BUSINESS NAKEDNESS IN THE ABSENCE OF GOOD CORPORATE GOVERNANCE:
A CASE FOR SUSTAINABILITY IN THE 21ST CENTURY AND BEYOND

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ABSTRACT

Gone are the days when business organisations believed in the dollar sign ($) profit making demon at the expense of other stakeholders’ ethical accountability. The 21st century and beyond demands business organisations implement good corporate governance in praxis as an attempt to attain corporate sustainability in the competitive global market. Without Good Corporate Governance in Zimbabwe, business organisations would be like empires of the Judeo-Christocentric Satan that is highly unsustainable. Hence, the philosophical concern of this paper is to try and unveil the indispensability of Good Corporate Governance (GCG) in business firms for sustainable development in Zimbabwe and elsewhere in the 21st century and beyond. Ethical theories such as utilitarianism, virtue ethics, deontological ethics and stakeholder and stockholder theories are put to test in dealing with the debate on business and ethics’ traditional oxymoron view. The researcher adopts the descriptive philosophical analysis qualitative method as the philosophical methodological stencil in this paper.

Keywords: Business; Corporate Governance; Ethics; Oxymoron; Sustainable Development; Stockholders; Descriptive Statistics

INTRODUCTION

Good Corporate Governance is a socio-economic talisman for the sustainability of business organisations in the 21st century and beyond. It is, therefore, the main focus of this paper to engage in a philosophical ethical analysis on the impact of good corporate governance as key to sustainable development in various areas in the community in which businesses do its business. The paper addresses good corporate governance through the descriptive philosophical analysis covering a wide range of terms linked to sustainability. Conceptual analysis of terms as well as areas of interest such as corporate social responsibility, corporate citizenship, corporate sustainability, stakeholder theory, stockholder theory and a summative conclusion form the main part of this sustainable development inclined business paper.

METHODOLOGY

The philosophy behind any successful research is determined by the methodology that is used. In this case, the descriptive philosophical analysis is the qualitative driving methodological approach in this paper. Flick (2002) states that qualitative methods are those that take the researcher’s communication with the field and its members as an explicit part of knowledge production. In this grand method, the researcher’s subjectivity in the analysis of contributions with regard to good corporate governance is a process to be respected. Mukusha (2011), on descriptive analysis, notes that the object of descriptive research is to portray an accurate profile of persons, events or situations. Thus, the descriptive
philosophical analysis as a method is used to reveal the need for sustainable Good Corporate Governance against its absence in business organisations in Zimbabwe and the world at large.

CONCEPTUAL ANALYSIS AND DISCUSSION

Key terms such as business ethics, Corporate Governance, nakedness and sustainability are defined, explained and analysed under the pin code of sustainable development through the practice of Good Corporate Governance (GCG) in this section.

BUSINESS ETHICS

Newton and Ford (2002: x) define, “Ethics is a conversation about conduct, the doing of good and the avoiding of evil.” This implies the conduct of behaviour by an individual in the manner that upholds positive morality. Ghillyer (2010:28) posits, “Business Ethics The application of ethical standards to business behaviour.” In light of this, the consideration of business ethics in Corporate Governance is a sure way of business taking some social responsibility as a component in addition to the basic economic function of business organisations. In the same vein, Newton and Ford (2002: x) allude, “Business ethics is a conversation about right and wrong conduct in the business world.” In order to maintain sustainable Good Corporate Governance business firms should avoid doing evil to its various stakeholders.

GOVERNANCE

Knell (2006) hints that governance entails to control and regulate that is, the exercise of influence to maintain good order and adhere to predetermined standards of behaviour. This implies that business organisations need to go beyond the marketing economic task that attempts to get profit for the sake of profit. The balance between the profit demon and the observation of ethical business transactions is the in thing in the 21st century and beyond where issues of Corporate Governance are topical. Sustainable development can only be attained through the understanding and practise of sustainable governance by business organisations. Ghillyer (2010:30) says, “Corporate Governance The system by which business corporations are directed and controlled.” This minimalistic definition of corporate governance appears to ignore the importance of business firms’ social corporate responsibility. However, a more accommodative definition comes from Knell (2006:5) that, “Corporate Governance (CG) is the regulating influence applied to the affairs of a company to maintain good order and apply predetermined standards.” In other words, Corporate Governance is an expression of an ethical environment in which a totality of business practices are under taken. King (2010) notes that the term ‘governance’ comes from the Latin word gubernare meaning ‘to steer’ thus Corporate Governance entails the manner of directing and controlling the affairs of a business enterprise. Thus, for business to be ethically sound, it should implement multi-faceted forms of Corporate Governance that may among other things involve internal, external, stakeholders up to voluntary Corporate Governance responsibilities.

GOOD CORPORATE GOVERNANCE (GCG)

Business organisations which do not take into cognisance the indispensable value of ethics in business are ethically naked and oxymoronic in character. This view of business practices seems to be unsuitable in the 21st century and beyond where Good Corporate Governance enhances Corporate Sustainability. According to the King III Report (2009) and the Institute of Directors (IoD) (2009), Good Governance refers to effective leadership that is characterised by the ethical values of Responsibility, Accountability, Fairness and Transparency (RAFT) that is based on moral duties that are
embedded in Ubuntu. On the other hand, business practices without Good Corporate Governance are not sustainable especially in highly competitive global markets of the 21st century and beyond. Thus, business becomes naked in the absence of ethical considerations in corporations. Hartman (2005) remarks that whether one ultimately favours a Utilitarian or Kantian or Contractarian or Virtue based ethics, there are good moral reasons on any one of those accounts to be honest, non-coercive and non-deceptive in business transactions. This implies that business nudeness or nakedness is a result of the lack of moral considerations in its Corporate Governance. Good Corporate Governance seriously considers the relevance of ethics in business dealings as a sure way of attaining sustainable development for the organisation and the community at large. Larmore (1996) points out that the principle of an action being good its goodness depends generally on its object or goal of distributing scarce human needs as a corrective market, will be the supreme good (the summum bonum) if it is the good of all rational beings. In light of this, the practise of Good Corporate Governance becomes a summum bonum because it addresses ethical responsibilities of business as corporate entities in the societies in which they are found in operation. Coining it all, Rossouw and Van Vuuren (2010:201) purport, “… it was stated that the nineteenth century was ‘the century of the entrepreneur. The 20th century became the century of management…the 21st century promises to be the century of governance.” This situation can only be attained and sustained through the effective practice of Good Corporate Governance in the 21st century and beyond. Business nakedness will be glaring if business ethics is not taken seriously in different Corporate Governance practices by corporations whether private or public.

CORPORATE SUSTAINABILITY

The sustainability of business organisations is crucial for the future of any corporate organisation. King III Report (2009) explains sustainability as the primary moral and economic imperative of the 21st century as well as the source of opportunities and risks for business where nature, society and business are highly interconnected. Therefore, it is imperative for businesses in Zimbabwe and internationally to consider the value of sustainable development in their operations without which they will inevitably falter. Aras and Crowther (2009:282) state, “Sustainability Development is a development that attempts to bridge the divide between economic growth and environmental protection, while taking into account the other issues traditionally associated with development.” Business has responsibilities to its environment and various stakeholders that enable it to survive in the long run. In the absence of Good Corporate Governance business is ethically naked and vulnerable resulting in it facing a plethora of operational challenges micro-macro-economic environment. Corporate Sustainability (CS) is key to the survival and sustenance of business. KPMG (2011) notes that Corporate Sustainability refers to the adoption of business strategies that meet the needs of the enterprise and its stakeholders today while sustaining the resources, both human and natural, that will be needed in the future. Hence, business in a state of nakedness in the absence of Good Corporate Governance through Corporate Sustainability will most likely falter. Issues of Corporate Citizenship and Corporate Social Responsibility are part and parcel of the Corporate Sustainability wagon important for the survival of business organisations. Augmenting the above, Van den Ende (2004: viii) stipulates, “Just as a large company seeks to conserve its assets and its future survival by its reinvesting part of its profits, so it should seek to conserve and improve the social environment in which it does business, in the hope that it will be able to continue to do business in the future, preferably in a better environment than it has at present.” This can only be achieved if business is not ethically naked or nude but by the practice of sound axiological business transactions as a sure means of sustainable development. Hence, Hartman (2003:625) notes, “Market transactions between individuals ought to be carried on according to what was agreed upon without engaging in deception or fraud in
accordance with one’s role.” Good Corporate Governance through the consideration of sustainable marketing transactions is fundamental to corporate survival and sustainability.

CORPORATE SOCIAL RESPONSIBILITY

Business has social responsibilities to the community in which it is found. Rossouw and Van Vuuren (2010) posit that business organisations are part of the societies and societies are part of business. In other words, there is a reciprocal ethico-socio-economic relationship between business and the society. Without Good Corporate Governance such reciprocity between business and the community is not realised resulting in the failure of business in some of its goals. Bowen as cited by Carroll (1999:270) gives an initial definition of social responsibilities of businessmen that, “…it refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of objectives and values of our society.” Business has the mandate to do business within the confines of societal values, norms, standards and mores including other belief systems if it is to be sustainable. Thus, moral or ethical nakedness in business does not augur well in the pursuit of sustainable development in Zimbabwe and the globe at large. Ghillyer (2010:78) defines CSR as, “The actions of an organisation that are targeted toward achieving a social benefit over and above maximising profits for its shareholders and meeting all its legal obligations.” There is a triple bottom line gain for business to exercise CSR or Social Conscience especially in a competitive marketing environment. Business nakedness, on the other hand, lacks this corporate conscience as it would be operating with an ethical blind eye to its own peril. Hence, Matten and Moon (2008:408) clarify, “By ‘explicit CSR’, we refer to corporate policies that assume and articulate responsibility some societal interest. They normally consist of voluntary programmes and strategies by corporations that combine social and business value and address issues perceived as being part of the social responsibility of the company.” Such voluntary programmes and strategies help in the community’s perception of business organisations’ operations not to be viewed as just exploitative in nature but that with a concern to the societal wellbeing. A welfare inclined notion of business is revealed in McGuire (1963:144) that, “The idea social responsibilities supposes that the corporation has not only economic and legal obligations, but also, certain responsibilities to society which extend beyond these obligations.” By so doing business nakedness is unacceptable in Good Corporate Governance where certain policies and practices should be put in place in order to address other social issues in the society. Business organisations practising good CSR are most likely to attain customer legitimacy and cultivate positive consumer allegiance for it to win sustainable development. Thus, any business organisation that operates ethically naked is most likely poised to an array of operational and sustainability challenges. Kurotwi (2000:13) reinforces, “The real marketing is how you handle your customers; in other words the quality of service, the speed at which this service is qualitatively delivered and the price – finished!” There is an expression of good business practice standards in Kurotwi’s position which vie for CSR as symptomatic of Good Corporate Governance in Zimbabwe and internationally.

CORPORATE CITIZENSHIP (CC)

Closely connected to CSR is the Corporate Citizenship status of business organisations in society. Reilly and Myron (1994) note that Corporate Citizenship entails a sense of public good or as a form of civic involvement in the creation of the common good. Business under CC is viewed as having lots of responsibilities to the community and society at large. Business in this case expresses a legal persona status that is closely linked to the responsibilities of certain individual human beings in society. This is only attainable when business is not morally and ethically naked. Neron and Norman (2008:1) stress, “We loud business that perform the kinds of good deeds typically associated with corporate citizenship,
from social investment and philanthropy to proactive community and stakeholder engagement.” It is a clear indication of business activities in order to fill some of the gaps in sustainable community development through Good Corporate Governance expressed in Corporate Citizenship. This can only happen if business nakedness is replaced by good ethical behaviour that takes into cognisance its societal conscience seriously. Thus, Hartman (2005:297) purports, “…Corporate Citizenship addresses a variety of issues such as, environmental, workplace related diseases for example, HIV and AIDS, safety programmes and other forms of people’s rights.” In a nutshell, business organisations as corporate citizens should guard against abusing their stakeholders that include employees, customers, community and the natural environment through the avoidance of pollution in its variant forms, that is, air, water and land pollution.

STAKEHOLDER THEORY

Edward Freeman as cited by Hartman (2005:112) confirms, “Corporations have ceased to be merely legal devices through which the private business transactions of individuals may be carried on … managers alike, continue to hold sacred the view that managers bear a special relationship to the stockholders in the firm.” Business should necessarily attempt to surpass the Profit Goal Target (PGT) to encompass the care and satisfaction of its various stakeholders in an ethical manner. Business organisations are likely to gain through a Triple Bottom Line (TBL) thereby establishing a good tone in its environment. Ghillyer (2010:6) notes, “There’s harmony and inner peace to be found in following a moral compass that points in the same direction regardless of fashion or trend.” In other words, any business firm which is ethical is most likely to reap positive profit margins than the one that is not ethical that is, an ethical nakedness business. Good Corporate Governance is expressed where stakeholders are given some consideration. King III Report (2009:20) remarks, “Good corporate governance is essentially about effective, responsible leadership. Responsible leadership is characterised by the ethical values of responsibility, accountability, fairness and transparency.” In the same vein, Rossouw and Van Vuuren (2010:285) project, “Good corporate governance requires that the board takes responsibility for building and sustaining an ethical corporate culture in the company.” This envisages high levels of good corporate governance in the face of a myriad of a company’s stakeholders locally and globally.

Enderle (2010:5) states, “Corporate Governance ensures that long term strategic objectives and plans are established and that the proper management structure (organisation, systems and people) is in place to achieve those objectives, while at the same time making sure that the structure functions to maintain the corporation’s integrity, reputation and responsibility to its various constituencies.” Business corporations, just like what happens in an extended family have many roles and duties to perform for the good of its diverse community that includes the internal members of the firm and the generality of its external membership. Hartman (2005:115) points out, “Corporations have stakeholders, that is, groups and individuals who benefit from or are harmed by, and whose rights are” violated or respected by, corporate actions.” Business in a non-nakedness state has the potential to observe and put into practice elements of Good Corporate Governance for the survival and sustainable development of the corporation. Thus, “Corporations shall be managed in the interests of its stakeholders, defined as employees, financiers, customers, employers [sic] and communities,” (Hartman 2005:121).

STOCKHOLDER THEORY

The oxymoron character of business organisations in its strictest sense is most imminent when management tries by all means necessary to fulfil the expectations of its stakeholders only. Hartman (2005:113) notes, “The basic idea of
managerial capitalism is that in return for controlling the firm, management vigorously pursue the interests of stockholders.” This is done in order to sustain and meet organisational goals of profit making. However, if business under the stockholder theory is conducted with an ethical blindness drive, it will inevitably backfire on management. Thus, Rossouw and Van Vuuren (2010:210) remark, “Boards of director also have to assume responsibility for protecting their companies against the increased risk of reputational damage.” In this way, Good Corporate Governance is achieved for the good of the firm and its stockholders. There is value addition in doing business taking into account its ethical responsibility. From the legal argument to the economic argument, Hartman (2005:114) posits that, “Managerial capitalism seeks to maximise the interests of stockholders, it criticises government intervention alluding to the ‘invisible hand’ doctrine that creates the greatest good for the greatest number.” This sounds utilitarian in nature though in practice, in the absence of the government’s intervention in trying to insist on ethical business practices, unbelievable high levels of corruption and the general ill treatment of customers would obtain. Knell (2006:13) discovers, “Fraud and greed scandals simply weaken investor confidence. Less confidence means less active stock markets, which lead to lower or stagnating prices.” This entails the need for management to consider stockholder interests as well as ethically safe guarding the corporate name. Corporations should avoid being dragged into what Rossouw and Van Vuuren (2010) refer to as carpet bombing, a situation of exaggerated information in order to get profit. Hence, the practice of Good Corporate Governance is a key prerequisite in any successful business entity.

CASE STUDIES ON GOOD CORPORATE GOVERNANCE

This section attempts to allude to some examples of case studies that reveal Good Corporate Governance through a serious consideration of the ethical dimension in doing business.

The New York Stock Exchange (NYSE) established an ethical code as an expression of ensuring Good Corporate Governance (GCG). Newton and Ford (2002:24) say, “Ethical codes are statements of the norms and beliefs of an organisation…are discussed, defined, published and distributed to all members by the senior executives…” The NYSE exercises CSR as part of its corporate responsibility underscoring the value of Good Corporate Governance. Knell (2006) notes, NYSE elements of ethical practice are practised through the avoidance of conflicts of interests, opportunities for personal gain, and confidentiality and fair dealings with stakeholders. This is an expression of Good Corporate Governance at the stock exchange level that has a positive impact on the development of acceptable corporate culture in business enterprises. Corporations which are ethically naked find themselves in a more difficult situation than those that practise good ethical practices in their business transactions.

The Ethics Code of Borg-Warner Corporation is another example of business’ attempt to practise Good Corporate Governance. Newton and Ford (2002:26) cite Borg-Warner Corporation expressing that, “We impose upon ourselves an obligation to reach beyond the minimal. We do so convinced that by making a larger contribution to the society that sustains us, we best assure not only its future vitality but our own.” Business in this sense is a member of the social cosmos controlled and guided by the rights, responsibilities and the legal framework. This can only be achieved if business is not ethically naked. Sustainable development is feasible when business is done in an ethical manner. However, possibilities of ethical dilemmas cannot be ruled out in business organisations’ attempt to practise sustainable Good Corporate Governance. Newton and Ford (2002:27) posit, “Ethical dilemmas are conflicts between economic performance and social performance, with the social performance being expressed as obligations to employees, customers, suppliers, distributors, and the general public.” There is need for business corporations to take both an ethical
audit and a financial audit as a sure way of monitoring the cost benefit analysis of business’ positive Corporate Governance. In an ethically naked business corporation there is an inevitable asymmetrical and skewed relationship between ethics and the drive to make as much profit as possible. Good Corporate Governance is at stake in such ethically unsound and economically greedy corporations.

Econet cellular company is another company that has aggressively combined high marketability drives with Good Corporate Responsibility in its service delivery in Zimbabwe, Africa and globally. Kurowti (2000:14) comments “Look at Econet. They have really gone out of town to ensure that their customers have the best in cellular phone services.” This clearly indicates the moral responsibility of Econet in its attempt to reach every corner of the country and internationally. Ghillyer (2010:88) propounds, “Ethical CSR presents the purest and most legitimate type of CSR in which organisations pursue a clearly defined sense of social conscience in managing their financial responsibilities to shareholders, their legal responsibilities to their local community and society as a whole, and their ethical responsibilities to do the right thing to all their stakeholders.” It is only possible in a corporation with sound Corporate Governance that has an important impact on the corporation’s perception by the public. Following an Aristotelian Doctrine of the Mean (Raphael 1990), business organisations through the use of practical reason (phronesis) will settle for eudaimonia in their operations. Unethical business corporations are prone to illicit and immoral business practices that are detrimental to the organisation, its internal and external stakeholders. De George (2006) calls for an intimacy between business and society where they have to be like oil and grease in smoothening relationships and responsibilities. For instance, Ghillyer (2010:90) goes further saying, “Altruistic CSR organisations take a philanthropic approach by underwriting specific initiatives to give back to the company’s local community or to designated national or international programs.” This categorically supports the inevitable inclusion of Good Corporate Governance in any institution with a futuristic goal that transcends the 21st century.

THE BUSINESS OF BUSINESS IS TO INCREASE ITS PROFITS (BBIP)

In a draconian way, business is not seen as responsible for its social corporate world. It is seen primarily as existing to achieve its main capital goal that is profit making at all costs. Popular in this gregarious business philosophical genre, is Milton Friedman as cited by Hartman (2005:280) confirming, “A corporation is an artificial person and in this sense may have artificial responsibilities, but ‘business’ as a whole cannot be said to have responsibilities, even in this vague sense.” Business without a human face is not fit to operate in the society of human beings but probably in some metaphysical vacuum. Albert Z Carr, Milton Friedman and others whose view of business as amoral captured in De George (2006) should appeal to their faculty of rationality in a deontological manner in order to self-quiz themselves and repent. It is important for business to practise Good Corporate Governance in the 21st century and beyond. Against ethical business practices, Newton and Ford (2002:21) reveal, an American prized notion of liberty over equality that, “…the wealth of the society as a whole is the only legitimate goal of economic enterprise and that distribution for the sake of equity or charity is a side issue best left to churches and private charities.” Such business ethical nudesness/nakedness philosophy is irreconcilable in the modern philanthropic anthropocentric business practices where sustainable development is a key factor. Thus, such a dog- eat-dog culture in business is only suitable in ancient exploitative times as well as in highly politically unstable societies. In other words, the gregarious and gormandising profit seeking business conduct is not an expression of Good Corporate Governance.
CONSUMER POWER

Consumers have immense power that they can exert on business from a consumerist position if unethical practices in the economic dealings are experienced in an organisation. Hartman (2005:235) warns, “While the long arm of the law is a factor in business decision making, sometimes the arm of ethics is longer still. Consumer power is increasingly being wielded to affect company behaviour. The boycott mechanism has long been a means for political protest; for many years, a significant number of consumers avoided buying South African products.” This was typically a reaction to the unethical Apartheid discriminatory system that was cutting across all facets of life in South Africa before its independence in 1994. It is now common knowledge that petroleum companies such as Shell once suffered from consumer boycotts due to the lack of considering the protection of the environment that was being polluted by its activities. Thus, unethical water, land and air pollution catapulted consumer resistance that ended up in serious product boycotts of the culprit companies because they were threatening both human and aquatic forms of life (Beauchamp and Bowie 2003). The issue of sustainable development was at stake under such ethical nudity due to excessive pollution of the environment. In light of this, Adam Smith’s ‘invisible hand’ is not a reality in the business environment where marketing activities should be ethically code- driven. Hence, Hartman (2005:95) stencils, “The ethical businessperson would be more likely to succeed than the unethical businessperson.” Good Corporate Governance is therefore a special remedy for business profitability in its accountability to the environment shunning all forms of business malpractices, dishonesty and irresponsibility character of which these are critical factors in achieving sustainable development in business. King III Report (2009:20) cements, “The board is responsible to ensure that integrity permeates all aspects of the company and its operations and that the company’s vision, mission and objectives are ethically sound.” Thus, business nakedness lacks Good Corporate Governance for sustainable development to be achieved by corporations. But the practise of Good Corporate Governance anaesthetises latent and overt challenges that business organisations may face against Milton Friedman’s profit seeking zeal for the sake of making profit in business. Boards of director should make sure that policies on codes of ethics, marketing and core production issues of their businesses are fully implemented and subjected to quarterly audits for the sake of business sustainability.

CONCLUSION

Issues of Good Corporate Governance are expressed through Corporate Sustainability, Corporate Social Responsibility, and Corporate Citizenship, and by the effective implementation of viable policy codes that would go a long way in the achievement of organisational goals and targets. The somewhat celebrated ‘invisible hand’ in business organisations of the 21st century and beyond becomes an odd factor and unsuitable for robust business viability where the economies of scale should be realised. Business’s ethical nakedness has been seen to be highly unacceptable for sustainable development to take place. Going for the dollar sign ($) only is a myopic way of doing business in the contemporary world of business. In a nutshell, business organisations should make profit together with the society and environment in which they operate. Hence, doing business according to the ethical and developmental needs of every community enhances high levels of sustainability. Good Corporate Governance is the Mother, Father, Children and Relatives for sustainable corporate prosperity where business ethical nakedness is the reverse and a mole that stifles the corporation’s general sustainability in Zimbabwe and globally. Sticking to virtues summed by RAFT (Responsibility, Accountability, Fairness and Transparency) in business activities has positive long term effects for the benefit of both the business corporation and its variant stakeholders without which it would stumble. Sustainable development is only achieved in an environment where business is practised ethically and community consideration and participation is respected.
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