

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 Dewey³⁶ and Falk³⁷. 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 stakeholder 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 on to 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.

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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 Sundaram & 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 Sundaram & 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 absolutism³⁸. 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 than 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 Metaethical 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.