

## Chapter 6: Perceptions of professional accounting students

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

This qualitative analysis of interviews addresses research objective 1.4:

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

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

## 6.1 The extent of corporate obligations

The majority (14 of the 16 interviewees) clearly indicated their belief that corporations have widespread moral obligations. A number of different stakeholder groups were recognised, including shareholders / investors, employees / workers, the community, suppliers, customers, government agencies, the environment, pressure groups, activists and political parties. Considering the impact of multi-national corporations, one interviewee (#15) even mentioned obligations to countries and world markets. In a number of cases the obligations were more general in nature and were directed towards society at large.

As second and third-year students, many of the interviewees had undertaken a course in Business Ethics, which includes a consideration of stakeholder and shareholder approaches to corporate governance. This was evident in comments made when discussing the extent of a corporation's moral obligations. Several interviewees referred to an 'inclusive' approach, which echoes the terminology used in the second King report (see section 2.4). One interviewee (#8) specifically mentioned a Milton Friedman that "advocated for corporations to do whatever they want..." and rejected an approach in which corporations are accountable to shareholders only (an approach similar to that advocated in the King II report)<sup>33</sup>.

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

“sounds really evil...”. This serves to confirm the observation that the majority reflect a preference for widespread moral obligations to a range of stakeholders.

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

### **Motivating factors**

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

The impact that corporations have was appealed to as a reason for widespread moral obligations. Interviewee #2 claimed that corporations,

“have an impact on society and at times they have a negative impact on society, and they actually have to do something to compensate for the negative impact they pose on society.”

Interviewee #8 recorded how his view had changed:

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

One interviewee (#9) was notable in that he believed the requirement for widespread moral obligations to be more than a response to the impact of corporate activities. He insisted that corporations

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

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

“... the society affects it and it also affects the society.” (#11)

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

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

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

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

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

This overall rationale for widespread corporate moral obligations, based on an awareness of the corporation’s place in society – its impact, interaction and interdependence with various stakeholder groups, and the wider community, was expressed by 12 of the interviewees. This contrasts with the Anglo-American model of corporate governance in which the motivation

for any corporate moral obligations is typically limited to the increase of profits and ultimately shareholder wealth.

### **Sacrificing profits**

Specific comments dealing with whether a corporation should ever sacrifice profits in order to meet its moral obligations were given by 11 interviewees. All indicated that, in the appropriate circumstances, it would be morally permissible for a company to sacrifice its profits in order to address certain other moral obligations. There was a clear recognition, however, that sacrifices could present a conflict with shareholder interests, business objectives and/or long-term profit-making (which was seen as necessary for corporate survival). As interviewee #21 observed:

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

This recognition served, however, to frame the circumstances in which sacrifice was permissible (and in some cases morally required) rather than suggest that no sacrifice be made. For example, despite the profit-making objective emphasised by interviewee #21 above, he considered donations to be acceptable, depending on the community, and where such donations are made on behalf of “the employees and everybody that is making that company grow”. To mitigate the apparent conflict, some interviewees stressed that such sacrifices should only be short-term in nature, while others identified a need to balance competing interests and achieve a compromise or agreement across different stakeholder groups.

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

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

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

The size of the sacrifice was specifically mentioned by two interviewees (#11 and #18), with the insistence that the sacrifice need not be of a great magnitude (“Sometimes society doesn’t ask much” (#11)), but that all companies should be able to make some sacrifice.

The purpose of the sacrifice was almost invariably towards local social issues. Some interviewees noted that the company’s response could vary from environment to environment, or community to community, and in one case the context of poverty in South Africa was alluded to:

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

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

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

“an organisation can’t be a multi-million dollar organisation and then run it in a place where, a community where it is run down, and then expect to just ‘no, ok, no, we have our millions, we just want to make the profits, get as much money out of these people as possible’”( #18).

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

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

wider awareness of the specific context in which the company exists, and various stakeholder relationships that is more aligned to the stakeholder model of corporate governance.

## **The law**

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

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

Those interviewees who considered that corporations should go beyond their legal obligations provided varying reasons for this view. The negative consequences of a corporate responsibility that is limited to legal compliance were alluded to, but not specifically identified. Instead, these were anticipated in general terms, such as “... in the end it is going to backfire on them ...” (#20) and “... it creates a bit of [a] negative vibe in the company” (#15).

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



be immoral for a corporation to limit their responsibilities to the law, for example, interviewee #21 stated that such corporations,

“... aren’t doing their best, or they aren’t, for me that would be - you’re not giving to the community now that you’re taking away from it - you’re just there to serve their own needs and nothing beyond it. They’re useless to the community that they’re around, ja.” (#21)

Note that some interviewees did not believe that corporations have an obligation to go beyond the law, but did indicate that this could be beneficial. One (#16) believed that the second King report on corporate governance addressed these issues well and that compliance with this was sufficient and another (#4) considered that compliance with the law and ‘basic ... ethical considerations’ (such as not employing child labour) is acceptable. Interviewee #20 was notable for her change of opinion. Answering in the negative initially, she considered how the law is more sophisticated in America, compared to Zimbabwe, and that in countries where there is less law and order, corporations would have wider obligations.

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

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



right circumstances. This stakeholder perspective is somewhat restrained, however, by the mixed views concerning whether corporations have an obligation to go beyond the law in their dealing with stakeholders.

## **6.2 Specific stakeholder groups**

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

### **Shareholders**

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

The obligations to shareholders were justified primarily with reference to the investment made by shareholders. This was sometimes accompanied by the recognition that the shareholders have assumed risk, that the funds are still really ‘owned’ by the shareholders, or that the directors act as agents for the shareholders. Interviewee #7 also drew attention to the shareholders’ ability to appoint directors as a motivation for corporate obligations (with the

directors being seen as decision-makers appointed by the shareholders to act on their behalf). Beyond the traditional agency framework, one interviewee (#10) considered that shareholders would expect managers to adhere to certain moral values in running the business, over and above the obligation to provide a return on investment. Interviewee #15 provided another hint of non-financial obligations:

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

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

## **Employees**

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

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

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

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

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

## Community

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

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

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

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

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

“leave the community in a better way than you found it” (#21)

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

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

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

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

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

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

The other common justification referred to consequences, either the negative consequences of corporate activities, or the positive consequences of contributing to either social or environmental issues. These positive consequences included improving the corporation’s

image (and consequently, profits), extending its longevity, developing local skills, caring for future generations and contributing to the ‘better good’.

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

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

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

The Anglo-American model of corporate governance would typically suggest that corporations have moral obligations to their shareholders based on the agency relationship,

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

### **6.3 Corporate priorities**

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

#### **Stakeholder groups**

Following the discussion on whether or not corporations have moral obligations, most interviewees were asked if they could rank the different stakeholder groups in terms of their importance regarding the moral obligations of corporations. Although there was no consensus, the most consistent response (seven interviewees) was that a ranking would not be possible. This was accompanied by beliefs that corporations should instead achieve a balance across stakeholders, that there should be equality and/or that no preference should be given. These views were further supported by observations that a ranking would be unfair, that the stakeholder groups all affect each other and/or the community (and that a ranking would thus have negative overall consequences), and that equality is part of morality: "... you cannot address equality if there is a sense of hierarchy" (#10). The difficulties associated with achieving equality and balance were, however, acknowledged. One interviewee (#21) suggested that increased stakeholder engagement, including interaction amongst the different



stakeholder groups themselves, could be one way of resolving the potential conflict. He did note that this did seem idealistic, but nevertheless worth pursuing.

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

Despite the emphasis on a wide consideration of stakeholders, the traditional prioritising of shareholder interests was also present, with four interviewees clearly placing shareholders at the top of a ranking. Interviewee #4 acknowledged the increasing pressure on corporations to accommodate a wide range of stakeholder concerns, but noted that “If you are going to neglect your shareholders to care for your community then you have no balance ... I think it would actually be immoral.” Although interviewee #18 expressed the view that “... a company that just follows shareholders would pretty much be dooming itself to some extent”, he prioritised shareholder interests and suggested that corporations should “pay attention to what other stakeholders say”. He also pointed out that in circumstances such as those in Zimbabwe, a wide consideration of stakeholder interests could be considered a luxury, “... you can’t really give back when you can’t break even” (#18).

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

### **Corporate objectives**

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

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

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

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

Interviewee #21 clearly regarded profit-making as the objective that would generate the most moral benefit, but immediately placed this in a wider context:

“The company would be useless if - it wouldn’t be able to look after the environment if it wasn’t making a profit, it wouldn’t be able to look after its employees if it wasn’t making a profit. So ultimately it all starts there.” (#21)

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

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

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

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

However, these were sometimes linked to long-term growth of the corporation and may not necessarily indicate that profit-making was not considered a valid objective, but rather that moral benefits were more closely associated with addressing other stakeholder issues

(interviewee #8 also stated that “long-term growth [is] the major objective of companies”). The manner in which profits are made was also mentioned on several occasions as of particular moral concern, with reference to specific moral issues such as arms dealing, or the impact on the community.

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

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

And:

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

Overall, however, there is a general acknowledgement of the importance of profit-making for the long-term success of the corporation, but the importance of the community and employees in particular in the activities of the corporation is emphasised. This again reflects a stakeholder orientation rather than the Anglo-American model (adequately described by interviewee #4 above).

## **Profit-making**

Following the discussions concerning the moral objectives of corporations, profit-making was explored in more detail by directly asking 15 interviewees if they considered profit-making to be a moral objective in itself, or if they thought it to be either moral or immoral. No interviewees considered profit-making to be immoral, unless it was conducted outside the law or ‘at any cost’, which could then involve the exploitation of other stakeholder groups. Rather

than regarding profit-making in itself as either moral or immoral, moral concern was more frequently expressed over the manner in which profits are made (and in one case, how profits are used). As expressed by interviewee #21,

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

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

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

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

“... because it’s good if you’re going to do something about that profit that is going to benefit everybody else, then it’s good.” (#20)

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

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

“The primary objective I believe is to maximise wealth for the owners ... We would have, what I can call secondary objectives, which are equally as important but are not the basis for forming a company. We have only spoken of creating a good name, of

improving the environment in which the company is located, also having a motivated staff, market share and all those things but I believe at the end of the day the whole package is working towards increasing money for the shareowners. Doing it in a way that includes all stakeholders so that we know we enjoy sustained profits, and we can only do that if we have sort of included everyone.”

The Anglo-American view regards profit-making not only as a means of meeting moral obligations to shareholders, but also as a way in which taxes are increased, enabling increased spending on social and environmental issues by government. While there was support for this view amongst the interviewees, there is also some suggestion that profit-making facilitates the wider obligations that corporations are considered to have to various stakeholder groups (as discussed in section 6.1 and 6.2), a view that is more in line with the stakeholder model.

#### **6.4 Traditional African values**

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

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

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

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

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

“... there’s a saying ‘*ubuntu ngabantu*’ – you are people through other people.” (#18)

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

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

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

A number of positive consequences were associated with implementing *ubuntu* values in businesses. These included increasing the longevity of the business, improving the image of the business by various stakeholders (with the business being increasingly valued by stakeholders), and ultimately increasing profits. Despite these positive consequences, *ubuntu* was generally not considered to be prevalent in businesses at present. Some interviewees (#6 and #9) clearly indicated that it is a value system from the past and it should be brought back (one interviewee specifically arguing that an education program is necessary to increase awareness of *ubuntu* (#6)), or that it had been eroded by modernisation and/or colonialism. Interviewee #20 believed that *ubuntu* had become a cliché and very few companies actually practised *ubuntu* (“It’s like the rare jewels ... you hardly find a good diamond.”). *Ubuntu* was also contrasted with the poor record in improving the socio-economic conditions of many South African communities under the existing ‘trickle-down’ approach to development, implying that *ubuntu* is not currently practiced. Referring to how *ubuntu* relates to employee relations, another interviewee (#15) believed the existing South African business environment to be characterised more by nepotism than by mentoring.

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

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



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

The lack of a concrete understanding of what is meant by *ubuntu* suggests that the concept may at present have little relevance for corporate governance. However, the concept can nevertheless be related to the wider consideration of stakeholders, and the corporation’s existence within a network of stakeholders that was expressed separately by interviewees when discussing the moral obligations and objectives of corporations (sections 6.1, 6.2 and 6.3). To this extent, *ubuntu* can be considered to provide support for the stakeholder model. However, from the views expressed by the interviewees it would be difficult to argue that *ubuntu* or traditional African values is sufficiently understood or sufficiently widespread to present a source of different moral judgements regarding the obligations and objectives of corporations<sup>34</sup>.

### **African and Western values**

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

A number of the interviewees expressed the view that with increasing globalisation, there was increasing uniformity across businesses in different countries and that consequently there were no specifically different ways in which African businesses should operate. One interviewee (#18) even commented that adherence to local African traditions could impede progress and prove detrimental. Apart from implicit reference to globalisation, reference was made to a universal morality that would require certain moral obligations regardless of location, and it was noted (#21) that some disagreements could be attributed to prejudice or different customs rather than different underlying values. Interviewee #2 reflected that the values implicit in inherited laws have become normal, and also appealed to a universal morality:

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

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

“... because what is moral to a previously disadvantaged individual, for example, may not be moral to, say, a former colonial power. For example, the land issue, to a Black South African it is moral for them to want to have land, but that would mean taking land away from someone, and to that person that becomes immoral. So you have a few grey areas and I think, ja, it can sometimes, it should be, morally it should be relative, but only to the extent to which it corrects certain previous imbalances.”

For those that did indicate that some adaptation could be appropriate, this was fairly limited (for example, to “... including employees, including society...” (#2)). Interviewee #21 believed that any adaptation to structures or systems would be overshadowed by helping the community through the company being successful or “the best that it can be”.

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

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

## 6.5 White interviewees

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

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

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

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

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

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

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

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

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

## **6.6 Interviewees originating from Kenya**

The group of volunteer interviewees also included two students who originated from Kenya (in this section referred to as the ‘Kenyan interviewees’). As East Africans, the perceptions of

these students could provide some additional information regarding the uniqueness of the views of the Black interviewees that originated from Southern African countries.

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

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

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

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

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

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

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

## 6.7 Conclusion

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

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

Secondly, the interviewees’ beliefs concerning the priorities corporations should have, were presented. This included a consideration of whether stakeholders could be ranked, the ‘best’ corporate objectives, and the morality of profit-making itself. Again, the interviewees’ views can be broadly categorised as corresponding to a stakeholder perspective, within which

shareholders are given a prominent position. Rankings tended to indicate a wide consideration of multiple stakeholders, with shareholders being prioritised in several instances. While profit-making was not considered immoral, and considered necessary for the long-term success of the corporation, the importance of wider social and environmental concerns was also clearly expressed, and in some cases profit-making seen as a means of addressing these.

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

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

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



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