SCHOLEDGE International Journal of Business Policy & Governance
ISSN 2394-3351, Vol.06, Issue 11 (2019)
Pg 109-116.
Paper URL: link.thescholedge.org/1212

Published by: SCHOLEDGE Publishing
www.theSCHOLEDGE.org
Email: editorial@thescholedge.org

Business Ethical Values: A Critical Key Success Factor for Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim Asset)

Dr. Stephen Nhuta (PhD)
Midlands State University, Gweru, Zimbabwe.

Abstract

Business ethics have a considerable part to play in pursuit of the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIM ASSET) success. With hindsight one notices that past debates focused exclusively on governance processes and procedures while paying little attention to what might be the right way to do business. This, in turn, led to the tightening of regulations in various sectors rather than considering ethical and behavioral issues. The objectives of this paper are to diagnose ethical aspects of corporate governance policy debates and frameworks and how behaviors are becoming part of the corporate governance agenda in response to the crisis of trust in business. The methodology was entirely desktop research coupled with an email survey, targeting corporate directors among some influential organizations. This made the research very effective, quite quick and cheap with most of the basic information easily fetched. The research is quite significant in terms of the development of governance and its impact on the implementation of the ZimAsset agenda. The literature clearly demonstrates and emphasizes the importance of company culture in effective governance. It also notes that corporate governance measures have typically been driven by what makes financial sense and business efficacy whereas a focus on behavioral issues is widely considered to be a key element of serious board evaluation and that the role of culture and ethical principles in cementing effective governance is gaining credence. The findings and conclusions are that in order to foster trust and demonstrate respect, companies must account for their actions. There is an ethical issue in that fairness and honesty are typically absent when there is a conflict of interest. Transparency and disclosure are ethical issues for boards as they seek to meet stakeholder's expectations. This justifies why the government asserts in chapter one of the Zim Asset document that "Additionally, a National Corporate Governance Framework will be launched and implemented resulting in the re-invention of Government and private sector business to be more citizen-friendly".

Keywords: Zim Asset, business ethics, company culture, governance processes

INTRODUCTION

Background

Many companies in Zimbabwe have been struggling to deal with the ramification of the acute financial crisis which began way back in 2004. This dealt a severe blow to the Zimbabwe economy. The crisis made people raise many questions concerning governance. There were mixed opinions on the causes, but with a common view that it was caused at least in part by the failure of governance in the banking sector.

This, in turn, led to criticism of boards, regulators and shareholders alike. Boards were said to lack engagement, challenge, and diversity. Regulations were deemed to be incompetent to prevent abuses. Shareholders were criticized for not engaging sufficiently with their boards on governance. In the same vein governance processes and practices have also been criticized. Frequently cited were inadequate risk management, remuneration strategies, and board appointments.

Business ethics had a considerable part to play in many of the issues alluded to above. However, all debates focused almost exclusively on governance processes and procedures while ignoring the discussion of what might be the right way to do business. In response to the perceived failure of governance processes, there was a tightening of regulations in the financial sector rather than considering ethical and behavioral issues.

In order to achieve sustainable development and social equity anchored on indigenization, empowerment and employment creation, the government crafted the ZIM ASSET agenda. In the process, they did acknowledge that a National Corporate Governance Framework will be launched and implemented resulting in the re-invention of Government and private sector businesses to be more citizens friendly.

Problem statement

In the unlikely event that all businesses and the relevant stakeholders were ethical, would there be need to ponder about corporate governance processes and procedures?

Research Objectives

1. Ascertain the ethical aspects of corporate governance policy debates and frameworks
2. Identify any commonalities and differences regarding principles of good /ethical governance
3. Determine the extent to which behaviors are becoming part of the corporate governance agenda in response to the crisis of trust in business.

Research Questions

1. Is there reference to the ethical aspects of governance in governance policy and frameworks
2. Have any ethical principles explicitly underpinned the way companies are required to operate and organize themselves
3. Is there a requirement that companies address particular issues with a strong ethical dimension

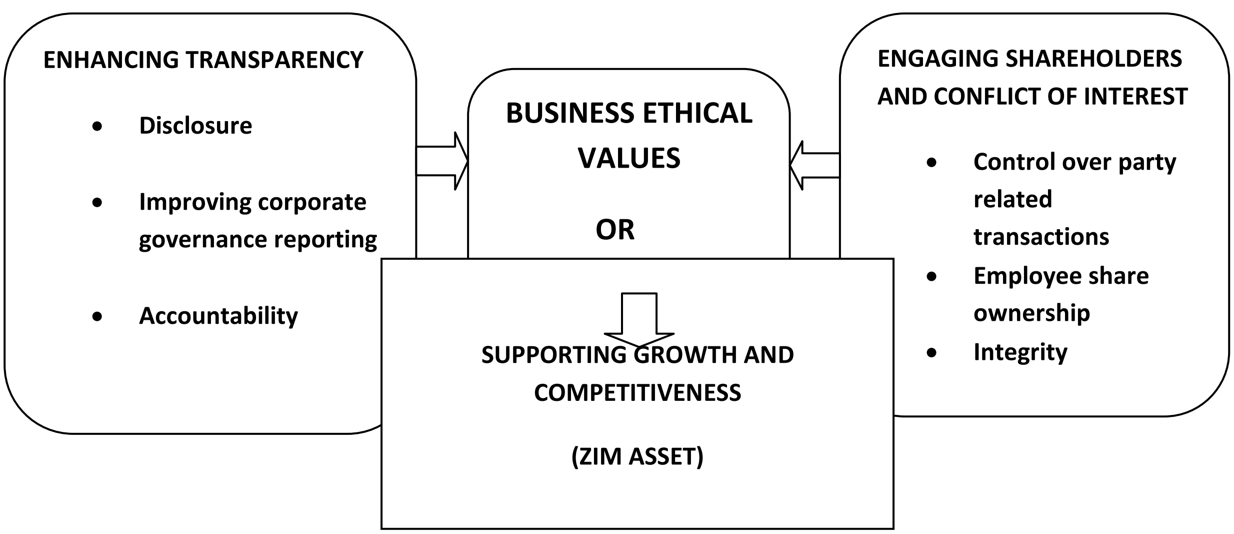
Assumptions

Company management will seek to obey the law in their own behavior as well as in what they expect of the company. The other assumption is that there is the recognition that ethical practices and behaviors in business cannot be attained simply by "tick box" requirements.

Significance

1. Relevant to anyone interested in the evolving debate around culture and behavior in business
2. Thought-provoking material raised in this research, for those concerned with the development of governance
3. Important to boards and executives on issues of the current status of ethics in corporate governance.
4. Useful to those responsible for the existence of the code of ethics

Conceptual Framework



Literature Review

The ushering in of indigenization and black empowerment will change the dynamics of corporate governance and impact on core principles of namely ownership, accountability, transparency, fairness, responsibility and disclosure. Journal of International Commercial

Law and Technology Vol3, Issue 3 (2008) contents that black empowerment forces companies and directors of companies to consider all stakeholders. Compliance with the act will also benefit the shareholders indirectly. Private role players have a responsibility to assist with the transformation of the country to rid it from scars of the past. Hence this much-needed involvement is not left to voluntary projects by companies but is also compelled through legislation. It is undeniable that black empowerment, indigenization, and corporate governance do overlap. As is with the case with good corporate governance, indigenization is not always met with enthusiasm. Some argue that although the recognition of all stakeholders in an enterprise sounds attractive, the scope of directional discretion will have to be widened. This means that structural checks and balances would have to be implemented to counter against widened powers of directors. International investors are also weary of indigenization in fear of the fact that ownership transfers to previously disadvantaged groups will lead to value dilution of company shares.

Principles and practices of governance vary between countries and organizations but there are a number of key themes which are considered as the correct way of doing business. Some of the drivers and sources for these ideas are QECD, statutes, governance codes, guidance in different countries, developments in corporate governance and stakeholder pressure.

Report by Heidrick and Struggles (2014) "Towards Dynamic Governance", an executive search and leadership consulting firm noted that "A possible reason for why many boards are still found wanting is the fact that despite rigorous efforts to raise governance standards, insufficient attention has been paid to the behavioral standards as opposed to the technical challenges of the boardrooms".Indeed a focus on behavioral issues is widely considered to be a key element of serious board evaluation. An Ernest and Young survey in (2013) "six growing trends in corporate governance", illustrates how, with increasing globalization, companies are importing good practice developed elsewhere, adapted to their own legal governance framework. Author Bennett Freeman (2011) argues or believes ethics and business go hand in hand, "Business is a human institution and treating people with respect, dignity and integrity applies as much in business as in life".

A study of governance practice in the 350 largest UK listed companies by Grant Thornton (2013) noted "We have identified an emerging practice among chairmen: one in 20 now emphasizes the importance of company culture to effective governance. Although it's too early to call this a trend, the role of culture and ethical principles in cementing effective governance is gaining credence". This is seen, for example, in statements by Sir David Walker, Barclay's chairman, as he endeavors to effect fundamental changes in the banks' culture and thereby governance practice. In (2012) the Belgian Directors Association (Qubena) produced a Director's Toolkit which includes perhaps the most detailed guide on what might mean to behave with integrity when carrying out the role of a director e.g. they state "A director acts ethically and with integrity (base of minimum requirements for moral values) in accordance with the applicable governance codes and company practices.

A director is able to describe the behavior and identify the common values of the company (for example respect, dialogue, tolerance, diversity or pluralism)".A director must have the personal and professional qualities that meet the highest definition and most demanding standards in terms of integrity, honesty, and loyalty. A director participates in the development and promotion of a culture of honesty. Honesty consists of irreproachable behavior, with regard to law and the company's internal rules, as well as the generally accepted definition of honesty (uprightness, loyalty, etc.). A director is incorruptible. A director takes care to maintain his or her free will and ensure that he or she is free of all pressure when making decisions.

The UK Walker Review of the governance of financial services contended that many of the problems leading to the financial crisis were caused by deficiencies in behavior rather than processes. Some authors refer to firms' attitudes towards society (navas et al., 1998), others refer to companies' measures to protect society (Certo et al., 1996), and de la Cuesta et al. (2003) talk about commitments. Beyond the different conceptual meanings, all these authors acknowledge that firms are responsible to society, and CSR seems much more than a new fashion. The socioeconomic view is "the view that management's social responsibility goes beyond making profits to include protecting and improving society's welfare" (Robbins, S et al. 2006, p.161). According to Carroll (1991), the four fundamentals to corporate social responsibilities are economic, legal, ethical, and philanthropic which can be linked to corporate social processes such as environmental assessment, stakeholder management, and issues management (Wood, 1991).

Ethics is not definable, is not implementable, because it is not conscious, it involves not only our thinking but also our feeling. (Valdermar W. Setzer, Brazilian anthropologist). Let us raise a standard to which the wise and honest can repair; the rest is in the hands of God. (George Washington USA). George W Bush while giving a speech on corporate social responsibility noted that "At this moment America's highest economic need is higher ethical standards, standards enforced by strict laws and upheld by responsible business leaders. This is cemented by the quote "Even the most rational approach to ethics is defenseless if there isn't the will to do what is right" (Alexander Solzhenistyn Nobel Prize for literature 1970)

MATERIALS AND METHOD (METHODOLOGY)

This was desktop research, coupled with an email survey and interviews with corporate directors of some influential organizations. Desk research is very effective, quite quick, and cheap and with most of the basic information being easily fetched, which could be used as a benchmark in this research process. There is no doubt a lot of information is available on the topic, hence the researcher confined the desk research to specific areas i.e. variables determined by the conceptual framework. The Internet was extremely quick and rewarding on the one hand and extremely tedious and frustrating on the other. The researcher also used the traditional sources for desk research which are the libraries. There was also the use of published material from refereed journals and books.

An email survey was also a convenient method for collecting feedback and data from corporate directors. It was an inexpensive practice and achieved faster results as opposed to surveys by mail or telephone. During the email survey, a "Likert" scale was used, which required participants to either "strongly disagree," "disagree," "agree," "strongly agree," or remain neutral in regards to a particular question.

Stratified sampling was used to ensure that the population embraced a number of distinct categories i.e. parastatals/State enterprises, international organizations, NGOs and family-owned businesses. Each stratum was then sampled as an independent sub-population. Non-probability sampling would then determine the companies to be approached in each sub-population because some elements of the population had no chance of selection (note exclusion bias). The specific respondents were then determined through convenience and purposive sampling.

Companies approached in terms of the financial strata were: The Reserve Bank of Zimbabwe, CBZ, Zimbabwe Stock Exchange and Standard Chartered Bank. The Travel and Tourism stratum was made up of Zimbabwe Council of Tourism, Association of Zimbabwe Travel Agents, Hotel Association of Zimbabwe and Safari Operators. The private companies with a family-owned and international flair were made up of Econet, Ungi Mines, Croco Motors and ZIFM.

RESULTS AND DISCUSSION

It emerged, after sending emails to conveniently identified executives and senior managers of selected organizations, that the majority did respond, giving the researcher a response rate of 73 percent. An analysis of the data collected demonstrates that business ethics which also incorporates corporate ethics is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations. The range and quantity of business ethical issues reflect the interaction of profit-maximizing behavior with non-economic concerns. Ethics implicitly regulates areas and details of behavior that lie beyond governmental control. The emergence of large corporations with limited relationships and sensitivity to the communities in which they operate accelerated the development of formal ethics regimes.

As far as ethical issues are concerned, the question is, do corporate executives, provided they stay within the law, have responsibilities in their business activities other than to make as much money for their stockholders as possible? Ethical issues include the rights and duties between a company and its employees, suppliers, customers, and neighbors and its fiduciary responsibility to its shareholders. Related issues include corporate governance, corporate social entrepreneurship, political contributions and legal issues such as the ethical debate over introducing a crime of corporate manslaughter, and the marketing of corporations' ethics policies. Business ethics is the behavior that a business adheres to in its daily dealings with the world.

Corporate governance measures have typically been driven by what makes financial sense and business efficacy. There has been discourse within both the regulatory and policy backdrop on what is ethically right. Companies and governments alike are increasingly aware that higher standards of corporate governance and ethics are required and there should be greater interdependence between enterprises and the societies in which they operate.

CONCLUSIONS

According to Mark S Putnam (2002) ethics is based on a set of moral values that are absolute hence they must be taken seriously enough to override any human rationalization, ego, and even weakness. If we look behind the successful, honest business, we will see a set of values that have stood the test of time. Integrity connotes strength and stability. In essence, it inculcates taking the high road of practicing the highest ethical standards. The completeness and soundness of the organization's character is demonstrated through integrity.

Honesty should not be just lip service and neither is touting of slogans of commitment to honesty in manuals. Business is either honest or not hence the old adage “honesty is the best policy”. Businesses always pass the buck and blame others in order to meet or solve short term crises and this claiming of victimhood erodes respect and cohesion in the organization. Everyone who comes in contact with the company must have trust and confidence.

The foundational principle for every company is no doubt to provide a safe workplace which protects the environment and to become good citizens in the community. However, we also take cognizance of the fact that a strong profitable company that will last recognizes the essence of the shareholder value.

RECOMMENDATIONS

Companies should practice what they preach hence the need to aggressively sell and market corporate values and ethics.

The ethics fervor should extend to the next generation of employees to ensure that the principles are more ingrained.

Management, as defined in the principle agent relationship equation should lead by example or walk the talk.

In ethics and governance, accountability is about the board being answerable to stakeholders for performance, both financial and non-financial. There is an expectation by society as a whole that it is right for companies to account for their actions and particularly for their social and environmental impacts. This is key to fostering trust and demonstrating respect.

It is seen as an ethical issue in that if fairness and honesty are typically absent in business, there is a conflict of interest. Directors also have a conflict if they have a personal connection with any part of the business or any proposed transaction. They may also have a conflict of interest because of a position they hold outside the business. They must subordinate this interest to that of the company.

Good practice in the recruitment process for directors would include an assessment of ethical acumen, for example seeking responses to a hypothetical conflict of interest situation posed to the candidate management might select.

Transparency, disclosure, enables the stakeholder to gain an informed and accurate view of the organization. It reduces the scope for an unscrupulous company to conceal unwelcome facts. Note that true transparency is perhaps unrealistic for any organization where commercial sensitivity is relevant. A commitment to openness would be a more accurate aspiration for the way business is done.

References

[1]. Alexander Solzhenistyn (1970) Novelist and Nobel Prize for literature 1970)
[2]. Bennet Freeman (2011) Corporate Social Responsibility and Human Rights
[3]. Beer L (2015).A Strategic and Tactical Approach to Global Business Ethics, Second Edition, Business Expert Press ISBN: 9781631570711
[4]. Carroll (1991) The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders
[5]. Ernest and Young survey in (2013) "six growing trends in corporate governance"
[6]. George W Bush (2002) "Corporate Responsibility Speechhttp://www.pbs.org/newshour/bb/business-july-dec02-bush_7-9/
[7]. Grant Thornton (2013) Corporate Governance Review 2011/2013
[8]. Journal of International Commercial Law and Technology (2008) Vol3, Issue 3
[9]. Hedrick and Struggles (2014) "Towards Dynamic Governance"
[10]. Mark S Putman (2002) "Ethical Values for Business Success"
[11]. Nawas et al (2004) Non-Governmental Organizations, Shareholder Activism, and Socially Responsible Investments: Ethical, Strategic, and Governance Implications
[12]. Robbins, S et al. (2006)The Relation between Transformational Leadership and Organizational Culture p.161
[13]. The Belgian Directors Association, Qubena (2012) "Director's Toolkit"
[14]. Wood (1991) Corporate Social Performance 1991, Vol. 16, No. 4, 691-718.