

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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