratory study, 112 large Malawian companies were visited through questionnaires and interviews with business executives. The results indicated that, in general, Southern African corporate governance approach inclines more on the inclusive regime rather than an exclusive one.

*b) Secondary Research*

Further, a secondary research through a desk review was done of documents collected from different sources, including stock exchanges, registrars of companies, companies' published annual reports, organisational constitutions, national statistical offices, government publications, internet, university publications, chambers of commerce and industry from different countries in Southern Africa. Some of the documents reviewed include Malawi's Companies Act (Malawi Government, 1986), the South African Companies Act, No. 61 of 1973 (South Africa, 1973), Malawi's Capital Market Development Act (Malawi Government, 1990) and the South African Stock Exchange Control Act, No. 1 of 1985 (South Africa, 1985).

*c) Primary Research*

The primary data collection method was a field survey methodology, using correlational research design. A cross-sectional (correlational) research design studies some phenomenon by investigating different constructs at a single time (Babbie and Mouton, 2007; Welman et al., 2005).

During this study, a Likert scale survey questionnaire was used as the main instrument to gather quantitative data. The questionnaire was designned around a range of formulated statements as a means to explore respondents' perceptions of a wide range of business ethics and corporate governance issues as applied in Africa. A Likert scale provides a measurement technique based on standardised response categories (Babbie and Mouton, 2007). The researchers interviewed people who have vast knowledge and experience of corporate governance issues, as recommended by Selltiz and Cook (1964).

*d) Sampling*

A sample was randomly selected from big corporations that are registered with the Registrar of Companies or the Malawi Stock Exchange in Malawi and from companies registered with the Johannesburg Stock Exchange or the Johannesburg Chamber of Commerce in South Africa. A limited number of companies from other countries were reached via their diplomatic missions, either in Malawi or in South Africa.

A total of 518 questionnaires were transmitted electronically to the sampled participants and then followed up for feedback. For non-responses, electronic reminders were sent via e-mail every two weeks for the two months of the questionnaire survey. The reminders increased the response rate significantly.

A total of 102 hard copy questionnaires were administered through the deployment of research assistants who collected data from targeted companies. The research assistants delivered the hard copies to the business executives concerned, and thereafter collected them at an agreed time. The hard copy administration proved to be more effective in terms of response rate than the electronic copy administration. This is largely because the follow-ups were more personalised than was the case with the standardised electronic administration via e-mail. The electronic administration had a response rate of 58.5% (303 responses out of 518 transmissions), whereas the hard copy realised a response rate of 82.4% (84 responses out of 102 remittances).

*e) Data Reliability and Validity*

Data reliability as a measure of the internal consistency of the data constructs was determined by means of the Cronbach alpha (α) – an α coefficient above 0.7 is considered reliable (Bryman and Bell, 2007; Costello and Osborne 2005; Field, 2009). In this study, the overall α coefficient was 0.898, which suggests that the internal consistency of the data constructs was excellent.

Though data was collected from organisations in different countries across Southern Africa, the statistics indicate that the Bartlett test of sphericity $X^2$ (68) = 1572.79, $p<0.001$ was significant for all factors indicating that we can be confident that the sample was homogenous and that multicolinearity does not exist under these survey data according to Field (2009). Thus, the Bartlett test of sphericity statistics $X^2$ (68) = 1572.79, $p<0.001$ indicates that the study results are valid for any conclusive discussions.

## IX. Results and Discussion

Overall, the analysis shows that there were varied responses from participating organisations regarding the extent of their agreement on each on the questionnaire statements with regard to issues involving business ethics and corporate governance as per the following study revelations:

*Statement 1: Our organisation puts more emphasis on maximisation of shareholders' wealth than of other stakeholders' wealth*



© 2013 Global Journals Inc. (US)

The study assessed the extent of exclusive shareholder-centred governance approach within organisations in Africa and thus assessing the application of the popular maxim of "shareholder wealth maximisation" that is the beginning and end of shareholder-centred management theories. The study findings reveal that only 45.5% agree (24.3% "Agree" and 21.2% "Strongly agree") that their organisations put more emphasis on the maximisation of shareholders' wealth than on other stakeholders' wealth. A total of 27.9% disagree, whilst 26.6% "Somehow agree" with the statement.

The analysis of the study findings indicates that there are still some companies that are still inclined to focus on the maximisation of the shareholder value rather than look at value for other stakeholders too. However, other companies have embraced an inclusive stakeholder-centred approach within their visionary focus as is revealed in the study analyses below.

*Statement 2: We recognise the interdependence of relationships of our stakeholders*

There seems to be a general understanding that an organisation can succeed only if all stakeholders are recognised as members of and contributors to company's success. All the respondents agreed (45.2% "Agree", 46.5% "Strongly Agree" and 8.3% "Somehow Agree"). The analysis thus indicates that the majority of contemporary managers in Africa take cognisance of the stakeholder-centred approach towards their corporate governance. Thus, an inclusive stakeholder-centred management approach is practiced within the African framework.

*Statement 3: Our profitability success is a result of inputs from various stakeholders*

The study evaluated organisation's recognition of stakeholder involvement in the value creation activities in terms of the financial bottom line (profit). The vast majority of the respondents recognise that their profitability bottom line is a result of inputs from different stakeholders from within and outside the organisation. Thus 81.9% agree (47.0% "Agree" and 34.9% "Strongly agree") with the above statement, while only 3.9% disagree and 14.2% "Somehow agree". This analysis indicates that most organisations recognise significant contributions by different stakeholders towards their operations. This result is in line with the inclusive nature of African management systems.

*Statement 4: Our primary goal of external reporting is to contribute to an ongoing stakeholder dialogue*

A part from open communication and feedback systems, the study also aimed at assessing the extent of the external reporting systems that are intended to meet stakeholders' informational needs. The study results reveal that a majority of 78.1% of the respondents agreed (40.6% "Agree" and 37.5% "Strongly Disagree") that their external reporting systems are primarily meant to maintain stakeholder dialogue with the respective corporations. Only 2.8% disagree, whilst 19.1% "Somehow Agree" with the above statement. This analysis indicates that the majority of managers take cognisance of good stakeholder dialogue, which is achieved through external reporting systems. This kind of stakeholder relationship would enhance cooperation and active participation amongst different stakeholders who are fully aware of corporate operations and overall performance.

*Statement 5: We constantly interact with and help the local community in which we operate*

The study further aimed at establishing the extent of the relationship between an organisation and the local community and its organisational culture in this regard. Whilst the majority agree (63.3%) with the above statement, some do not (13.7%). Of the respondents, 23.0% "Somehow agree" that they constantly interact with the local communities within which their business operates, casting doubt on the quality of such a community relationship.

Whilst the majority are in relationship with the local communities, the study results demonstrate that still some organisations are not involved in helping their local communities. With full sensitisation, one would expect full compliance with corporate citizenship ethical obligations, which include integrated reporting system, as recommended by the King III Report (Institute of Directors in Southern Africa, 2009)

*Statement 6: Our organisation is highly respected for maintaining and promoting environmental protection*

The study findings indicate that few agree that their organisations are respected for maintaining and promoting environmental protection. A total of 44.2% agree (20.2% "Agree" and 24.0% "Strongly agree") with the statement. The results reveal that a total of 27.7% disagree (25.6% "Disagree" and 2.1% "Strongly disagree"), whilst 28.2% "Somehow agree" with the above statement.

Further analysis indicates that this lack of corporate respect is a result of either a corporation's disregard for environmental protection matters or, if it is engaged in such environmental protection projects, there is non-disclosure of such information through the corporate external reporting systems, thus ignoring the recommendations of the King III Report (Institute of Directors in Southern Africa, 2009). Lack of focus on natural environmental matters should be a worrisome development for corporate sustainability and future generations.

*Statement 7: We treat employees as the most valuable asset of our organisation*



© 2013 Global Journals Inc. (US)

The majority agree that they treat their employees as the most valuable assets of their organisation. A total of 73.6% agree (34.6% "Agree" and 39.0% "Strongly Agree") with the statement, 10.6% disagree, whilst 15.8% "Somehow agree" with the statement. This analysis indicates that most organisations value their employees as a sole source of the human resources for their operations. Employees are the internal stakeholders and indeed should be considered highly in good governance issues.

*Statement 8: Our external financial reporting system integrates economic, social and environmental dimensions (triple bottom line reporting)*

The majority of respondents report that their external corporate reporting systems take into account the economic, social and environmental elements (the triple bottom line reporting system) as recommended by the King III Report (Institute of Directors in Southern Africa, 2009). A total of 59.9% agree (31.0% "Agree and 28.9% "Strongly agree"), while 31.1% disagree and 9.1% "Somehow agree" with the statement.

The above analysis indicates that whilst many companies have embraced the triple bottom line reporting system, some are not fully adhering to the triple bottom line reporting requirements, signifying the transitional nature of triple bottom line reporting system within corporate reporting and governance systems.

*Statement 9: We are open in disclosing wealth distribution to our stakeholders through corporate reporting*

The study aimed at ascertaining whether or not organisations are open in distributing their wealth to different stakeholders through corporate reporting systems, as recommended by Szwajkowski (2000). A vast majority (80.9%) of respondents agree (46.0% "Agree" and 34.9% "Strongly agree") that they deploy open resource allocation disclosure. Only 3.1% disagree, while 16.0% "Somehow agree" with the above statement. This analysis demonstrates that most organisations prefer open disclosure of resource allocations which is in line with good corporate governance principles. Disclosure of wealth distribution would ultimately encourage participation by different stakeholders in the overall business activities and corporate sustainability in the long term.

*Statement 10: Our managers do not practice corruption that deprives our valuable stakeholders*

The study also aimed at determining whether or not corporate executives illegally and inequitably share organisational resources in a corrupt manner. The research findings show that a vast majority of 79.1% agree (25.6% "Agree" and 53.5% "Strongly agree") that their managers do not practise corruption, which deprives the very same stakeholders that an organisation is supposed to interconnect and depend upon. However, some respondents disagree (2.8%) and others (18.1%) only "Somehow agree" with the statement. Although the evidence is slim, the survey results reveal that corruption still occurs amongst managers in Africa, which is against the teachings of the African Ubuntu philosophy and good corporate governance.

*Statement 11: Our organisation invests heavily in Supporting employee knowledge*

The research findings reveal that most organisations invest heavily in supporting employee knowledge for better understanding of business foundations that include good corporate governance. A total of 77.3% agree (42.4% "Agree" and 34.9% "Strongly agree"), while only 8.3% disagree with the statement. Out of the total number of participants, 14.5% "Somehow agree" with the questionnaire statement. These research findings indicate that most organisations recognise the significance of investing in employee knowledge activities that boost better business understanding, new innovations and overall corporate performance.

*Statement 12: Knowledge about the local culture Improves our corporate performance*

The study further aimed at assessing the role that knowledge about local culture plays on overall corporate performance. Regarding the contribution of knowledge about local culture towards corporate performance, the majority (74.6%) agree with the above statement, whilst only 7.7% disagree and 17.6% "Somehow agree".

The analysis demonstrates that most corporations recognise the significance of local cultural settings for their operations. Largely, this recognition comes as a result of continued interactions between an organisation and its local communities, which are identified by their unique socio-cultural frameworks. The local community, with its African *Ubuntu* philosophy, is the main provider of the labour force and final consumers for corporations operating in Africa.

*Statement 13: We are involved in financially supporting educational projects for our future business operations*

Most of the respondents indicate that they are involved in financially supporting educational projects as a basis for the continuity of business operations. A total of 72.6% agree with the above statement. Only 12.1% disagree and 15.2% "Somehow agree". The study findings demonstrate that most organisations make a point of promoting education, thus encouraging the sustainability of future business operations and future generations as well. Unlike other factors of production, such as land and finance, a knowledgeable workforce is



© 2013 Global Journals Inc. (US)

considered a critical factor of production in the modern business environment as observed by Drucker (1993).

*Statement 14: We take direct responsibility for social problems that we have caused*

The study aimed at assessing the level of ethical treatment towards the society in the form of corporate social responsibility. The research findings indicate that most companies take direct responsibility for the social problems that they cause in the course of their operations. A majority of 69.0% agree that they take corporate social responsibilities, while 12.7% disagree and 18.3% "Somehow agree". The figures from the analysis indicate that issues of corporate social responsibility are still not fully implemented or reported upon by some companies as is recommended by the King III Report (Institute of Directors in Southern Africa, 2009).

*Statement 15: Our organisation reserves funds for natural environmental (ecological) preservation projects*

A total of 46.2% of the respondents indicate that their organisations reserve funds for the preservation of the natural environment, whilst 28.5% do not. Out of the respondents, 25.6% indicate that they "Somehow agree" that their organisations allocate funds towards natural environmental projects.

These research findings demonstrate that issues of environmental preservation and protection are in transition, as many organisations are still not putting much emphasis on the issue of environmental protection. This finding is worrying, because the sustainability of current and future businesses and generations depends on how organisations conserve the natural environment today. Amidst global earthly calamities, attention to ecological issues should be a hot topic in modern business management systems.

*Statement 16: We contribute substantially to the Overall welfare of the society*

Generally, the vast majority of respondents indicate that their organisations contribute substantially towards the overall welfare of the local society. A vast majority of 79.1% agree (40.6% "Agree" and 38.5% "Strongly agree") with the above statement. Only 8.8% disagree and 12.1% "Somehow agree".

Whilst the majority of the respondents' organisations recognise the presence of local communities through their contributions, the overall analysis indicates that there are still some companies that are not ploughing back into the local communities in which they operate. Within the framework of the King III Report's recommendations (Institute of Directors in Southern Africa, 2009), one would expect the majority of companies to adhere to the provisions of good corporate governance and duly report the social and environmental sustainability together with an economic element in their corporate reports.

The above research findings provide insights regarding critical issues that govern the applicability of business ethics and corporate governance within an African socio-cultural framework that is premised on the *Ubuntu* philosophy. The analysis of the sixteen questionnaire statements that were used during the study is summarised in Table 1.



© 2013 Global Journals Inc. (US)

*Table 1 :* Statistical summary of the univariate analysis on the questionnaire statements

| Statement | Rating scale (%) | | | | | | Mean |
|---|---|---|---|---|---|---|---|
| | Strongly Disagree | Disagree | Somehow Agree | Agree | Strongly Agree | TOTAL | μ |
| 1. Our organisation puts more emphasis on maximisation of shareholders' wealth than of other stakeholders' wealth | 7.5 | 20.4 | 26.6 | 24.3 | 21.2 | 100 | 3.3 |
| 2. We recognise the interdependence of relationships of our stakeholders | 0.0 | 0.0 | 8.3 | 45.2 | 46.5 | 100 | 4.4 |
| 3. Our profitability success is a result of inputs from various stakeholders | 0.0 | 3.9 | 14.2 | 47.0 | 34.9 | 100 | 4.1 |
| 4. Our primary goal of external reporting is to contribute to an ongoing stakeholder dialogue | 0.0 | 2.8 | 19.1 | 40.6 | 37.5 | 100 | 4.1 |
| 5. We constantly interact with and help the local community in which we operate | 1.3 | 12.4 | 23.0 | 39.0 | 24.3 | 100 | 3.7 |
| 6. Our organisation is highly respected for maintaining and promoting environmental protection | 2.1 | 25.6 | 28.2 | 20.2 | 24.0 | 100 | 3.4 |
| 7. We treat employees as the most valuable asset of our organisation | 3.6 | 7.0 | 15.8 | 34.6 | 39.0 | 100 | 4.0 |
| 8. Our external financial reporting system integrates economic, social and environmental dimensions (triple bottom line reporting) | 1.6 | 7.5 | 31.0 | 31.0 | 28.9 | 100 | 3.8 |
| 9. We are open in disclosing wealth distribution to our stakeholders through corporate reporting | 2.1 | 1.0 | 16.0 | 46.0 | 34.9 | 100 | 4.1 |
| 10. Our managers do not practice corruption that deprives our valuable stakeholders | 0.0 | 2.8 | 18.1 | 25.6 | 53.5 | 100 | 4.3 |
| 11. Our organisation invests heavily in supporting employee knowledge | 0.0 | 8.3 | 14.5 | 42.4 | 34.9 | 100 | 4.0 |
| 12. Knowledge about the local culture improves our corporate performance | 4.1 | 3.6 | 17.6 | 39.5 | 35.1 | 100 | 4.0 |
| 13. We are involved in financially supporting educational projects for our future business operations | 2.3 | 9.8 | 15.2 | 41.3 | 31.3 | 100 | 3.9 |
| 14. We take direct responsibility for social problems that we have caused | 2.6 | 10.1 | 18.3 | 33.3 | 35.7 | 100 | 3.9 |
| 15. Our organisation reserves funds for natural environmental (ecological) preservation projects | 5.2 | 23.3 | 25.6 | 30.7 | 15.5 | 100 | 3.3 |
| 16. We contribute substantially to the overall welfare of the society | 2.3 | 6.5 | 12.1 | 40.6 | 38.5 | 100 | 4.1 |

N=387

Table 1 above indicates that Statement 2: "We recognise the interdependence of relationships of our stakeholders" has the highest mean ($\mu$=4.4) on the response ratings seconded by Statement 10: "Our managers do not practise corruption that deprives our valuable stakeholders" with a mean ($\mu$=4.3). Further analysis of the above table shows that Statement 1: "Our organisation puts more emphasis on maximisation of shareholders' wealth than of other stakeholders' wealth" and Statement 15: "Our organisation reserves funds for natural environmental (ecological) preservation projects" both with a mean ($\mu$=3.3) are registering the lowest response ratings. These lowest ranked statements are seconded by Statement 6: "Our organisation is highly respected for maintaining and promoting environmental protection" with a mean ($\mu$=3.4). The low ranking on Statement 1 confirms that most companies in Africa embrace the stakeholder-centred approach rather than the shareholder-centred approach toward corporate governance as propagated by Rossouw (2009).

Further analysis reveals that both Statement 6 and Statement 15 which were aimed at establishing how corporate managers in Africa deal with issues involving



© 2013 Global Journals Inc. (US)

the natural environment give worrisome results. The low average ratings on the two statements demonstrate that there is not much that is being done on the natural environment by our corporate managers. Such a revelation should indeed be of great concern to the corporate managers. Such an apparent neglect on the natural environment would negatively affect the future generations and ultimately performance of various organisations in Africa. Research and debate involving the natural environment has become a hot issue in the modern management systems today.

Overall, all the sixteen statements show means that are above average ($\mu$>3.0), signifying the above-average rankings that organisations give to issues surrounding business ethics and corporate governance within the African framework that is founded on the *Ubuntu* philosophy.

## X. Conclusion

This paper has revealed the extent to which companies in Africa deal with issues regarding the business ethics and good corporate governance. It has been established that the Africa's socio-cultural dimensions that are premised on the *Ubuntu* philosophy affect the inclusiveness of corporate governance framework. The study reveals that operations of companies in Africa are revolved around the fulfilment of governance issues based on different phenomena. Largely, companies in Africa are premised on an inclusive stakeholder-centred approach of business ethics and corporate governance rather than on an exclusive shareholder-centred approach in business ethics and corporate governance.

The research findings support the rationale that an inclusive stakeholder-centred approach accommodates all organisational stakeholders, including shareholders, government, customers, suppliers, management and employees, the community and the natural environment. It has also been established that the stakeholder-centred approach to corporate governance is in resonance with the African *Ubuntu* philosophy, where an organisation is seen as a community consisting of different interested members (stakeholders). Therefore, the premises of the *Ubuntu* philosophy that governs the African continent are in support with principles and practices of modern business ethics and corporate governance.

Practically and on moral grounds, all stakeholders as part of the organisational community are supposed to be included in organisational settings and systems. Stakeholders should have a share in terms of information disclosure and wealth distribution. The inclusive stakeholder-centred approach towards governance would therefore ensure continued inter-dependence and co-existence of all stakeholders and hence the entire corporate and eco-systems system. It is envisaged that the inclusive stakeholder-centred approach towards corporate governance guarantees corporate sustainability for future business operations and profits as well as sustainability of future generations. Therefore, such an inclusive approach towards corporate governance should be deployed by all organisations operating within an African framework.

## References Références Referencias


1. Babbie E, Mouton J (2007). The practice of social research. Cape Town: Oxford University Press Southern Africa.
2. BBC News (2010). Gulf of Mexico oil spill sparks new US drilling ban. Online available [<http://news.-bbc.co.uk/2/hi/americas/8654138.stm>, Accessed 14th August 2012].
3. Bendixen M, Abratt R, Jones P (2007). Ethics and social responsibility. Journal of Applied Management and Entrepreneurship, 12(1): 3-24.
4. Brignall S, Modell S (2000). An institutional perspective on performance measurement and management in the new public sector. Management Accounting Research, 11: 281-306.
5. Broodryk J (2005). Ubuntu management philosophy: exporting ancient African wisdom into the global world. Johannesburg: Knowles.
6. Bryman A, Bell E (2007). Business research methods. New York: Oxford University Press.
7. Collier J, Roberts J (2001). An ethic of corporate governance. Business Ethics Quarterly, 11(1): 67-71.
8. Costello AB, Osborne JW (2005). Best practice in exploratory factor analysis: four recommendations for getting the most from your analysis. Practical Assessment, Research & Evaluation, 10(7):1-9.
9. Drucker PF (1993). Post-capitalist society. New York: Harper Business.
10. Du Plessis C (2010). Macro-ethics. In: Prozesky, M. (ed). Ethics for accountants & auditors (pp. 114-127). Cape Town: Oxford University Press.
11. Du Plessis C, Prinsloo F (2010). Corporate governance. In: Prozesky, M. (ed). Ethics for accountants & auditors (pp. 141-164). Cape Town: Oxford University Press.
12. Field A (2009). Discovering statistics using SPSS. 3rd ed. London: Sage.
13. Hellriegel D, Slocum JW, Woodman RW (1992). Organisational behavior. St Paul, MN: West.
14. Institute of Directors in Southern Africa (2009). The King Report on Corporate Governance for South Africa. Parklands, Cape Town: IDSA.
15. Khomba JK (2011). Redesigning the Balanced Scorecard model: an African perspective. A PhD thesis. University of Pretoria, Pretoria.
16. Khomba JK & Vermaak FNS (2012). Towards corporate sustainability: Equitable wealth allocation to all participating stakeholders. African Journal of Business Management, 6(9): 3470-3481.




© 2013 Global Journals Inc. (US)

17. Khoza RJ (2006). Let Africa lead: African transformational leadership for 21st century business. Johannesburg: Vezubuntu.
18. Kleine A, Von Hauff M (2009). Sustainability-driven implementation of corporate social responsibility: application of the integrative sustainability triangle. Journal of Business Ethics, 85:517-533.
19. Luhabe W (2002). Defining moments: experiences of Black executives in South Africa's workplace. Pietermaritzburg: University of Natal Press.
20. Lutz DW (2009). African Ubuntu philosophy and global management. Journal of Business Ethics, 84(3): 313-328.
21. Malawi Government (1986). Malawi Companies Act. Zomba, Malawi: Government Press.
22. Malawi Government (1990). Capital Market Development Act. Zomba, Malawi: Government Press.
23. Mandela N (2006). Foreword. In: Khoza, R.J. (ed.) Let Africa lead: African transformational leadership for 21st century business (p. 6). Johannesburg: Vezubuntu.
24. Mangaliso MP (2001). Building competitive advantage from ubuntu: management lessons from South Africa. Academy of Management Executive, 15(3): 23-33.
25. Mbigi L, Maree J (2005). Ubuntu: the spirit of African transformation management. Johannesburg: Knowledge Resources.
26. Moloketi GR (2009). Towards a common understanding of corruption in Africa. Public Policy and Administration, 24(3): 331-338.
27. Nakano C (2007). The significance and limitations of corporate governance from the perspective of business ethics: towards the creation of an ethical organizational culture. Asian Business & Management, 6:163-178.
28. Rossouw D (2010a). Key concepts in business and professional ethics. In: Prozesky, M. (ed.) Ethics for accountants & auditors (pp. 16-26). 2nd ed. Cape Town: Oxford University Press.
29. Rossouw D (2010b). Managing ethics. In: Prozesky, M. (ed.) Ethics for accountants & auditors (pp. 165-177). 2nd ed. Cape Town: Oxford University Press.
30. Rossouw DJ (2009). The ethics of corporate governance: global convergence or divergence? International Journal of Law and Management, 51(1): 43-51.
31. Rossouw GJ (2005). Business ethics and corporate governance in Africa. Business and Society, 44(1): 94-106.
32. Selltiz C, Cook SW (1964). A multiple-indicator approach to attitude measurement. Psychological Bulletin, 62: 36-55.
33. Smith A (1776). An inquiry into the nature and causes of the wealth of nations. Online available [http://www.econlib.org/library/Smith/smWN1.html>, Accessed 12th October 2012].
34. Smith A (1790). The theory of moral sentiments. Online available [<http://www.econlib.org/library/-Smith/smMS1.html>, Accessed 22nd September 2012].
35. South Africa (1973). Companies Act, No. 61 of 1973. Pretoria: Government Printer.
36. South Africa (1985). Stock Exchange Control Act, No. 1 of 1985. Pretoria: Government Printer.
37. South Africa (2003). Broad-based Black Economic Empowerment Act, No 53 of 2003. Pretoria: Government Printer.
38. Szwajkowski E (2000). Simplifying the principles of stakeholder management: the three most important principles. Business and Society, 39(4): 379-396.
39. Tutu D (1999). No future without forgiveness. London: Rider.
40. Tutu D (2004). God has a dream: a vision of hope for our future. London: Rider.
41. Welman C, Kruger F, Mitchell B (2005). Research methodology. Cape Town: Oxford University Press Southern Africa.
42. West A (2009). The ethics of corporate governance: a (South) African perspective. International Journal of Law and Management, 51(1): 10-16.



© 2013 Global Journals Inc. (US)