ETHICAL CORPORATE GOVERNANCE: THE SIGNIFICANCE AND IMPACT OF ETHICS IN THE SOUTH AFRICAN CORPORATE CULTURE

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DECLARATION

I, Lindokuhle Virginia Ramalepe, declare that the Master's degree mini-dissertation for the Programme in Governance and Political Transformation at the University of the Free State is my original and independent work that I have not previously submitted for a qualification at another institution of higher education. I, therefore, declare that I am aware that the copyright is vested in the University of the Free State. I declare that all the royalties as regards intellectual property that was established during the course of and/or in connection with the study at the University of the Free State will accrue to the University. I declare that I am also aware that the research may only be published with the Dean's approval.

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Lindokuhle Virginia Ramalepe

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"Bless the LORD, O my soul, and all that is within me, bless his holy name! [2] Bless the LORD, O my soul, and forget not all his benefits, [3] who forgives all your iniquity, who heals all your diseases, [4] who redeems your life from the pit, who crowns you with steadfast love and mercy, [5] who satisfies you with good so that your youth is renewed like the eagle's."

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ACRONYMS AND ABBREVIATIONS

ANC	African National Congress
APRM	African Peer Review Mechanism
AU	African Union
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPI	Corruption Perception Index
CSR	China South Rail
GCEO	Group Chief Executive Officer
HSRC	Human Sciences Research Council
ICSA	Institute of Chartered Secretaries and Administrators
IIAG	Ibrahim Index of African Governance
IIASA	Institute of Internal Auditors of South Africa
IoDSA	Institute of Directors in South Africa
IRBA	Independent Regulatory Board for Auditors
JSE	Johannesburg Stock Exchange
MEC	Member of the Executive Council
NPA	National Prosecuting Authority
NPO	Non-profit organisations
OECD	Organisation for Economic Co-Operation and Development
PPE	Personal protective equipment
PRASA	Passenger Rail Association of South Africa
SA	South Africa
SAICA	South African Institute of Chartered Accountants
SARS	South African Revenue Service

SATAWU	South African Transport and Allied Workers Union
SME	Small and medium-sized enterprises
SOE	State-owned entities
TBL	Triple Bottom Line
UNDP	United Nations Development Programme
US	United States
VBS	Venda Building Society (Became VBS Bank)
WGI	Worldwide Governance Indicators
ZAR	South African Rand

CHAPTER 1: INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

South Africa's transition to a constitutional democracy represented a significant moral shift. This should have manifested in the foundational pillars of ethical value and integrity resulting in a better life for all. However, South Africans have grown discontent as they continue to be daunted by high-income inequality, low quality education and unemployment. A nation juxtaposed between a modern (developed) economy with a large scale of informality and sizeable wealth adjacent to pervasive poverty, which is shaped by different forms of South Africa's cities and rural life. Democracy in South Africa, like in most countries on the continent, has been marked with disorder as political unrest and rampant corruption continue to undermine the fabric of society. It begs the question of whether South Africa could be facing economic challenges as a result of the collapse of the foundational pillars of its ethical value systems (Hope and Chikulo, 2000:1).

Over the last two decades, ethical corporate governance has attracted a great deal of public interest because of its importance for the economic health of corporations and society in general. In his June 2019 SONA President Ramaphosa emphasised the commitment to building an ethical state. This recent focus on ethical governance allows for the opportunity to reflect on South Africa's corporate ethical culture. It does so by looking at ethics as a key differentiator in a highly competitive international market, where reputation and values are now as important as products and services. The Judicial Commission of Inquiry into Allegations of the State Capture unearthed floundering and crucial information regarding corrupt activities involving the private and public sectors in South Africa, the plague of unethical behaviour has never been more widespread.

This research proposal is focused on scrutinising the significance and impact of ethics in the South African corporate culture. At the outset, it is pertinent that culture is positioned within the organisational context. Since the concept of organisational culture surfaced in the late 1970s, it has been well accepted in organisations (Schoeman, 2017:23). The regulatory corporate framework, the King IV Report (2016:102) on Corporate Governance, puts emphasis on the topic of ethical culture and ethical leadership as it identifies only four good governance effects, the first of which is harnessing an ethical culture.

1.2 BACKGROUND AND MOTIVATION

The importance of organisational culture rests on the definition of culture as ‘the way things are done’ because it illustrates that culture shapes behaviour in organisations (Schoeman, 2014:10). The pursuit of a more ethical corporate behaviour and the establishment of ethical conduct as the norm should be a sufficient reason to position ethical culture as a primary goal. Verduyn (2019:26) posits that ethical transformation is critical. However, it cannot be achieved if ethics and values are not prioritised above the bottom line, further adding that this can only be done through ethical leadership. The notion of ethical governance is not new as it was covered in the King III Report, which stated that ethics is the underpinning structure of, and reason for corporate governance (IoDSA, 2009:22). The Institute of Company Secretaries of India (2019:359) agrees with this notion saying that, the promotion of a culture of ethics is indispensable, and it is increasingly being recognised as the bedrock of good governance

Typically, a culture of ethics would be represented by ethical leadership. The King IV Report (2016:20) explains ethical leadership as being exemplified by integrity, competence, responsibility, accountability, fairness and transparency. It involves risk mitigation, or otherwise amelioration, of the negative consequences of the organisation’s activities and outputs on the economy, society and the environment. Leaders are responsible for facilitating the culture change because leadership is the most impactful factor in the ethical transformation process.

South Africa has been graced with one of the world’s greatest servant leaders in the form of late former President Nelson Mandela. Under the leadership of Mandela, the ANC succeeded in turning the struggle against apartheid into a global moral struggle. This was only attainable through his individual ethical and moral conduct (Gumede, 2013). Today’s reality illustrates a wide difference regarding moral authority; the fact that the morally flawed Jacob Zuma could be elected to the presidency by the ANC is in itself a testimony to the ethical regression in the leading party. Under Zuma’s leadership, the grandeur of the country collapsed. The country that once inspired the world with Mandela’s success of a peaceful reconciliation and the continent with

Mbeki's vision of the African Renaissance. It has now become infamous for corrupt leadership, scandals, mismanagement and a myriad of thorny problems (resulting in the state capture) (Onishi, 2018, nytimes.com)

The topic of corruption is a composite of incidents that manifest in different environments, with different individuals under diverging circumstances. The current state of unethical governance in South Africa is best reflected in the latest Corruption Perception Index 2020. It confirms a poor reality for South Africa, that the fraud and corruption being disclosed in the state capture is not confined to the past. With South Africa scoring 44 out of 100, it continues to stay in the less ethical half of the scale and has remained there since 2012:

Table 1.1: Corruption Perception Index for South Africa

2019=44	2018=43	2017=43	2016=45	2015=44	2014=44	2013=42	2012=43

Source: (Transparency.org, 2020)

This suggests that not much has been done to combat the fight against this unscrupulous behaviour. These findings further cement the need for ethical governance transformation and ethical leadership. Human (1998:52) explains that transformation represents a radical break from the past and it changes, or should change, society to its core.

A corruptions legacy is that of a weakened state. The debilitating effects impact the poorest and most vulnerable in society disproportionately because they are the daily victims of the scourge of corruption (Schoeman, 2021). Moreover, corruption results in the abuse and misuse of scarce resources depleting the funds that should ensure effective service delivery it then further exacerbates inequality, the afore-mentioned also erodes trust in the country's leadership and its political and economic systems. Many academic scholars that have written on the issue of corruption inevitably address its moral and ethical implications. South Africa, like many African countries are struggling with the development of ethical leaders who are committed to generating value-based foundations such as competence and accountability in the workplace (Edwards, 2008:77).

The motivation for this study is to highlight the importance of ethical governance (culture) and ethical leadership. Shai (2017:1) postulates that without effective leadership and good governance, government will not be able to lead and overcome its service delivery challenges. Schwella (2015:145) concurs in saying that good governance leaders guide governments to perform effectively in the interests of their citizens. A strong ethical culture will first result in the reduction of unethical violations and the consequences that result from ethical failure. Companies have faced enormous financial repercussions and reputational damage, which has forced many to close down. An example of this is the black-owned auditing company Nkonki Incorporated, which was implicated in a Gupta corruption scandal. It was forced to close down some offices resulting in 180 people losing their jobs (Verduyn, 2019:26).

The need for ethical leaders that will be able to harness an ethical corporate culture has become especially pertinent. Naciri (2008:6) observed emphatically, that: ‘sound corporate governance practices are supposed to attract investment, mainly because of the improved management of firms...At the global level, national institutions, regulations, laws and practices based on international norms and standards would enable countries....to modernize their corporate sector, allowing them to attract technology and foreign investment and becoming internationally competitive.’

Businesses play a crucial role in the socio-economic development of the nation-states and communities where they carry out their operations (Croucher and Miles 2010: 239). Consequently, in the recent past, companies have been increasingly held responsible for the social implications of their business activities on multiple stakeholders. Ackers and Eccles (2015:515), explain that the actions of businesses not only affect economic growth, they also often negatively or positively affect their immediate social and ecological environment. There is a prerequisite that organisations should complete their tasks in the most economical, efficient and effective manner in order to maximise profit and performance in today’s business climate. Besides this prerequisite there is also an increasing emphasis on the requirement for ethical practices (Rossouw, 2009:45).

The King IV Report requires that the board sets the tone in being exemplary through their ethical and effective leadership, as well as ensuring that the organisational ethics are managed effectively (Deliotte, 2017:2) . Muljee (2019:28) in Why Ethics Matter, speaks about the blurred lines between managers and their employees. He also refers to how employees are pressured to reach financial target goals and that this 'drives employees and executives to achieve these targets above all other matters'. Managers have to look at how their employees reach these targets, enforcing ethics in every process of the target. The Institute of Internal Auditors South Africa (IIASA, 2016:12) agrees that there is a simplistic view of ethics, which raises the concern as to the complexities around ethical implications.

Organisations will need to design interventions to share and imbed the desired culture and behaviour with its leaders and employees. This should be substantiated by strengthened accountability and consequence management mechanisms. Ethics training can reinforce the company's value system. If ethics was not already a corporate strategic goal, this would be an opportune moment to include it as such.

1.3 PROBLEM STATEMENT

From the discussion above its clear that there are challenges of ethical governance in the South African corporate sector. Over the last decade ethical corporate governance has attracted considerable attention because of its apparent importance for the economic health of corporations and society at large. The recent media coverage has portrayed a disheartening story of ethical corporate governance (or lack thereof); this is indicated by the Institute of Internal Auditors South Africa (IIASA, 2018:10). Thier corporate governance index uncovered that the general positioning of ethics, compliance and assurance dropped by 6.6% compared to 2017. The news comes as the number of corporate financial scandals have been piling up in recent years, stretching from Steinhoff to Klynveld Peat Marwick Goerdeler (KPMG), VBS Mutual Bank, McKinsey and Tongalaat (businessinsider.co.za). The Judicial Commission into Allegations of State Capture, brings with it an extreme awareness of the scale of corruption in South Africa today; the country's serious socio-economic distress deems it compelling to reimagine a system governed ethically.

The fundamental legislation and regulatory corporate framework in South Africa incorporates among others the Constitution of the Republic of South Africa of 1996 the King Reports on Corporate Governance and; the Companies Act 71 of 2008. These governing documents outline the behaviour expected of both public and private corporations and their obligation to be professional and ethical. These are important principles for companies to uphold. This is because when companies are driven by factors other than the constitutional values, it inevitably leads to failures with far-reaching consequences. One of the most recent appalling corruption scandals is related to the procurement of the personal protective equipment (PPEs) for the Covid-19 pandemic. The Auditor-General of South Africa's (AGSA, 2020:4) Covid-19 audit report highlighted irregularities, unsatisfactory controls and systems, and indicators of fraud. According to Surendra (2005:9), organisations will need to design interventions to share and instil the desired culture and behaviour among its leaders and employees. This should be backed up by heightened accountability and consequence management mechanisms (Schoeman, 2017:23), adding that this is an opportune time for ethics to become a corporate strategic goal.

The reality is that the South African society is in need of ethical leaders, as Marias (2020:118) clearly states that ethical behaviour and ethical leadership are identified as the main challenges in the Republic. When leaders have been complicit in toxic behaviour, their departure is essential for the organisation to move forward. Even if leaders are not personally guilty of the behaviours that created the cultural rot, their inaction and intentional blindness (looking the other way) make them guilty of condoning destructive behaviour. Jha and Singh (2021:29) add that it is the organisation's responsibility to ensure that quick and effective systems are in place to address unethical behaviour. These actions will ensure a cultural shift in the organisation reinforcing the importance of ethical behaviour.

Why is this research worth undertaking? Because there is a dearth of research on the link between ethical corporate governance and its significance or impact of corporate ethical culture and ethical leadership.

Saunders, Lewis and Thornhill (2003) explain research as '…something that the researcher undertakes in order to explore new things in a systematic way, thereby increasing their knowledge…'

According to Allana and Clark (2018:2), researchers make use of meta-theories. These are broad perspectives that make claims regarding the nature of realities and help researchers to improve their understanding of these realities. These theories include positivism, interpretive and critical. As such, meta-theories address fundamental beliefs about the world that guide an individual's actions. Through meta-theories we are able to ask relevant questions such as whether fundamental beliefs like individual culture influences ethics. South Africa is a multi-cultural society in which different ethnic groups engage in diverse traditions and customs, which are based on a set of values and norms and have an impact on how they do business (Cloete, 2013:9). Muljee (2019:28) adds that the biggest challenge when dealing with culture is that there is no universal definition.

The positivistic perspective adheres to the view that only 'factual' knowledge gained through observation (through senses) and quantifiable is trustworthy (Collins, 2019:38). The positivistic researcher believes that social researchers should be objective and conduct their investigations as an external observer without influencing the participant's behaviour (Kuada, 2012:72-73).

The critical perspective is of the opposite approach. It believes that research should be a collaboration between the researcher and the participants. The critical perspective aims to emancipate and empower, highlighting the importance for participants to having their voice and guiding the research. Examples of critical research include feminism and radical educational transformation #feesmustfall; it looks at ways to improve its impact on social issues (Blyler, 1998). Kuada (2012:73) agrees with Blyler, adding that researchers that adopt this perspective are uncomfortable with the idea that social science research can generate objective knowledge of any kind.

The interpretive approach refers to the philosophical foundation of a research perspective. Interpretive perspective subscribes to understanding the particular social world from the points of view of the participants being studied and the intentions and influences underlying their behaviour. It further uses an inductive method, establishing conclusions on specific observations supported by empirical evidence rather than basing their conclusions on logical arguments (Kuada, 2012:77). In organisational communication, scholars focus on the complexities of meaning as enacted in symbols, language, and social interactions. Organisational communications scholars have embraced interpretive approaches in the study of topics such as organisational culture, identity management, and the social construction of technology (Sandberg and Alvesson, 2020:487).

Thomas Kuhn argues that the different fields of research are characterised by a set of well-known understandings of the kind of phenomenon one is studying. This influences the kind of questions you ask, how the researcher structures their approach to answering the research questions, and how the collected information should be interpreted. These common attributes constitute a paradigm (Kuada, 2012:7). This study will be conducted from the interpretative perspective and taking on the qualitative paradigm research approach as it ties in with the study of ethical corporate governance and the role that ethical culture plays in this regard.

Qualitative paradigm research aims to produce a rounded understanding of contextual and detailed data (Mason, 2002:4). Qualitative methods are often used to indicate 1) qualitative research epistemologies that are non-positivistic; 2) qualitative research strategies that aim more towards interpreting and revealing meanings than generalising causal relationships; and 3) qualitative research techniques that are operationalised with numbers (Gabrielian, Yang and Spice, 2008:142).

The researcher making use of the qualitative paradigm usually wants to know:

1. What kind of things people are doing and why they are doing them?
2. What kind of processes are at work, and why they are active?
3. What kind of meanings are constructed, and what do they mean?
4. What kind of purposes and goals inform the participants' acts and?
5. What kind of problems, constraints and contingencies do people see in the world they occupy?

The qualitative paradigm is broadly interpretative in the sense that it is concerned with how the social world is interpreted, understood, experienced and produced (Koma, 2014:56).

Ethics as a phenomenon is broad and perpetual in every discipline of life either academic, social, political, economic, religion or corporate sectors, the requirement of some form of moral standard is expected. Webster defines ethics as '…the discipline of dealing with what is right and wrong good and bad, with a moral duty or obligation'. Hendrikse and Hendrikse (2012:163) posit that ethics comprises the rules of the business game –honesty, integrity and fairness, and the opportunity for all players to be winners.

Schoeman (2014:2) adds that while ethics is cornered with what is right and wrong, one of its fundamental characteristics is that ethics focuses on matters that have a right wrong or good-bad dimension. Furthermore, in *Business Ethics for Dummies*, Norman Bowie and Meg Schneider define ethics in these terms as ‘the code of moral standards by which people judge the actions and behaviours of themselves and others’. They say that business ethics forces individuals to carry ethical guidelines into the work environment (Bowie and Schneider 2011:10). Following the afore-mentioned, it is safe to assume that every stakeholder in an organisation has some awareness of ethics. This can pertain to what ethics is, what it means to be ethical and what it looks like, or what the requirements of being ethical are. In order to oversee ethics more effectively and build an ethical culture, it is crucial that leaders and employees share a united understanding of what ethics is and what it entails.

According to Olowu and Sakho, governance is a system of values, policies and institutions by which society manages its economic. It does so through interaction within and among the state, civil society and the private sector (Schwella 2015:14). Shai (2017:51) quotes Khan (2009:8) who stresses the importance of governance as a link between civil society and the state. Cloete (2002:440) looks at governance as the network of interactions and collaboration, further adding that good governance is achieved through the implementation of sustainable developmental policies. The World Bank states that governance refers to ‘predictable, open, transparent policy making processes; a professional ethos on bureaucracy; the executive arm of government that must be accountable for actions; a strong civil society participation in public affairs; and a rule of law’ (Munshi, Abraham and Chaudhuri, 2009: 5). Good governance refers to the realisation of the foundational values of democracy.

This proposes an ethical alignment between citizens, corporations, and the economic system. Corporate governance is concerned with monitoring the balance between economic and social goals and between business and communal goals. The governance structure is there to motivate the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as closely as possible the interests of individuals, corporations and society (Clarke, 2012:407). The significance of ethical corporate governance is important in enhancing the stability and equity of socio-economic development. It recognises a more positive and proactive role in business.

So far, we have relentlessly proved the need and significance of organisations fostering an ethical culture through ethical governance practices. In theory, creating an ethical culture makes exceptional sense and should be a high priority objective for an organisation, however, it might prove a little challenging in practice. In her book Ethics Can, which echoes the ‘Yes We Can’ slogan used by Barack Obama, Schoeman (2014:4) draws certain conclusions. She postulates that corporations need to learn what drives or shapes the choices made by their employees, whether ethical or otherwise. This will help organisations to set clear goals of what the cultural change would fulfil and how it can help to propel the organisation forward. She further states that values, relevant laws, rules and regulations mostly influence those choices, the cultural norms of the organisation and most importantly, the leadership. Creating an ethical culture relies on these fundamental factors and understanding them is critical for the achievement of ethical behaviour or and ethical outcome.

The above paragraph highlights the importance of transformative ethical leadership, as leaders are responsible for facilitating the cultural change, because leadership is the most impactful factor in the ethical transformation process. Transformative leadership not only calls for a change in the vision and commitment of the leaders, it also emphasises the need for leaders to follow a different set of institutional processes and behaviour (Johan, 2007:3). Ramphele (2011: 295) argues that leadership in the transformation process must itself be transformative; it must embody the vision and principles of the society we aspire to be. Transformative leadership is essential in a country that seeks to build new bridges. Deloitte (2017:3) adds that good corporate governance is essentially about effective ethical leadership

Human (1998: 54-55) speaks largely about the need for states to find solutions that are effective for their specific contexts and specific problems. He emphasises that there is no ‘one-size-fits-all’ transformation model. Transformation is a process that requires transparency and accountability with consequences to be effective.

Verduyn (2019:26) speaks on the imperative need to focus on values as the foundation for building an ethical culture. Major sustainable development in organisational culture can be achieved by looking at values and conduct as the building blocks of culture says Deloitte (2017:4) in their expository teaching of ethical leadership. Focusing on values makes way for a more practical approach. Since they are observable and measurable, they can be added to policies and linked to incentive structures (IoDSA, 2016:67). When an ethical culture is cultivated and understood, desirable organisational values and conduct will be reflected in the employees' habits and behaviours.

Creating an ethical culture cannot be approached from a check box point of view, regulatory bodies need to put in place effective systems. Examples are:

- Setting the right tone for ethical governance by management and leading by example as ethics should be modelled.
- Creating and disseminating a code of ethics and sending a clear message of what the expectation is.
- Using formal ethics training and reinforcing the organisation's code of conduct and the types of behaviours permissible (emphasis on values).
- Reinforcing good behaviour through incentives and have consequence systems for unacceptable behaviour.
- Providing protection to employees that report unethical behaviour.
- Providing a continuous monitoring of the ethical climate in the organisation.

<u>Questions that need to be answered are</u>:

- What is the impact of ethical governance on organisational ethical culture?
- Is there a link between economic development and ethical governance, looking at the link with regard to service delivery?
- What is the link between ethical governance and ethical leadership?
- Are the company code of ethics enough to enforce ethics?
- Where do companies start when creating an ethical culture?
- What are the benefits of an ethical culture?
- What is the link between ethics and education?

1.4 AIM AND OBJECTIVES

The aim of the study is to emphasise the importance of ethical governance in the South African corporate culture and to look into possible consequence management systems that can combat unethical behaviour. The study will determine the relationship between ethical governance and ethical leadership. It will also focus on the promotion of an ethical culture as the lack of ethical governance is due to unethical leadership that makes creating an ethical culture impossible. In reaching this objective, the focus will be on the importance of promoting an ethical culture. It will do so by looking at legislation, the benefits (for all stakeholders) and the patterns of ethical governance in the South African corporate sector. Another aim is to provide a starting point for organisations that are committed to making ethics a strategic goal, by providing ways in which they can create an ethical culture. In the process of determining the relationship between ethics and culture, we will look at why corruption and unethical behaviour are so rife in the public sector.

It is argued that no other threat of democracy, economy and politics in any nation supersedes the danger of corruption in the society (Sebola, 2014:295). Since the dawn of democracy, South Africa has had to deal with deep-rooted issues of pervasive poverty, income inequality and unemployment. The role of corporations in addressing these challenges is critical. Business is no longer on the periphery of development. It is complexly intertwined with society and its citizenry role. Oversight with regards to ethics and morality at a significant social cost is unacceptable.

As a result of the latter, the researcher will incorporate an explanatory angle. The research will comprise of both descriptive, as well as explanatory elements. Descriptive research claims to outline the intrinsic features of a phenomenon '…or relations between phenomena as accurately as possible'. (Du Plooy-Cilliers et al, 2014:75). The phenomena under scrutiny in this study is ethical governance (policies and regulatory environment), as well as organisational culture. Explanatory research according to Du Plooy-Cilliers (2014:77) stems from the need for researchers to determine a reason for a specific event or situation, as this might provide insight on corrective measures. In this regard, the researcher attempts to establish and justify 'how' and 'why' there is a connection between the phenomena. This will be achieved through an inductive approach. Inductive approaches are generally linked with qualitative research, while deductive approaches are often associated with quantitative research. According to Thomas (2006:27) the purpose of inductive research is to (1) condense raw textual information into a summary format; (2) create clear links between the evaluation or research objective and the summary findings derived from the data (3) develop a framework/theory of the fundamental structure, experiences and processes of the findings in the raw data.

The strategic contribution of this research will be two-fold. First, it is aimed at identifying the organisational weaknesses, trends and strategies of corruption. In this way, unethical behaviour can be addressed through relevant procedures and the necessary interventions. Second, the study will deal with recommendations on how to deal with corruption on both a strategic and practical level.

The objectives of the study are:

- to provide a theoretical perspective for the study as a foundation for conceptualising ethical corporate governance;
- to analyse the contribution of corporate governance legislation focusing on ethics;
- to provide case studies of unethical behaviour in both the private and public sector, proving the lack of ethical governance;
- to provide a strategy and solution on how to create an ethical culture; and
- to review the tools used to measure ethics in organisations and country-level governance.

1.5 METHODOLOGY

The research into ethical corporate governance falls within the interpretivists perspective. This is because, it would attempt to gain an understanding of the phenomenon of ethical governance within the South African context. It would further attempt to describe it from the perspective of the society's need for leadership and ethical behaviour in organisations and leadership that will contribute to the socio-economic development of the country. The researcher will always reflect on the plight of South African citizens affected by unethical behaviours in both the public and private sectors. It is wise to note that interpretivists are not generalists, as the research is based on human understanding of issues within a '…specific context'. The broad study of ethical governance in other developing countries would therefore be interesting, but this research focuses specifically on the South African context, as it has its own specific challenges.

The research perspective that is adopted in this study, it posits that applied research will be done. Applied research, according, to Du Plooy-Cilliers et al., (2014:74-75), is the investigation of real-life topics and challenges, such as ethical governance in organisations. The intention of provide required solutions, where required which can practically be applied to remedy the challenges. The research design also represents a combination of descriptive, exploratory and explanatory strategies. Exploratory research (Du Plooy-Cilliers et al., 2014:75) is concerned with becoming familiar with the unfamiliar. This includes legislation, policies about ethics one was not aware existed, regulatory boards and situations that might seem obvious at first but appear to be more complex as more research is done. Through the descriptive focus, it will be attempted to provide a picture of unethical behaviour that has rooted itself in the corporate sector, both private and public. The study will also try to determine how unethical behaviour is broadly perceived and how individuals react to both ethical and unethical organisational culture. The descriptive element has to do with outlining the inherent characteristics of the topic (ethical governance) and providing information that will help to better understand the phenomena better (Davis et al., 2014:75). The phenomenon under assessment in this study is ethical governance, therefore, we will look at the relations between ethics and its governing legislation and good governance practices. Lastly, explanatory research, according to (Davis et al., 2014:77), comes from the need to explain why and how certain situations happen and where the connection between all these variables is.

Jennifer Mason (2002:3) made the opening remark in her book, Qualitative Researching, that qualitative research is exciting and important. Mason further explains qualitative research as broadly interpretivist in the sense that it is concerned with how the social world is interpreted, understood, experienced and produced. It is based on methods of data, which are flexible and sensitive to the social context in which data is produced; and it is based on methods of analysis and explanation building, which involve an understanding of the complexity, detail and context. Qualitative research aims to produce a rounded understanding on the basis of rich contextual and detailed data.

In research, the kind of paradigm/tradition that you choose to follow sets the tone for the kind of methodology that will be used. This study will follow the qualitative paradigm method. Qualitative research aims at providing an in-depth understanding of the topic and does not make use of numbers or scientific methods. This will be possible through the data collection process using the literature review method, this method will be used in the identifying and obtaining information, vigorously interrogating published information such as academic literature. This type of literature includes books, journals, articles, dissertations and reports. This research technique will help to provide clarity and understanding of how regulations and guidelines steer the private sector into good corporate governance. The working theories on ethical governance will be looked at in section two of the research. The deductive assessment will be used to determine whether the working theory is enough to provide the foundation for ethical governance in South Africa.

1.6 LAYOUT

<u>Chapter 1: Introduction and Overview</u>

The chapter will commence with the introduction and overview of the research study.

This chapter will focus on the motivation for the study, the identification of the problem statement and it will outline the aims and objectives of the research. It will also and state the methodology to be used to conduct the research and empirical study.

<u>Chapter 2: Theoretical framework, theory and conceptualisation of the ethical corporate governance</u>

This chapter will review distinct thinking on ethical governance, as well as governance theories that influence the decisions made by stakeholders when presented with ethical issues in the organisation. According to Anfara and Mertz (2014:2), a theoretical framework is any empirical explanation of a psychological or social process that can be applied in the effort to understand a phenomenon better. The phenomenon in this study is ethical corporate governance. This means that researchers use existing theories in their attempt to provide an intellectual structure for their research. A theoretical framework acts as a guide for the researcher as they can keep track of the empirical relationship they are trying to prove.

The need for ethical corporate governance goes beyond just individuals working in these corporations. However, it is the manifestation of the democratic and foundational principles of the Republic of South Africa. Rossouw Van der Watt and Malan (2002: 406) adds that, democracy is built on the cornerstone of many good governance principles such as accountability, fairness, responsibility and transparency. These principles serve as a normative guidelines and a guiding framework for addressing issues of ethical and unethical behaviour. These values are a recurring theme throughout the Constitution of South Africa. They are also found as defining elements of ethics in the King IV Report on Corporate Governance as ethical values underpinning good corporate governance. This chapter will further touch on the fundamental legislation that provides ethical principles and guidelines for public and private sector. The aim of conceptualisation is to provide the building blocks for the theories (Coetzee, 2020:14). This section will further provide an in-depth understanding and working definition of ethics and further explain governance and corporate governance. Ethics, governance and corporate governance covers a large number of distinct concepts and phenomena with their own theories that encourage a better understanding of the phenomenon, all these theories will be developed in the conceptualisation.

Chapter 3: Ethical corporate governance in South Africa

This chapter will focus on the literature that was gathered, looking at the culture and leadership of private and public organisations. The discussion will zero in on the significance and impact of ethical governance on culture and leadership. It will take a comparative analysis approach only in terms of how ethical leadership and the opposite has affected business and the socio-economic development of the country.

Chapter 4: Methodology

A discussion of the methodological approach to be used in the research study will be presented. A desktop research method will be used during this assessment. It consists of the extensive study of academic literature including books, journals, articles, dissertations and reports. This research technique will help in providing clarity and understanding of how ethical corporate governance can have a significantly positive effect on the country's socio-economic development.

Chapter 5: Findings, Conclusion and Recommendations

The findings of the empirical study will be discussed followed by a succinct conclusion of the overall study on ethical corporate governance. Some recommendations will be made on current systems, policies and how to create an ethical culture. This will all be presented in this final chapter.

CHAPTER 2: THEORETICAL FRAMEWORK, THEORY AND CONCEPTUALISATION OF THE ETHICAL CORPORATE GOVERNANCE

2.1 INTRODUCTION

How ought one live? This question constitutes the bedrock of centuries of unabated debate regarding the philosophy of ethics, a topic that scholars from across countries and generations have discussed, dispelled, and promulgated their conceptualisation on without reaching a consensus. The idea of right and wrong, good and evil has been filtered through copious perspectives, making way for questions on not only the righteousness of actions but also the use, morality, and justness of these actions.

For Southern Africans, the code of morality is represented by the ethics of ubuntu. The writers of our constitution sang praises of an ethical form of governance, holding values of unity, equality and human dignity as virtuous ideals that should characterise our democracy. The construction of democracy coined the term 'rainbow nation', as Archbishop Desmond Tutu spoke of 'The Rainbow of God' as a cleric, this metaphor drew from the story of Noah's flood and the rainbow symbolised peace and a new beginning. The rainbow nation was to be anchored on the characteristics of ubuntu, meaning humaneness expressed in harmony and a sense of community (Tutu, 1999:35). 'I am because you are', as locals would explain it, was intended to encapsulate the unity, multi-culturalism and shared patriotism that came with the new era.

The inculcated selfishness and greed perpetuated among leaders have resulted in the erosion of the ethics of ubuntu in the citizenry. In South Africa, claims of corruption are swiftly followed by an ethical outcry. Largardien (dailymaverick.co.za) states that there is no take-in time between the act and the outcry. Gradually, the take-in time is delayed. Ethical outcries arrive late in a sort of indifferent tone and eventually, like an abiding sleepwalker lead hither and yon by a successive caretaker, it starts to fade. Then there is no outcry, only tolerance and permissibility. Today we have a society that has reached what Malloch and Mamorsky (2013) call 'The end of ethics'.

Cloete (2013:121) asserts that a decline in ethics and morality are most commonly cited as the reason for the surge in corruption in South Africa. This governance and ethical crisis has taken on epidemic proportions and has certainly necessitated that society and government re-evaluate their positions regarding ethical behaviour. An integral part of this re-evaluation process would be to focus on the aspects of leadership and legislation (Van Wyk and Badenhorst, 2017:337).

According to the Corruption Perceptions Index (2020:3), the whole world is being confronted by the challenges of ethics and corruption. However, the effects are much more devastating in developing countries as it deprives people of their integrity and fully deserved rights.

Against this backdrop, it is thus crucial that the concepts of ethics, governance and corporate governance be clearly defined and understood as the building blocks of rebuilding an ethical society. This chapter will provide a theoretical framework of ethics; it will also examine the theoretical framework of governance and corporate governance and provide further providing theories that can be used to measure and counteract unethical governance.

2.2 DEFINING ETHICS

The Oxford Learners Dictionary defines ethics as 'of or pertaining to morality' and 'the science of morals, principles that influence an individual's behaviour'. In the same dictionary, the word moral is defined as 'propositions relating to the distinction between right and wrong, or good and evil in relation to the action'. The word 'ethics' originates from the Greek word 'ethos' which means 'customs'. It shares an equivalent meaning with yet another word 'moves' which means 'habits'. Ethics has also been called moral philosophy, as it deals with moral problems and moral judgements, and concerns itself with the morality of human conduct (Leo and Patrick, 2010:467).

In a study on ethical trajectories in law, Wolcher (2012:25) explains ethics in terms of several individual frameworks. A fragment attributed to the Socratic philosopher Heraclitus shows that at some point in the chronicles of Western thought the word ethics was equalled to a person's character. The phrase 'your character is your fate', implies that people eventually exhibit some habitual way of doing things. This defines who they are and further determines how they will reason, whether good or evil. The English word character can also be used normatively in this way, it is 'the mental and moral qualities distinctive to an individual' (Downs, 2012:3). Aristotle (as cited in Wolcher, 2021:25) on the other hand refers to ethics as the study of excellence or the virtues of character. In the view of Aristotle, ethics implies the kind of life people ought to live, meaning what is good and becomes good. Aristotle differs from the views of Heraclitus (Van Bryan, 2014), on the concept and reality of ethics, stated that he did not believe a person's character is simply a given fact that can only be observed and described in a dispassionate sort of way. He also did not hold the view that people are born with unchangeable characteristics that predetermine their fate in life. Rather, Aristotle's perception was that an individual's character is something that can and should be improved and sustained through education and through significant assiduous care and the development of self.

According to Gildenhuys, (2004:13) ethics is a systematic study of the principles and methods for discerning right from wrong and good from bad. Ethical principles set the standard for conduct and further indicate the parameters of how one should behave based on their moral duties and virtues. These are derived from the principles of what is acceptable, and what is not acceptable. There are two types of ethics: normative and descriptive. Normative ethics designates the standard for the rightness and wrongness of actions, whereas descriptive ethics is concerned with the empirical study of people's moral beliefs (Kayane and Sibisi, 2019:117). Rightness refers to what ought to be, or what is acceptable, to a particular society or group in that society (Disoloane, 2012:30). As a result, the law established a minimal criterion for investigating people's moral convictions. The law should be seen as a proponent of ethical behaviour. However, the fact that an act is legal does not make it ethical; an example in this regard is the apartheid laws in South Africa (1948–1994). According to Mavuso (1999:63) ethics serves to guide the actions and behaviour of individuals only insofar as it is necessary for the good of an institution. 'Ethics is a matter of responsibility management as much as it is individual property. It requires some basic moral dispositions and presupposes fundamental moral principles' (Mavuso, 1999:63)

According to Cameron and Stone (as cited in Baqwa, 2000): "Ethics differs from law in that it does not require official sanctions. It differs from etiquette in that it extends beyond social convention. It is distinct from theology because no theological assumptions are made. It differs from prudence in that it considers the interests of others in addition to one's own. What is good and what is evil; what is right and what is wrong" is what ethical inquiry entails.

Kennedy (1999:14) asserts that ethics is vested in the conventional process of thinking about what is ethical and reaching a shared conclusion in relation to the rightness and wrongness of actions. This process of designating ultimately influences the decisions taken and it eventually determines the way people behave. Therefore, ethics is not restricted to race, colour, culture or creed. This emphasises the aspect that ethics concern people's ideals, their motives of choice and their pattern of good and bad conduct. Ethics evaluates conduct against an absolute criterion and attaches negative or positive values to it (Pauw, Woods and Fourie et al., 2002:327).

The Ethics Resource Center (2012:1) refers to strong ethical culture as a culture that promotes and prioritises doing the 'right thing'. The Institute of Ethics South Africa (2017:10) describes ethics as a system of accepted beliefs that control behaviour, beliefs such as doing the right thing because it is the right thing. Kernaghan (1993:16) and Levin (2002:11) argue that ethics is not only concerned with obligations of distinguishing right from wrong or good from bad. It has more to do with the commitment than with what is good or what is right.

Commenting on public administration ethics, Mafunisa (2000:79), states that it determines what is right and just in decisions and actions that affect members of the public. As a result, the concern with public service ethics centres on what is deemed virtuous and equitable behaviour by public authorities (Mbatha, 2005:16). This viewpoint is founded on the assumption that there are 'right' and 'wrong' ways to act in a given situation. These form the moral standards of a community stand (Mafunisa 2000:79).

Kanyane (2010:82) postulate that within the content of the public service, employers and employees need to possess high standards of ethics and professionalism. These are two convergent qualities that must be seen as non-negotiable for any private or public organisation. Section 195 of the Constitution of South Africa envisage a public service that will promote a high standard of professional ethics. Andrews, Boyne, Law and Walker (2012:38) elucidate ethics as the standard, which guides the behaviour and actions of employees in public institutions. This standard may be referred to as moral laws.

Ethics encourages public officials to do what they are obligated to do at work, whereas ethos needs individuals to do what is ethical or right in a remarkable way (from within).

Ethos necessitates that public leaders go above ethics and have an internalised desire to accomplish what is right or ethical (Mafunisa 2000:80). In the public service, this would require adopting a positive attitude about one's responsibilities. Howe (2006:434) is of the opinion that in order to understand ethics and ethos, one must first acknowledge the difference between compliance (ethics) and commitment (ethos). In most cases even though employees do not identify with the work they are doing, they might be compelled to comply. Compliance can be achieved through external methods of compulsion or discipline. Compliance is frequently achieved through coercion, although compliance rarely results in people providing their best effort (Disoloane, 2012:31). As a result, in order to comply, government officials will only perform what is necessary to obtain the desired goals.

While some efficiency gains may be realized, a sense of identification with their work and employer will not be realised in an environment where the public official feels obligated to comply with strict mundane rules. Public officials who can elicit a sense of identification with their work and their employer may be able to unleash a sense of commitment rather than compliance (Holtzhausen, 2007:154). Unlike compliance, commitment means that a public official goes above and beyond the call of duty (Mafunisa, 2000:80). The most pressing issues confronting the public sector are not just those relating to legislation or administrative policies. It also includes those involving the transformation of a compliant workforce into a dedicated workforce focused on generating effective and efficient results (Verduyn, 2019:35).

It may also be argued that when ethos is used in a culture, it implies community, whereas ethics is based on compliance (Masiapata, 2007:18) and is rooted in the systems of thought. Using the definitions and explanations in the preceding paragraphs as a point of departure, one can conclude that ethics is concerned with individual conduct and actions The following section will describe and briefly conceptualise ethical theories. The theories to be discussed below are based on different perspectives on what determines or results in effective and ethical organisations. In these organisations, valid policies are effectively implemented to offer citizens with value-added services. Ethics is particularistic in nature, hence the different code of conduct for every profession. However, incorporating both compliance and commitment can be extremely vital in implementing ethical governance. Because ethics provide the foundational principles or yardstick for our actions, there are numerous theories that provide ethical solutions to ethical problems. Each theory emphasises different points such as predicting the outcome and fulfilling one's duties in order to reach an ethically unerring decision. However, in order for an ethical theory to be useful, the theory must be conducted towards a common set of goals. Ethical theories and principles are the common aims that each theory strives to achieve in order to be successful. Four schools of thought will be discussed next. These include virtue ethics, utilitarianism, value-based ethics and deontology.

2.3 ETHICAL THEORIES

Ethical theory provides the foundation for ethical solutions to the gruelling situations that people encounter in life. Moreover, for centuries, philosophers have come up with intelligent ways of telling right from wrong and providing guidelines about how to live and act ethically (philosophyfordummies.com). Normative ethics is concerned with paradigms of ethical behaviour and operates in a perspective manner, establishing moral absolutes by which society should live. The maximum known as the 'Golden Rule' is an ideal representation of normative application (Downs, 2021:1).

2.3.1 Virtue Theory

Virtue theory finds its roots in the ancient Greek philosophy of Socrates, Plato and Aristotle. The virtue theory emphasises that matters on ethical behaviour is the integrity of an individual's character (Rossouw, 2010:52-56). The theory is based on the premise that virtue is a skill that can be acquired just like other skills. It is argued that consistent practice and resolute devotion to practice just acts make a just man. They contend that a person with a virtuous character would be motivated to act in ways that would lead to better consequences. Virtue theory take a person's moral reputation and motivation into account when grading an unethical act.

2.3.2 Utilitarian Theory

John Stuart Mill's utilitarian theory focuses on the quality of actions (Rossouw, 2010d: 65-69). Utilitarianism is directed at determining the moral worth of actions solely based on the consequences of an action in order to determine whether that action was right or wrong. Utilitarianism seeks the greatest good for the greatest number. In other words, it tries to maximise the overall good or utility. An action is considered good when it results in the happiness of the majority of those affected by that specific action.

The utilitarian principle can be summarised in a single statement as follows: An action is right from an ethical point of view if and only if the sum total of utilities produced by the act is greater than the sum total of utilities produced by any other act the agent could have performed in its place (Velasquez, 1992).

2.3.3 Value-Based Ethical Theory

Value theory is constructed on the relationship between normative and positive business ethics. According to Bhasa (2017:35) value is an adjectival connotation that determines the consequence of a given action by individuals or groups. This is in accordance with their needs and their expectations with regard to the particular action. Value is based on values and values are conditioned by personal sensibilities and therefore they are individually determined. The adoption of specific values by individuals are not acts made at a contingent level; rather, it is the result of traditions of the society one forms a part off. Contextualised pragmatic activities give rise to these traditions hence different traditions assign different values to the same subject.

Think about it, organisational compliance training has a reputation of being tedious and a repetitive drudgery. Organisational ethics systems appear to be classified in the business ethics literature as either: a compliance approach, which relies on the use of rules, regulations, and strategies to foster compliance, or; a values and integrity approach, which uses more general guidelines and aspirational statements to guide decision-making as the foundation for better ethical outcomes in organisations (Segon and Booth, 2013:98).

Compliance training programmes should reflect the various scenarios that work personnel are confronted with on a daily basis in order to achieve compliance. Participants can walk through interactive simulations of real-life circumstances that elicit real emotion using a scenario-based approach, which will help them make better decisions in the future. Employees are more likely to retain essential information when decisions are made based on feelings and experiences. To embed an ethical culture in an organisation, initiatives must begin to thrive internally, with employees committing to building and owning a corporate culture which endorses their values.

Value theory designates the area of moral philosophy that is concerned with conceptual questions regarding value and virtue (Schroeder, 2021). Since people have different motivations, the value attributed to a particular subject by one person may not be the same as the value ascribed to it by another person. In the investigation of value, the value theory applies adequate logic to frame a significant hypothesis. Value theory, unlike other normative ethical theories that prescribe values, value theory explores value. In doing so, it stitches the loose ends of the value assessments of individuals in an organisation under a single general value proposition (Bhasa, 2017:36). As a result, the single most crucial test of the theory of value is generality. Through logical enquiry, it attempts to eliminate pluralistic value determinations, bringing to the fore the most acceptable and rational value.

To represent the existing interactions between diverse actors, value theory combines observational data with factual, empirical data. Value theorists claim that this takes into account value-feelings (pleasures, sufferings, and affective dispositions) and volitional activity (based on felt tensions), which sets up ends or purposes. The drive towards these ends and purposes is not simply the addition of the moments or points of felt pleasures along the way (Bhasa, 2017:36). James (2000) argues that the organisational structure promotes ethical behaviour primarily by ensuring that the formal aspects of the structure hierarchy, rules and policies, authority and communications do not undermine the ethical sensitivities of employees. Value theory requires gathering as much information as possible on human behaviour, changes, and implications for the determination or discrimination of value. The substructure underpinning value theory lies on the detailed comprehension of human behaviour. This is because human activities committed with a certain motivation affect all parties involved.

According to the Brown's values-based career theory (Browns, 2002), values have a cognitive dimension. This is because they are the primary basis of goal-directed behaviour and are the stimulus for the development of behaviour related to goal attainment. Segon and Booth (2015: 97) posit that there is a significant consonance between the principles of organisational structure and those of ethical consideration. It is adaptable in the sense that it tailors its search for 'value' based on contingent needs. It investigates the claims of individuals to an assigned value by looking at the gaps between factuality and blind adherence to social norms. Value theory approaches the evaluation of value by first defining what value is and what its characteristics are in the context of a specific scenario. Ethics should be treated as an integral part of an organisation's overall culture. Designing a value-based ethical organisation requires systematically analysing all aspects of the organisation's culture and aligning them so that they support ethical behaviour and discourage unethical behaviour (Carroll & Buchholtz, 2015:182).

2.3.4 Deontological Theory (Kantian Ethics)

Kant's deontological theory on ethics propagates that there are general ethical standards of behaviour that everyone should respect (Rossouw, 2010:62-65). Kant elucidates that the rightness and wrongness of an act do not depend on its effect or consequences. Our moral actions in certain areas cannot be based on an individual's practical experience or natural instincts and needs but is rather based on general strategy expectations. The deontological theory poses that only a right action needs to be taken because of it is our moral duty. According to Jennings and Wattam (1994:245), deontology is defined as the "science of duty", and a deontological approach is therefore one that involves doing one's duty in terms of established ethical principles.

In the deontological approach, the basic concepts, which are 'right', refer to justice, fairness and reasonableness. 'Ought', refers to how things should be, compared to how they are, 'duty' which means deriving pride in a job well done, and 'obligation', signifies that one is morally bound to behave in a specific way (Motshwane, 2018:36). The deontological approach to the study of ethics emphasises the ethics of duty, uprightness, and obligation. In keeping with the aforementioned, Copper (1994:149) posits, 'The deontological principle is a general law or rule that guides action. This action warrants the necessary conduct or state of being that is required for the fulfilment of a value'. Obeying objective standards of behaviour from a sense of duty would be the hallmark of moral behaviour. The developments of ethical guidelines such as a code of conduct and codes of ethics are premised on this doctrine. Ethical theories attempt to provide a clear, unified account of what our ethical responsibilities are. One should always keep in mind that it is common in business ethics to adopt more than one ethical theory; this helps business to cater for compliance (ethics) and commitment (ethos).

2.4 WHAT ETHICS IS NOT ABOUT

The meaning of ethics may be better understood if one explains what ethics is not about. Many people tend to equate ethics to religion (Mbatha 2005:38), as most religions of course advocate for a high moral standard. In reality, if ethics were for the confines of religion, then it would only apply to religious people. However, ethics applies as much to the atheist as to that of the pious according Gildenhuys (2004:17). Being ethical entails more than simply adhering to the letter of the law. The law, particularly common (natural) law, frequently involves moral norms to which the majority of people adhere. However, just like feelings, statutory (positive) legislation can depart from what is intended as moral. Gildenhuys (2004:17) further affirms that being ethical is also not the same as doing whatever society accepts. In any community, the majority of people accept moral principles. However, societal standards of behaviour might differ from what is truly moral. Therefore, it is feasible for an entire society to become corrupt. If being ethical means doing whatever society approves, then determining what is ethical requires determining what our society considers as moral (Leo and Patrick, 2010:465).

Ethics therefore governs human action based on moral principles that are translated into commonly recognised norms of behaviour. It is the manifestation of morality in action. Morality is a fundamental and universal aspect of life. In other words, while morality tells us that an action is either good or evil, ethics teaches us the principles and the reasons why an action is good or evil. From this perspective, we can claim that ethics and morality are fundamentally related. (Leo and Patrick, 2010:468)

Morality is largely concerned with human connections, with people's coexistence with one another, and with how they conduct their associations and dealings with others in society. Its purpose is to humanise our lives through humanising our interactions with one another; that is, by reducing the reciprocal harm and hurt to which we are all so vulnerable and inherently inclined in our human interactions (Motshwane, 2018:37).

Morality seeks to establish a significant level of integrity. Integrity comprises a commitment to one's convictions and values. It also comprises of the expression, upholding, and translation of those convictions and ideals into a practical reality. It is the development of a sense for what is right and what is wrong (Gildenhuys, 2010:18). It is the human trait of having and steadfastly adhering to high moral values or professional standards with tenacity. However, it is concerned not only with individual convictions and values – microethics – but also with the collective convictions and values of society in which we live (macro-ethics).

Brummer (1985:83) explains micro-ethics as ideals and moral norms. These are values that apply primarily to personal relationships where we engage with others on a face-to-face basis. Macro-ethics is fundamentally concerned with structures of society that regulate the objective and impersonal relations among people. Political institutions, methods, procedures, and public role-playing can all be beneficial or disadvantageous from a moral standpoint. This is because they are guided by and embody normative notions and principles that may encourage and nurture a greater sense of humanity in people. However, they may also degrade and corrupt them, affecting their daily life and relationships in a negative dehumanising manner. As a result macro-ethics has become a matter of extreme urgency. Ethics refers to well-founded moral norms that define what human rights should involve. Honesty, compassion, and loyalty are all traits that are encouraged by ethical norms. It also incorporates rights-related standards, such as the right to life, the right to be free from bodily harm, and the right to privacy (Gildenhuys, 2010:19).

2.5 CODE OF ETHICS

The development of a code of ethics can be a tangible sign that an organisation is thinking about business ethics and organisational culture. One of the most important reasons for these codes to exist is that they promote a particular work ethic and encourage leaders and employees to act ethically. According to Brammer and Millington (2005:29-44), in a professional setting attention to ethics directs not just corporate leadership and management, but also the entire staff on how they should act. Moreover, a code of ethics establishes the company's values, goals, objectives and responsibilities. Furthermore, it sets out behavioural rules that employees and leaders should adhere to in order to ensure that the company's values are reflected in all business practices. Therefore, a well-written code of ethics should provide guidance to employees on how to deal with certain ethical challenges (Chandrashekhar, 2017: 138).

By adopting such a code, organisations make it evident that they uphold the foundational values of honesty, fairness and integrity, as these are the core values when one refers to ethical behaviour (Chandrashekhar, 2017: 140). A code of ethics is an intrinsic component of an organisation's culture; however, organisations must actively promote their ethical policies in order to fully leverage the advantages. More importantly the existence and practice of ethics in the workplace helps to ensure that strong moral principles are upheld. It further fosters a workplace where people feel safe doing the right thing. A pleasant and healthy corporate culture boosts staff morale, which can lead to increased productivity and employee retention. This can result in financial benefits for the company. A greater awareness of business ethics in South Africa has been steered by the Institute of Directors in South Africa (IoDSA) through the King Code. It includes the need to encourage companies to implement a code of ethics (IoDSA, 2009). Furthermore, the King Code highlights the importance of ethics at board, management and staff levels, and in particular, the need for an ethical culture.

From the above explanation, it can be deduced that codes of ethics focus on appropriate behaviours and must be present in day-to-day conditions. This means that a code of ethics must include the ethical standard to which an organisation commits itself. There are generally accepted characteristics of a successful code of ethics:

- It provides behavioural guidance.
- It is applicable to a variety of occupations within the same profession.
- It has an effective mechanism to ensure compliance (Disoloane, 2012:46).

The review of ethical theories suggests that corporate governance entails more than resolving the principal-agent conflict. In fact corporate governance is highly complex. This is because it must consider and adapt to a variety of important relationships with uncertain cause-effect influences on matters ranging from survival to sustainability (Baker and Anderson. 2010:58). From the definitions of ethics, one can conclude that ethics encompasses three distinct concepts. These are systematic moral thinking or contemplation, individual morality, and a shared understanding of what is permissible for practitioners or groups of people. People and institutions have different values, living, and working structures and as a result, their business practices differ. However, there are acceptable behaviour and conventions that they follow (compliance). The importance of creating an organisational culture that fosters both compliance and a value-based approach to ethics is extremely crucial. Employees need to identify with the values of the company and they need to take pride in working for an organisation that see them as more than a number. A value-based approach to ethics engenders an environment, and ultimately a culture, in which employees feel that their time and humanity are respected and recognised. This makes it more likely that they will treat the organisation with respect and comply with company rules and regulations. In a country like South Africa, there are foundational values that are a transcendent across race, culture and different practices.

We can all agree that we value community, equality, accountability and transparency. We all can also agree that we are exasperated by the rampant corruption. The answer in how we create ethical cultures that thrive lies in the system of governance, by which organisations make and implement decisions in pursuit of its objectives. Characteristics of good governance assure minimal corruption, as well as equality and equity. It further ensures that the voices of the most vulnerable in society are heard in decision-making. Governance is also responsive to the present and future needs of society. Now we will conceptualise governance and the theory of governance, as this is the anchor that holds ethical culture together. It provides the blueprint for governing well.

2.6 GOVERNANCE

Governance as a concept found its roots in the early 1900s as a measure used by the World Bank for developing countries to gauge who qualifies for financial aid. This comes after the World Bank identified the crisis on the African continent as one of governance. The World Bank was further able to establish worldwide benchmarking for evaluating the governance criteria that countries utilise to acquire development aid and investment (Diarra and Plane 2014: 474-478). The World Bank describes governance as ‘predictable, open, transparent policy making processes; a professional ethos on bureaucracy; the executive arm of government that must be accountable for actions; a strong civil society participation in public affairs; and a rule of law’ (Munshi, Abraham and Chaudhuri, 2009: 5).

One important outlook relating to governance is that it focuses on the amelioration of the relationship and interaction between a government and its society (Cloete and Auriacombe, 2008:449). Governance encompasses not just the interaction between the government and social organizations, but it also refers to how the needs of the citizens are met (Kassa, 2011:4). Mhone and Edigheji (2003:3) postulate that ‘governance is the manner in which the apparatus of the state is constituted, how it executes its mandate and its relationship to society, in general, and to particular constituencies such as the private sector, civil society, non-governmental organisations and community organisations and how it fulfils the substantive aspects of democracy’. Government may be identified as one of the significant role players in public governance today, but this does not mean that it is the only role player.

In the article on governance as a theory, Gerry Stoker made one crucial observation regarding the identification of governance. According to Stoker (1998:19), governance is ‘a complex network of institutions and people derived from but also outside government’. This broad perspective of governance speaks to a variety of service delivery providers. These include the corporate and voluntary sectors, which now implore the responsibility of administrating governance beyond just being the government’s responsibility. Given Stoker's assessment from 1998, today's governance involves a variety of players, and the execution of governance is not entirely the responsibility of the government. According to Schwella (2015: 13), governance can be defined as a broader term than government because it ‘involves more societal actors than government’. Adding perspective to this definition is that governance utilises a ‘plurality of stakeholders’ (Bevir 2011:12). A plurality of stakeholders includes trade unions, non-governmental organisations, faith-based missions, business clubs, and community development organisations, to name but a few (Coetzee, 2014:159).

Another overarching concept to this discussion is ethical governance. In a nutshell, ethical governance denotes administrative measures, procedures and policies that accomplish the requirements required for ethically good or adequate way of managing organisations. Hence, the primary responsibility of individuals charged with managing governance, whether elected or delegated, is to make decisions that are always in line with the organisation's values, identity, vision, and mission. These decisions must be made in an ethical manner (IoDSA, 2016:20). However, the use of ‘ethical’ does not necessarily guarantee, of course, that true ethical values are upheld. As a normative concept, ethical governance stipulates the characteristics or attributes of ethically lead organisations. At the same time, it refers to the criteria used to evaluate the ethical character of governance. These characteristics include, for example, civil employees' integrity, equality, and fairness (Chhotray and Stoker 2010:17). According to this approach, good governance is a key factor in underpinning the integrity and efficiency of an organisation.

When people talk about governance, they usually think of good governance; nevertheless, negative governance also exist. Theorists and multilaterals have identified a number of good governance characteristics and/or elements that improve governance and allow for the practice of healthy governance practice. The next section of this chapter will highlight these characteristics and provide a synopsis of each characteristic/element.

2.7 GOOD GOVERNANCE THEORY

The importance of governance, especially good governance in contemporary times cannot be over emphasised. Good governance is only good if it improves the citizens quality of life (Fourie, 2009:1115). As a result, governance is a government's 'core business', which encompasses decision-making, conflict resolution, election administration, and resource distribution (Cole 2008:1; Munshi, Abraham and Chaudhuri 2009:4). According to Schwella (2015:12) governing good refers to the ethical dimensions of governance. The 'good' refers to characteristics such as 'predictable, open and enlightened policy making (that is, transparent processes); a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions; a strong civil society participating in public affairs; and all behaving under the rule of law' (World Bank 1994:vii).

The transitional constitution introduced the term 'rule of law' as the previous dispensation was based on the sovereignty of Parliament. This was a system whose fundamental principle is that Parliament is supreme and cannot be questioned by any other authority (Schwella, 2015:163). In 1994, when South Africa became a democratic state, the legal system became strongly entrenched in a culture of justification (Van Der Walt and Botha 2000). This simply means no man is above the law, in essence limiting the power of government (Corder and Federico, 2014: 3). Theories of good governance maintain that good governance and democracy are essential conditions for the development of societies (Fourie, 2009:1116). Embracing democracy is therefore considered to be a tool to achieve better governance. Hence, new standards of governance have emerged in line with the global extension of democratic norms. Political stability and accountability are hallmarks of good governance (Bodych, 2012:14). Transparency and power-sharing are also essential characteristics of good governance (Chhotray and Stoker, 2010:244).

In terms of the strong civil society participation, this study supports the view of Chhotray and Stoker (2010:167), Govender, and Reddy (2011:61). They state that participation by the public in decision-making is also a way to demand liability from the government. The aim of participatory governance is to deepen and broaden democracy, to empower the public, and to prevent domination by one party. Furthermore, public participation should go hand-in-hand with the necessary transparency and openness (Mle and Maclean 2011:1377–8).

According to Gildenhuys and Knipe (2000:93-130) good governance is based on constitutional principles such as human rights, civil obligations, the rule of law, and vertical and horizontal intergovernmental relations. The human rights mandate is the foundation of every governmental development policy. Schwella (2016:26-27) refers to the United Nations Development Programme's (UNDP's) 1997 document which expands on the characteristics of good governance. In brief these are:

2.7.1 Participation

This principle implies the active and equal participation of civil society, and that all people have a voice in decision-making; the empowerment of citizens, including women; and addressing the interplay between the broad range of civil societies, actors and actions (Agere, 2000: 9). The World Bank has made good governance practices a requirement for developing countries. The International Development Association (1999: 3) states, 'Good governance requires that civil society has the opportunity to participate… that directly affected communities and groups should be able to participate in the design and implementation of programmes and projects'. With regard to the principle of participation, the King IV Code (2016:5) recognises stakeholder inclusion as one of its cornerstones and further reinforces ethical corporate governance functions and structures. The code encourages employees to know and understand the genuine and reasonable needs, interests and expectations of organisations primary stakeholders. Some organisations appoint a corporate stakeholder relationship officer whose primary responsibility is to communicate with stakeholders and inform management about their requirements, interests, and expectations. In the same breath, the person must inform stakeholders of what the organisation expects from them (Padayachee, 2016:19). Understanding the expectations of stakeholders will tremendously aid the executive in developing a stronger plan to accommodate their needs. Stakeholder inclusivity encourages good ethical governance in the organisation as it gives stakeholders a voice in the decisions that affect them.

2.7.2 Rule of law

Government needs to have virtuous laws, institutions and processes in place to ensure accountability, equality and access to justice for all. Ekundayo (2017:159) adds that when the law rules a government, it affords organisations and society the comfort of knowing that all rights are respected and protected. In the Republic of South Africa, the Constitution fills in as the preeminent law of the nation. As the supreme law, the constitution provides the foundation for the 'Rule of law', Bester (2017:1) quotes the United Nations Secretary General's (2004: 4) definition of the Rule of law as '… a rule of governance wherein all people, establishments and elements, public and private, including the state itself, are accountable to laws that are publicly proclaimed. Similarly upheld and independently adjudicated'. The king III (2009:6) posits; "Good governance does not exists separately from the law and it is entirely unbefitting to unhinge governance from the law". The statement refers to specific legislation that enforce good ethical governance principles in the private and public sectors, respectively. Since then, a commitment to compliance and governance have become inextricably interwoven.

Corporate governance comprises of regulations and guidelines, which are used by different organisations, ranging from committees to government departments (IoDSA, 2002:9). These codes and guidelines consist of the King Reports on Corporate Governance and the Companies Act 71 of 2008.

2.7.3 Transparency

Transparency stipulates that institutional processes provide adequate information that is to be made easily available to the citizenry (Ekundayo, 2017:157). Transparent and available information; "means that information should be presented in easily understandable forms and media; that it should be publicly available and directly accessible to citizens who will be impacted by governance policies and practices" (Ekundayo, 2017:157). The free flow of information is the foundation of the transparency principle. Cloete and Auriacombe (2008:4623 cited in Coetzee, 2017:160) states that it is problematic if legislation limits or minimises the freedom of access to information as it infringes on democratisation. Transparent governance is when government officials behave truthfully and openly, providing citizens with knowledge of the decisions they are making. There should be an availability of information about governance policies and strategies, a clear sense of organisational accountability, and assurance that citizens can safely criticise authority. The same principles apply to corporate governance policies and structures. For example, the King IV Report (IoDSA, 2016:18) addresses transparency as an attribute of ethical governance. It states that it should be unambiguous and truthful with regard to decision-making and business activities, as well as management's willingness to share information with shareholders and stakeholders. Members of the governing body should exercise their governance roles and responsibilities in a transparent way. It might be a daunting task for executives to pull back the curtain on company financial performance figures to inform primary stakeholders about the company's state of affairs. However, being transparent with employees about the company's performance and future intentions, eliminates speculation, reduces worry, and can even foster a sense of ownership and trust.

2.7.4 Responsiveness

The Higher Education Commission states that responsiveness refers to the requirement that institutions and processes try to serve all stakeholders within a reasonable timeframe (Donen, 2018:14). This means that the government requires the ability and elasticity to accommodate changing societal challenges, within a certain timeframe. It is evident that a problem cannot be solved overnight; however, there should be deadlines by which the institutions should have devised a solution to the problem or determined a course of action. When a response is required and outstanding, it suggests a weak institution that is unable to respond quickly enough or is unable to verify that proper procedures are followed. A responsive organisation is one that is sensitive to the needs and views of their primary stakeholders. Organisations that are responsive try to serve all stakeholders to satisfy their needs, demands, and grievances within a reasonable timeframe. Responsiveness is where ethical governance requires that the organisational processes be designed in such a way that it is in the best interests of all stakeholders within a manageable timeframe (Waikenda et al., 2019:91).

2.7.5 Consensus Orientation

Consensus orientation is demonstrated by an agenda that seeks to mediate between the many different needs, perspectives and expectations of a diverse citizenry. Decisions must be taken in light of a thorough awareness that reflects a deep understanding historical, cultural, and social context of the community. However, the principle of consensus can only be achieved through a proper knowledge of the history, culture and sociology of a society. Thus, good governance theory emphasises broad consensus or mediation among the contending groups in the society or organisations. The purpose is to reach a general agreement that will completely and satisfactorily accommodate the differing interests and views of the various groups, especially with regard to policies and procedures where possible (Harrison, 2005; Sheng, 2009:2). Corporate governance according to the King IV Report (IoDSA 2016:5) encourages management to cultivate relationships with their stakeholders, which will make a consensus-orientated strategy easier. A consensus-orientated agenda seeks to mediate between the many different needs, perspectives, and expectations of a diverse citizenry, through the different stakeholder relationships. Organisations will be able to make decisions in a manner that reflects a deep understanding of the cultural, historical and social context of their stakeholders.

2.7.6 Equity and Inclusiveness

According to Turok, Scheba and Visagie (2017: 1), the recent increase in service delivery protests comes from ‘many poor communities feeling left behind with no stake in the country’s success. The effects are debilitating and harmful for the future’. Equity and inclusiveness mean that a society’s wellbeing depends on its members feeling like they have some skin in the game, being included in mainstream economic activities. Equity speaks to actions that are fair and just, it requires all groups in society to be given equal opportunities to improve their well-being in society (Donen, 2018: 14). All of the aforementioned concepts of good governance are aligned with equity and inclusivity, as they aim to prevent discrimination that occurs as a result of bad governance. When one considers the idea of participation, it becomes clear why equity and inclusion are so important in every society and organisation. Corporate citizenship positions organisations as an integral part of society (IoDSA, 2016: 23). This highlights the importance of organisations ensuring that all stakeholders, and the community they operate in, feel included and empowered to improve their livelihood. This is especially so for the individuals and groups that are most vulnerable.

2.7.7 Effectiveness and Efficiency

This refers to the strive towards processes and institutions that produce results that meet needs while making the best use of resources (Schwella, 2015:27). Any state's objective should be to use resources as efficiently as possible and provide outcomes in a timely manner for society. This is especially the case in the light of climate change, global warming and limited resources. Governments should invest in these two factors to ensure that natural resources are used sustainably, and that economic growth is improved. Development is defined as a 'process in which communities extend their personal and formal capacity to manage resources in order to achieve a sustainable, enhanced quality of life that is consistent with their own goals' (Turok et al., 1994:30). He further explains that the developmental process is built on six pillars: economic growth, capacity building, participation, self-empowerment, economic resource distribution and self-reliance (Turok et al., 1994:31). Pollitt (2003) explains efficiency as the ratio between inputs and outputs, meaning government is more efficient when he reaches more outputs with less inputs. Ethical governance is about doing the right thing, always. As a result, the King IV Report (2016:23), postulates that 'sustainable development understood as development that meets the demands of the present without compromising the ability of future generations to satisfy their needs, is a major ethical and economic imperative. It is [a] fitting response of the organisation being an integral part of society, its status as a corporate citizen and its stakeholders' needs, interests and expectations'.

2.7.8 Accountability

According to Danwood and Nijzink (2012: 5), accountability is defined by three fundamental factors. Firstly, 'it designates responsibility of the one in authority to answer for the exercise of his or her powers. Secondly, accountability requires public officials to act in a manner that responds sufficiently to the needs and expectations of the public. Third, accountability entails the application of some form of sanction if the one in authority fails to answer for the exercise of his or her powers or if he or she is unresponsive in the manner indicated above'. This principle is the cornerstone of the good governance theory. It underlines that all players, including those in government, business, voluntary organizations, and civil society, must be held accountable to the people they serve (Rotberg, 2004; Rothstein and Teorell, 2008). Ethical governance is having someone to hold and accountable and someone who can provide the answers that stakeholders need. The King IV Report (2016:21) adds that governing bodies, known as the board, are responsible for providing accountability. This is because they are responsible for the running of the organisation, they steer and set direction, approve policies and planning and monitor management performance.

It is clear that ethical governance relies heavily on good governance in all its facets. Good governance is crucial because it offers the infrastructure needed to improve the quality of company choices. Ethical decision-making helps businesses to become more sustainable and effective in creating long-term value. Systems of governance affect the performance of the state and organisations in executing its core functions and through this the performance of organisations in meeting their major economic and social goals. Good governance is important as a determinant of the sustainability and strength of organisations.

Good governance rests on ethical considerations (Robson, 1999:157), and it is through ethical conduct and ethical administration that good governance is achieved. Ethical governance is especially pertinent in the corporate sector (business organisations). Corporations are distinctive, complex and among the most influential social institutions that have ever existed in human history. Actions taken by corporations impact the societal ecology in which they operate (Bhasa, 2017:29). The effects of businesses reverberate through decades. This is why the running of these organisations has to be based on ethical governance. Therefore, ethical corporate governance is the framework that all must embrace.

This new ethical framework for business provides a more solid foundation for the application of moral ideals and ethical reasoning. 'In the end, businesspeople are accountable as individuals, but more importantly they are accountable as individuals in a corporate setting, where their responsibilities are at least in part defined by their roles and responsibilities in the organization…businesses, in turn, are defined by their role(s) and responsibilities in the larger community...' (Clark. 2012:405). This implies an ethical alignment of individuals, corporations, and the economic system, as encapsulated by Cadbury's definition of corporate governance, which was approved by the World Bank:

"Corporate governance is concerned with maintaining the balance between economic and social goals and between individual and communal goals…The aim is to align as closely as possible the interests of individuals, corporations and society."

2.8 CORPORATE GOVERNANCE AND BUSINESS ETHICS

As society and businesses realise the interdependence of their actions, ethics has permeated the corporate world, compelling them into developing a moral conscience. Corporate governance, business ethics and corporate social responsibility are new and emerging concepts in management. These concepts are some of the miens through which this emerging ethical instinct/predisposition in the corporate sector is trying to express and embody itself.

In this regard, ethics should be understood as something that constitutes both our knowledge and us, rather than a normative system that dictates right action.

Hence, business ethics is not an addition, but a necessary component of any genuine engagement with a topic as complex as ethics. Business ethics encompasses the study of the ethical dimensions of organisational economic activity on the systematic, organisational and inter-organisational levels (Khomba and Vermaak, 2012:3511). Business ethics is concerned with what is good and right in a specific economic activity and involves a moral analysis and assessment of such economic activities and practices by an organization. Ethics is set of rules that define right and wrong conduct, assisting individuals in distinguishing between fact and belief and, and determining which moral standards should be applied to the circumstance (Khomba and Vermaak, 2012:3511)

Ethical behaviour is characterised by selfless attributes that create an equilibrium between what is beneficial for the organisation with what is good for the stakeholders. As a result, all theoretical viewpoints on the ethicality of competing economic and social systems would be included in business ethics. The study of business ethics is evolving, just as people's perceptions of organizations' role and status change through time. Business ethics is a branch of study that employs moral analysis and judgments of economic practices and activities at the macro-economic level, the organisational (meso-economic) level, and the inter-organizational (micro-economic) level (Rossouw, 2010b:16)

The first level is the macro-economic level, where business transactions take place within national or international frameworks (Rossouw, 2010b:20). Other business transactions take place at the meso-economic level, where an organisation interacts with other stakeholders, including society. Within the framework of societal interactions, business activities have an impact on different stakeholders, which includes suppliers, customers, the community and the natural environment. Finally, business ethics can be applied on a microeconomic level, focusing on the moral components of business operations, policies, behaviour, and decisions made within an organisation. Employee welfare in terms of work environment, health and safety, and remuneration are all issues with internal ethical implications.

Corporations are idiosyncratic and amongst the most complex social institutions to have existed in human history. Actions taken by corporations affect the societal ecosystem that they operate in (Bhasa, 2017:29). With that being said, there are numerous views on the roles of corporations, based on geographical perspectives (Rossouw, 2009b: 43-51). These different views gave resulted in different approaches on how corporate governance is implemented in different parts of the world. According to (Rossouw, 2009b: 43-51), different sets of socio-cultural frameworks underpin various corporate governance systems around the world. This in turn reflect the societies in which these frameworks were established.

The first corporate governance approach is characteristic of the United States (Rossouw, 2009b: 44), where companies are thought to be primarily concerned with shareholders' financial interests. As a result, the US market is firmly connected with a shareholder-centred strategy, and it is ‘exclusive’ in meeting the shareholders' profit motive. In Europe, on the other hand, an organisation is viewed as a multi-purpose institution that must serve and fulfil a variety of stakeholder concerns and interests. As a result, most European countries are associated with a stakeholder-centred approach to business ethics (Nkemele, 2019: 17). There is a similar stakeholder-centred approach in Southern Africa. The primary distinction is that the African perspective on ethics of corporate governance is based on an 'inclusive approach'. This speaks to an organisation's commitment to serve the interests of shareholders and all stakeholders. The ethics of ubuntu, a set of socio-cultural values, largely influences the organisation's stakeholder-centred approach towards corporate governance.

2.8.1 Ethics of Ubuntu

Discussions of corporate ethics based on a stakeholder-centred approach are similar to discussions of the African society's moral views or ethics. Asset distribution throughout the community, for example, is a key issue in a typical Afrocentric society. This cultural feature has aided the creation of community-based development programmes and cooperatives in which beneficiaries share resources. We also see the definition of ethics in the King IV (2016:12) glossary as 'considering what is good and doing what is right for self and the other and following the golden rule of doing to others as you would like them to do to you'.

Luhabe (2007: 18-27) in Zondi (2012: 89) agrees that the economy is more than just a set of figures that indicate economic performance; it is also a moral and cultural process through which nations choose to live and share their resources. As a result, countries must invest in large-scale projects that provide a stable future for all citizens, rich and poor. Such economic undertakings must establish a framework for deciding how to live in a way that respects the dignity, aspirations, and contributions of all inhabitants of the country. He also recognises the urgent necessity for the formation of a professional meritocratic public service capable of achieving African ubuntu principles (Zondi, 2012:89).

2.9 CORPORATE GOVERNANCE

The topic of corporate governance is a vast subject that enjoys a long and rich history. There is no definite historical golden thread to follow and attempting to address all the relevant aspects of its history in a systematic way would prove to be a daunting task. The history of corporate governance corresponds back to the beginning of corporations. Examples of these corporations include the East India Company, the Hudson's Bay Company, the Levant Company and other major chartered companies during the 16th and 17th centuries. Corporate governance has been a necessity since the use of corporate form created the possibility of conflict between investors and managers (Wright, M. et al: 2013:46). The conflict was created by the lack of regulated control that management had over company owners. This led to the abuse of power on the side of the board of directors (Malan, D.P., et al, 2002:37). Also, this created a demand for governance in the corporate sector.

Corporate governance covers a large number of distinct concepts and phenomena as we see from the definition adopted by the British-based Governance Institute ICSA; corporate governance represents a formal process or structure through the provision of leadership and direction in organisations. ICSA's definition of corporate governance emphasise 'the manner in which organisations are governed and to what purpose'. Moreover, it 'guarantees that organisations have proper decision-making procedures and controls in place to ensure the interests of all stakeholders (shareholders, employees, suppliers, customers and the community) are congruous' (www.icsa.org.uk). The Organisation for Economic Co-Operation and Development's (OECD's) (2004) provides 'a set of interconnections between a company's management, board, shareholders and other stakeholders. Corporate governance also supplies the processes through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance'.

From the above mentioned we can conclude that corporate Governance is a detailed disclosure of information and an account of an organization's financial situation, performance, ownership and governance, relationship with shareholders and commitment to business ethics and values. Furthermore, corporate governance involves the development of a lucrative relationship between different constituents of a corporate organisation based on the principles of fairness, transparency and accountability. Desai (2012:61) affirms that there is a strong relationship between effective corporate sector and economic development are intrinsically linked. He further adds that effective corporate governance systems promote the development of strong financial systems irrespective of whether they are largely bank based or market based and also have assist in poverty alleviation. For the purposes of this study, definition of Corporate Governance is defined as: a system of rules, practices and processes for effective control and governance of organizations. Steered by those charged with governance to achieve organisational objectives and maintain long-term sustainability, achieved through acknowledging and strengthening stakeholder relationships.

Many disciplines have affected the development of corporate governance (Mallin, 2011:12). Finance, economics, organisational behaviour, accounting, law, and management are among these fields (Mallin, 2011:11). As a result, these disciplines give rise to the various theories that underpin the evolution of corporate governance.

2.9.1 Agency Theory

The agency theory is founded on the idea that a company's day-to-day operations are delegated to directors (agents) by the principal, who is the company's owner (Kondlo, 2016:13). The principal thus expects the agent to constantly make judgments in the principal's best interests (Solomon & Solomon, 2005:17). That is, the agent's decisions should result in sustainable wealth creation for the principal (Nkemele, 2019:10).

However, Mallin (2011:12) notes, 'the agency relationship may be prone to disadvantages generated by the agent's opportunism or self-interest'. Furthermore, according to Solomon and Solomon (2005:17), the agent and principal's interests are rarely on the same page.

While the agent will seek out profitable short-term contracts to maximise his or her income, the principal will prefer ventures that will assure the company's long-term viability (Barac and Moloi, 2010:20) in (Nkemele, 2019:10). Corporate Governance systems address this very challenge.

2.9.2 Shareholder Theory

The shareholder theory was originally proposed by Milton Friedman, and it states that the sole responsibility of business is to increase profits. It is based on the assumption that management is engaged as the shareholders' agent to run the firm in their best interests, and as such, they are legally and morally bound to do so (Hendrikse and Hendrikse, 2012:146). Only 'compliance to the essential principles of society, both those contained in law and those embodied in ethical custom' qualifies the rule to make as much money as feasible (Wiese, 2014:8). The shareholder theory is now seen as the historic way of doing business with companies realising that there are disadvantages to concentrate solely on the interests of shareholders. A focus on short-term strategy and greater risk taking are just two of the inherent dangers involved. The role of shareholder theory may be observed in the demise of companies like Enron and WorldCom, where constant pressure on managers to improve shareholder returns led to accounting fraud.

2.9.3 Stakeholder Theory

Unlike the Agency Theory, which calls primarily for shareholder accountability, the Stakeholder Theory demands on corporate accountability to a broad range of stakeholders rather than focusing solely on specific shareholder constituencies (Mallin, 2010:12). According to proponents of this view, firms' actions have an impact on the societies in which they operate. As a result, they should ‘discharge accountability to many more segments of society than merely their shareholders’ (Nkemele, 2019:12). Any individual, group, or party with an interest in an organization and the effects of its actions is referred to as a stakeholder in business. Employees, customers, shareholders, suppliers, communities, and governments are all examples of stakeholders. Diverse stakeholders have different interests, and companies frequently have to make trade-offs in order to please everyone.

Corporate governance is not just about accountability. Governance has an important role to play in value creation, innovation and strategy (Thomas, and Branson, 2012: 5). So far, in my research, the topic of ethics in governance is shoved to the background and is often the last chapter in many corporate governance books. They touch on the need for ethical governance as the right thing to do, not as an integral part of governance.

When referring to ethics and ethical business practices, are we assuming that one should neglect their innate nature of selfishness and consider what is good for others? The question will then arise of whether the nature of corporate governance postulates upon moral obligation. Accountability, responsibility, fairness and transparency being the core values of corporate governance paint an image that corporate governance sees ethics as an integral part of corporations. There is a great need in a country that faces unfathomable levels of unemployment to put emphasis on non-stakeholder interests especially in the private sector. Bridging gaps of income inequality, private sectors are being obligated to uplift and give back to society and assist in the urban development of the country. Maitland (2001: 140) agrees with the notion that stakeholders such as employees and local communities will benefit from shareholder interests. It is further stated that these stakeholders will automatically benefit, in a top-down manner, from the profit of optimisation of shareholder interests. The 'participatory corporate governance system', found on page seven of the second King Report, opts for an inclusive stakeholder approach. It also designates responsibility for corporate governance and ethics to the board of directors' (IoDSA, 2009:7).

2.10 CONCLUSION

From the definitions of ethics, one can conclude that ethics encompasses three distinct concepts: systematic moral thinking or contemplation; individual morality and a shared understanding of what is permissible for people in an organisation. The importance of creating an ethical organisational culture that fosters both compliance and a value-based approach to ethics in organisations has proven to be crucial.

A value-based approach to ethics engenders an environment, and ultimately a culture in which employees feel that their time and humanity are respected and recognised. This makes them more likely to treat the organisation with respect and comply with company rules and regulations. It is imperative that organisations do not undermine how much values influence people, and they should use that as a starting point to create a workforce that is motivated and committed.

Good governance principles provide a basis for corporate governance to enhance the stability, development and equity of society. It further helps both stakeholders and the organisations see the positive and proactive role of business. It was crucial for this chapter to underpin the concepts that are related to ethical corporate governance and to discuss each in depth. It is important as each concept has its own relation and implications with regard to ethical corporate governance. The value of unpacking and analysing all concepts is to understand the basis of why ethical corporate governance has such an important role to play in business and society at large.

Good governance provides organisations with the value of legacy, as the principles of good governance, when applied as recommended, provide the pillars of ethical corporate governance. Ethical corporate governance has the power to positively alter the trajectory of a nation, and that remains the most significant value of ethical corporate governance.

The next chapter is aimed at analysing the contribution of legislation towards ethical corporate governance in South Africa. To understand this, it was necessary to explain all the concepts that relate to ethics and ethical governance and corporate governance. The next chapter aims to evaluate the contributions that the legislation has in further creating an ethical culture in the corporate sector.

CHAPTER 3: ETHICAL CORPORATE GOVERNANCE LEGISLATION IN SOUTH AFRICA

3.1 INTRODUCTION

Corporate governance has been a crucial business concern since the inception of the first organisation. However, formal preliminary guidelines in this regard were only published in the early 1990s. Despite the subsequent development of corporate governance codes in several countries, including South Africa, the 2008 global financial crisis was attributed in part to weaknesses and failures in corporate governance mechanisms (Kirkpatrick 2009). As a result of the crisis's crippling consequences, there has been a greater focus on ethical corporate governance procedures around the world (Van Zyl and Mans-Kemp, 2020:2). A one-size-fits-all strategy is impracticable because there are several aspects that influence the formulation of corporate governance principles; thus, country-specific concerns were incorporated into the guidelines in various nations as well as in South Africa.

Corporate governance has a broad scope. It takes into account both social and institutional factors. Corporate governance promotes a reliable, moral, as well as ethical environment. Transparency, disclosure, accountability and integrity are at the heart of corporate governance. In the last decade, many emerging markets, international bodies, governments, financial institutions. They are public and private sector bodies have refined their corporate governance systems and are encouraging debate and spearheading initiatives towards ethical corporate governance. Effective corporate governance requires clear and unambiguous legislation and regulations. Legislation that necessitates ongoing legal interpretation or is difficult to interpret on a day-to-day basis can be manipulated or misinterpreted inadvertently (Clarke, 2012:408).

In the previous chapter ethical corporate governance was conceptualised, with good governance theory being explained as the framework of the study. In this chapter, we will focus on the legislation that is essential and at work in the enforcement of good governance principles that are at the centre of creating ethically governed organisations. The researcher will explore the evolution of ethical corporate governance and effectiveness of ethical governance in the prescriptive codes. The most notorious corporate governance failures in both the public and private sector will be highlighted. It will highlight showing how the lack of ethical practices saw state capture, and the downfall of PRASA and KPMG South Africa.

It should come as no surprise that the weight of our history is impeding our efforts to build a flourishing society. Its perverse legacy can still be heard in the echoes of the country’s staggering challenges. Therefore, it appears a timely act, as part of the introduction into corporate governance legislation to give a brief background of South African before democracy. This will further drive home the consequential need for ethical corporate governance.

3.2 SOUTH AFRICA PRE-1994

The South African economy pre-1994 under the apartheid era was strongly reliant on the mining industry, which was mainly responsible for the country's industrialisation and modernisation. The industry used to generate a substantial amount of employment and export revenues, as well as indirectly contributing to the economy and supported a host of service-related industries (Maroun and Cerbone, 2020:11). As a result, mining generated an average of 12% of South Africa's gross domestic product per year between 1950 and 1990 (Armstrong et al., 2005). During the same period, the country's mining companies accumulated substantial financial reserves, allowing them to diversify their operations and investment holdings (Armstrong et al., 2005). They held a number of diverse investments by the 1990s, putting them in a key position in the South African economy, Anglo American (Anglo) was one of the most dominant mining companies. Anglo was created in 1917 in South Africa, and during the 1960s and 1970s, it was able to extend beyond mining into a variety of areas of the economy. Nonetheless, the country faced a declining growth rate, which had been a prominent feature of the South African economy in the 1970s. This persisted in the 1980s until, by the end of the decade, slow growth had been replaced by no growth (Jones and Inggs, 1994). Moreover, the lack of ethical governance resulted in South Africa being ostracised politically and economically as international sanctions poured in against the apartheid regime (Mariotti and Fourie, 2014:116)

The National Party government introduced exchange control regulations to preserve capital and prevent the depreciation of the South African Rand (ZAR). This forced successful South African companies and the country's wealthiest families to invest surpluses locally rather than diversify by moving funds abroad (Maroun and Cerbone, 2020:11). Despite the implementation of a complex exchange rate system, the regime was unable to halt politically motivated capital flight or encourage foreign investment during the 1980s. The approach resulted in increased industry concentration, reduced manufacturing export growth, and increased exchange rate volatility, among other factors (Mariotti and Fourie, 2014:121).

On the socio-economic front South Africa's mining houses were intricately tied to its colonial and apartheid policy. In particular. The migrant labour system was a historical system. It was created to reconcile the conflicting needs for low-cost unskilled labour in mines and towns with the apartheid ideology that workers should not be allowed to live there permanently. Workers were accommodated in large and crowded single-sex hostels and, in time, they became synonymous with overcrowding and squalor (Vosloo, 2020:2). In addition to disturbing community and family relationships, hostels became the breeding ground for debauchery, crime, and the transfer of infectious diseases such as tuberculosis and the human immunodeficiency virus (Tutu, 2003). Ethical corporate governance highlights the role of the organisation as that of being a part of the society and contributing to the wellbeing of their employees and the community in which they operate (King IV Report, 2016:23). The lack of ethical corporate governance has debilitating effects that reverberate for decades. During the 1970s, many of the exploitative problems linked with the country's labour movements were recognised. However, little action was taken because of the high financial costs and a lack of political interest from the apartheid government. This was because the impacted populations were mostly black Africans (Catchpowle and Cooper, 1999) in Maroun and Cerbone , 2020:14). Nonetheless, mining companies were taking steps to alleviate the socio-economic ills of South Africans who were disenfranchised.

Following the 1976 Soweto Uprising, Anglo American Corporation's Chair and Vice-Chair, Harry Oppenheimer and Anton Rupert, respectively created the Urban Foundation. The foundation aimed to aid in the education of Soweto residents, encourage changes in workers quality of life, and create a forum for peaceful discussion of socio-economic issues. However, the Urban Foundation (and similar initiatives) was met with distrust and criticism. They were seen by trade unionists as ‘something firms were forced to undertake because of anti-capitalist resistance and the disinvestments campaign’ and ‘a mask for underlying structural problems’ (Maroun, and Cerbone. 2020:15). In other words, there was no guarantee that these social activities would lead to significant changes in company policy and operations (Maroun and Cerbone, 2020:15). The Organisation for Economic Co-operation and Development (OECD) speaks of the significance of ethical corporate governance in building an environment of trust, transparency and accountability necessary for fostering long-term investment.

By the 1990s, unethical governance prevailed as the legacy of apartheid. This had effectively shut out the majority of South Africans from the formal sector through the means of legislation to enforce politically, economically and socially segregation. The unemployment rate was predicted to be around 40% (Mariotti and Fourie, 2014:114). The prime lending rate was one of the highest in the world, but the exchange reserves were among the lowest. Direct foreign investment was almost non-existent; the South African economy was crippled. The expense of maintaining the apartheid regime had nearly bankrupted the government, and major utilities, such as electricity generation and telecommunications, were monopolies held by the state (Rossouw et al, 2002). Corporate practices and regulatory systems had fallen far behind international standards, in the absence of significant competition, the private sector had become complacent (Diamond and Price, 2010:58). This situation was exacerbated by the fact that a small number of insurance, pension and mining companies controlled the capital and money markets. In this context, there were few means for holding firms accountable for their financial success, and there were no regulations in place to ensure decent social and environmental policies. Even after the installation of a democratic government, poor corporate governance resulted in severe information asymmetry, making it difficult for the capital market to attract new investors (Maroun, and Cerbone. 2020:15). During the 1990s, flaws in the systems of checks and balances, which was designed to safeguard investors, contributed to a number of company failures (World Bank, 2003).

In short, by the time the ANC assumed power in 1994, it, inherited an economy, which was riddled with a catalogue of problems. As redressing old past issues was at the forefront, change was eminent. For business, this change came with the publication of a Corporate Governance Code.

3.3 DEVELOPMENT OF CORPORATE GOVERNANCE LEGISLATION IN SOUTH AFRICA

The King Committee was established during a period when South Africa was going through enormous social and political transformations. These changes included the establishment of a democracy and the re-admission of the country to the Community of Nations and the world economy (ACCG, 2016:73). In South Africa, the growth of corporate governance has been both reactive and proactive. Over the last few decades, there have been efforts around the world to build international corporate governance norms that will provide uniformity to global practices. South Africa's recent past promoted the need for a unique approach to corporate governance (van Hooij, 2014:12).

While South Africa's corporate environment was not without its share of missteps. However, internationally acclaimed trailblazing corporate governance initiatives emerged primarily during and after the country's unified approach to corporate governance during and after the country's democratic transition (Chauke and Sebola, 2018:259). Nelson Mandela, among others, emphasised the need for clear instruction for individuals who had previously been excluded from holding the reins of political and economic power. This came to the fore during a talk that Mandela had with Mervyn King in the early 1990s. The King Committee was established in July 1993 under the auspices of the Institute of Directors in Southern Africa. It was supported by: the South African Chamber of Commerce; the South African Institute of Chartered Accountants; the Johannesburg Stock Exchange; the South African Institute of Business Ethics, and; the South African Institute of Chartered Secretaries and Administrators (ACCG, 2016:78).

The King Report on Corporate Governance is a guidebook for South African businesses providing governance structures and operations. The King Committee on Corporate Governance is a non-legislative body that was formed in 1992 to draft corporate governance guidelines. It was headed by former South African Supreme Court Judge, Mervyn King (Moloi, 2015:3). The Institute of Directors in Southern Africa (IoDSA) owns the King Report on Corporate Governance. Furthermore, The Code of Corporate Governance requires companies listed on the Johannesburg Stock Exchange (JSE) to comply with the King Reports. It is 'the most effective summary of the finest international practices in corporate governance, ' according to the King Report on Corporate Governance (Institute of Company Secretaries of India, 2019:23).

The King Committee has issued four reports since its inception:

- King I Report, 1994
- King II Report, 2002
- King III Report, 2009 and
- King IV Report, 2016

3.3.1 The key principles from the first King Report covered:

- The composition and mandate of the board of directors, including the function of non-executive directors and recommendations for the types of people who should make up the non-executive directors
- Nominations of the board of directors, as well as guidelines on the maximum term for executive directors
- Resolution and divulgence of executive and non-executive director's remuneration
- The number of times the board meets
- The necessity for effective auditing
- Affirmative action programs
- The company's code of ethics

The report was seen as a milestone for various reasons. This included its code of ethics and affirmative action plan. It was also most notable for laying the groundwork for companies to implement corporate governance actions. Furthermore, it made recommendations towards the enactment of legislation outlining corporate governance guidelines and made non-compliance with such standards punishable. The King I Report of 1994 promoted an integrated approach to sound governance, considering the interests of stakeholders and promoting sound financial, social, and ethical practices (Moloi, 2008:40).

With the first code, the promotion of ethics was considered as a 'tick box'. It was considered as a checklist for compliance rather than a way of conducting business operations. The researcher thinks it was a necessary and sufficient way of introducing ethical behaviour in corporate governance. The code of ethics set the tone for ethical practice for South African organisations.

Following the large-scale corporate governance failures in the United States, the United Kingdom, and at home, the second King Code of Corporate Governance (King II) was released in 2002. It focused on qualitative aspects of good governance such as the achievement of balanced and integrated economic, social, and environmental performance, or what is commonly called the ‘triple bottom line’ (IoDSA, 2002:21-41). This second report was notable for bringing companies’ societal obligations within the ambit of corporate governance. It therefore lived up to the expectations of government and the general public that the private sector would contribute to the country's transformation and growth (Institute of Company Secretaries of India, 2019:24). The King II Report incorporated sections on risk management, the board's responsibility, sustainability, and the suggestion that corporations adopt an internal audit charter. ‘Sustainability’ was defined as a focus on ‘those non-financial components of corporate behaviour that impact the organisation’s ability to survive and grow in the communities in which it operates, and hence secure future value creation in a corporate setting’ (www.saica.co.za)..

3.4 THE MAIN PRINCIPLES EMBEDDED IN THE KING II REPORT

1) Discipline
2) Transparency
3) Independence
4) Accountability
5) Responsibility
6) Fairness and
7) Social Responsibility.

3.4.1 Discipline

Corporate discipline is a commitment of a company’s senior management to adhere to ethical behaviour that is universally recognised as best corporate practice. It encompasses the company’s awareness of and commitment to the underlying principles of good corporate governance (Marx, 2008:181).

3.4.2 Transparency

Transparency refers to the ease with which an independent person might make a meaningful analysis of a company's actions, its economic fundamentals and the non-financial aspects pertinent to that business. It is an active duty of disclosure (Marx, 2008:181). It measures the extent to which management is making the information available that they are obliged to in a timely manner. In this way, it reflects whether investors get a true picture of the state of the company as they are entitled to. It plays an integral role towards the credibility of companies (Naidoo, 2008:182).

3.4.3 Independence

Independence refers to the extent to which mechanisms have been put in place to minimise or avoid potential conflicts of interest. These mechanisms follow a wide scope, including the composition of the board, appointments to committees of the board and the appointment of external parties such as auditors. All decisions and internal processes must be established in an objective and ethical manner, free of undue influence (Marx, 2008:182).

3.4.4 Accountability

Accountability is an essential element of corporate governance, creating an ethical business culture. All individuals charged with making decisions in a company need to be accountable for the decisions and steps that they take. Mechanisms should be put in place to allow for the effectiveness of accountability (Marx, 2008:182). Accountability should permeate all levels of the company. The notion of accountability allows investors to query and assess the actions of the board and its committees (Holder, 2013:108).

3.4.5 Responsibility

Responsibility pertains to behaviour that allows for corrective actions and for the penalisation of mismanagement within the company. Management has the responsibility, and must do whatever it takes, to keep the company on the straight

and narrow (Marx, 2008:183).

3.4.6 Fairness

Systems within the company must be balanced, taking into account the interests and expectations of all persons having an interest in the company and its future. The rights of various individuals and groups need to be recognised and respected (Marx, 2008:183).

3.4.7 Social Responsibility

A company must run itself and its business taking into account the community and its social impact. It must give back to the community at all times to fulfil its duties in terms of Corporate Social Responsibility. It concerns the welfare of human beings (Naidoo, 2009:247). West (2006: 445) argues that the second King Report's approach offers a more "inclusive" approach to corporate governance in South Africa, but that the position of shareholders, capital return, remains of paramount importance. The King II report of 2002 included a “Code of Corporate Practices and Conduct”. The Johannesburg Securities Exchange has encouraged all JSE-listed companies to comply with the King II report recommendations or explain why they are not. Van Tonder (2006) argues that the King II report was successful in highlighting the significance, necessity and constituents of corporate governance. The report also emphasised that corporate governance can be effective only if organisations adopts an all-encompassing stakeholder approach, founded on a clear set of ethical values.

3.5 THE KING III REPORT

However, corporate governance visionaries remained discontented with the treatment of sustainability in the King II Report. King himself argued that by placing sustainability in a chapter with that title, corporations had isolated it incorrectly from strategy and corporate (Engelbrecht, 2009). To underscore the importance of sustainability's integration into business strategy, the committee revised the code. The revision included the pivotal recommendation that organisations combine material financial and non-financial data in a single, integrated annual report. Therefore, the development of the King III Report of 2009 was intended to persuade companies to adopt integrated reporting. Accordingly, as Makiwane and Padia (2013:436) explain, ‘they were expected to report on their strategies, corporate governance, risk assessment, financial performance and sustainability dimensions, and to show how these components were connected to one another, so as to enable stakeholders to assess a company's performances holistically in terms of the organisation's ability to create and sustain value'.

The King III Report is the third and most complex document on the concept of corporate governance that we have in South Africa. This report has shifted to a more ethical approach of corporate governance. Planting (2013) notes that the King III report secured greater awareness of business ethics in South Africa. Indeed, ethical awareness was highlighted in the opening chapter of this Report, whereas it was mentioned only at the end of the King I Report of 1994. This difference in positioning indicates how ethical awareness has grown in importance in the intervening fifteen years and become the cornerstone of acceptable corporate conduct; and having a code of ethics was integral to achieving this goal.

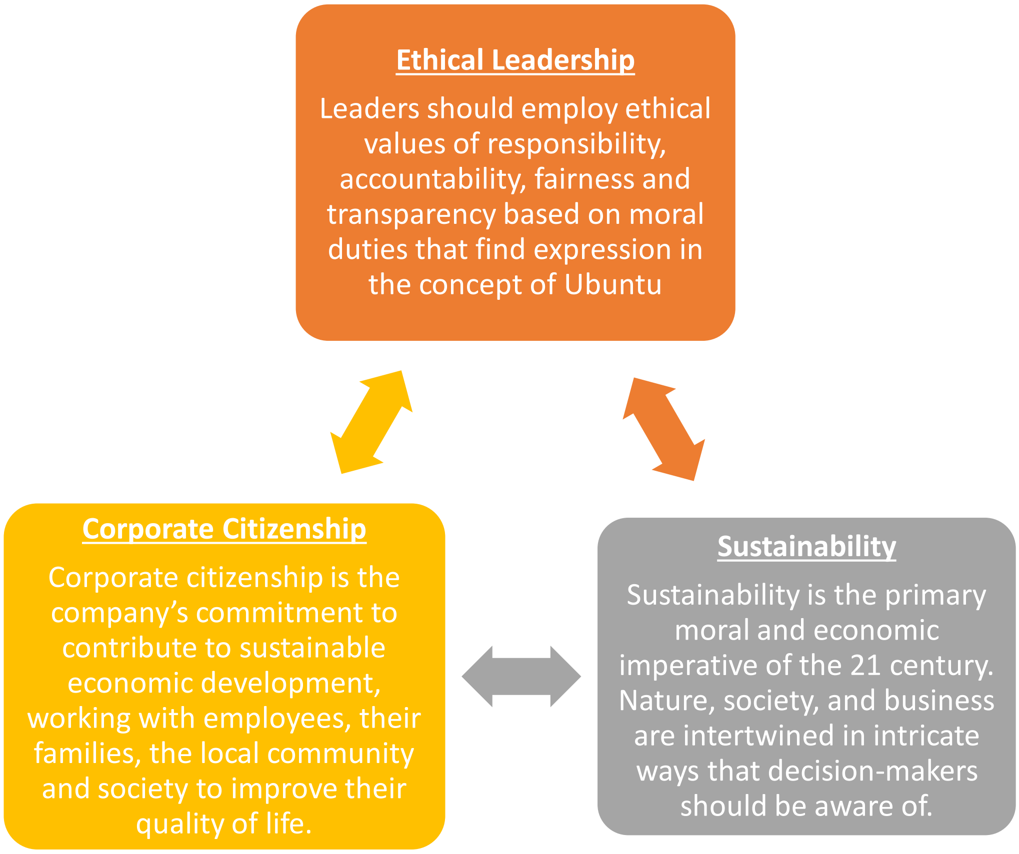

Figure 3.1: Essential principles of good governance in the King III report

Source: Own Figure

The King III Report's core philosophy is centred on ethical leadership. Ethics or integrity is the foundation of and the very reason for corporate governance. An ethical corporate culture comprises more than social philanthropy or charitable donations. Thus, corporate citizenship that is accountable is referred to as an ethical relationship between a company and the communities or the society it operates in. To enforce this, the King III Report requires the board of directors to ensure that the government's institutions and departments are run ethically (Mokgapo, 2006:80).

3.5.1 Summary of the King III Reports Principles

3.5.1.1 Stakeholder inclusivity

In order to secure the entity's long-term viability, King III (2009:13) takes an inclusive approach to stakeholders (e.g., employees, suppliers, customers, regulators, the environment, community, etc.) ensuring that their legitimate concerns are considered and recognized above soley the shareholders' interests.

3.5.1.2 Social transformation

Social transformation and redress from apartheid are crucial and should be integrated within the broader transition to sustainability. Integrating sustainability and social transformation in a strategic and coherent manner will give rise to great opportunities, great efficiencies and benefits for both the company and the individual (IoDSA, 2009:14).

3.5.1.3 Integrated reporting

An integrated report is a "brief document explaining an organisations strategy, governance, production and expectations, with regards to its external environment, leads to the creation of value over short, medium and long term". The King lll Report (2009:13) Report has placed a focus on the necessity of integrated reporting from the company to its stakeholders at specified times and in a specified form. The primary purpose of integrated reporting is to explain to the providers of financial capital, the shareholders, how the company has created value over a specified period of time (IIRC 2013:4).

3.5.1.4 Sustainability

Sustainability refers to something enduring and capable of longevity. The concept of sustainability has been adapted to business to mean the achievement of a balanced, integrated economic, social and environmental performance. Innovation, fairness and collaboration are key aspects of sustainability. Innovation allows for new approaches and expansion on current views of corporate governance and ethics; it allows for growth and new expertise. Fairness is a vital and prominent foundation for corporate governance, especially since social injustice leads to unsustainability and collaboration is needed for a large-scale change (Naidoo, 2009: 248).

Sustainability in terms of the three 'P's (people, planet and profit) is referred to as the TBL, which makes a significant contribution to the principles of the King III Report (2009:30). The 'triple Bottom Line' (TBL) is an approach for assessing and improving performance and managing the interdependence of economic, environmental and social criteria. It is aimed at reporting, assessing and improving an organisation in terms of sustainability (Nagawat and Mathur, 2011:146-147). Therefore, the TBL is used in the process of managing, measuring and publicly reporting multi-dimensional performance and integrating it with the management processes (Nagawat and Mathur, 2011:147). Furthermore, TBL is considered as an important tool to support ethical corporate governance through sustainability goals.

A study was conducted by Gold et al., (2013:788) on 'a path to triple bottom line approaches for multinationals'. It lists two case studies with practical examples of implementing the TBL approach. The companies (or their projects) Danone and BASF (Micronutrition Initiative) used the TBL approach to provide affordable nutritious food products. The significant contributions towards sustainability TBL and enterprise development are highlighted below.

- An organisation (or company) has a responsibility towards its employees and society (and the communities in which it operates). Organisations that follow the TBL approach always consider their actions and impacts on the people involved with them by offering better working conditions. They do not exploit their labour force (Nagawat and Mathur, 2011:148).
- Policies and practices that are environmentally friendly are priorities for companies that follow the TBL approach. Such companies try to avoid the harmful exposure

of those that may work in hazardous environments, as well as the disposal of harmful products into the environment. These companies adopt going green" policies and make profit through the use of renewable energy sources (Nagawat and Mathur, 2011:148).

- Organisations that follow the TBL approach work with little to no negative impacts on social and environmental surroundings. When calculating their organisations' profitability, they consider the costs of pollution, employee displacement costs and various other costs that may affect the community. They focus on making profit that is helpful for the whole community and not only beneficial to the shareholders and management (Nagawat and Mathur, 2011:148). Appendix Tables 1 and 2 provide a list of the case studies.

This reporting, in the form of an integrated report, will provide greater transparency to stakeholders on how well management has handled ethics; fulfilled its corporate social responsibility, and how well it has governed the organisations operations affecting its social and environmental impact (IoDSA, 2009:12). As a result, reporting should provide stakeholders with a comprehensive view of how the organisation is run. This is in line with ethical behaviour, as it keeps stakeholders informed and up to date with the affairs of the organisation's operations.

The focus has shifted away from a single line of reporting, notably financial reporting. Businesses are now compelled to report on their social and environmental duties as well. As a result, a triple-bottom-line technique is used to assess ethical compliance. It covers identifying a company's ethical risk, defining a code for the company's ethical standards, institutionalizing the company's ethical standards, and reporting on them.

3.6 THE KING IV REPORT

According to Grant Thornton (2017:2), the fourth edition of the King Report confirms South Africa's position as a global leader in terms of corporate governance policy, guidelines, and advocacy. The King Codes are still voluntary. However, elements of the code have proven to be so effective that it has been enshrined into legislation such as the Companies Act 71 of 2008. The inclusion of social and ethics committees as prescribed by the Companies Act 71 of 2008 is a good case in point (Meyer, 2021). The update also offers a chance to take into account developments in corporate governance globally; and has been utilised to reposition corporate governance as a source of value to organisations and not just a compliance check-box with which they have to comply. In essence, the report sets out the philosophy, practices and outcomes of corporate governance and therefore serves as a benchmark for good governance in South Africa.

3.6.1 Corporate Governance Repositioned as a Value-Add

This research and the day-to day lives of South Africans have been in themselves a case study. The lack of ethical corporate governance underpins virtually all the various ills that threaten our democracy and society's well-being. One of the main mandates of government as an institution of the society is to address the needs of the people (Coetzee, 2010:84). However, municipalities struggle to meet peoples' demands for service delivery because of corruption and incompetence; fundamental public sector institutions are rendered dysfunctional by the appointment of inept officials; and some parastatals are deemed to have become vehicles for enrichment (Dikotla, Mahlatji and Makgahlela, 2014).

Similarly, in the private sector, claims of collusive and anti-competitive behaviour surface regularly. Controversy also rages over the quantum of executive pay and the wage gap (Padayachee, 2017:18). Ethical corporate governance, mindfully applied, is a fundamental part of the solution to these and other challenges. The underlying philosophy here is 'mindfully applied'. This is where the King IV Report hopes to make the most impact by connecting governance more tightly to value creation and the achievement of desired outcomes (Judin, 2018:24).

3.6.2 The Four Kings of the King IV Report

What makes the King IV Report distinctive is the new definition of corporate governance. Previous editions of the King Reports that essentially defined corporate governance as the system in which an organisation is controlled. the King IV Report moves towards a mindfully applied new definition: Corporate governance is the exercise of ethical and effective leadership by the governing body towards the achievement of four governance outcomes (IoDSA, 2016:11).

- Ethical culture
- Good performance
- Effective control

- Legitimacy

The King IV Report has repositioned itself from the ‘apply-or-explain’ approach adopted in the King III Report to the ‘apply-and-explain’ approach. The purpose was to reinforce the qualitative application of its principles and practices (IoDSA, 2016:27). It has also reduced the 75 principles in the King III Report to 17 basic principles in King IV, the last one only applying to institutional investors bodes well for a more focused and streamlined approach to good corporate governance. The fact that the principles build on and reinforce one another is extremely beneficial and will contribute to a more integrated corporate governance strategy. (IoDSA, 2016:7).

3.7 KEY ELEMENTS EMBEDDED IN THE KING IV REPORT

From the preceding evolutionary stages of corporate governance in South Africa, it is apparent that the global changes that are related to corporate governance place certain demands upon organisations. Organisations are required to establish and set in place systems and governance structures that can effectively and efficiently support their functioning, success and stability (Todi, 2019: 12653). Thus, the King IV Report on Corporate Governance for South Africa is an attempt to respond to these changes and the related demands. Accordingly, the code provides a paradigm shift in how organisations are to be governed and led henceforth. The following are the components and characteristics that form the foundational rock, upon which organisations shall build their success.

The following are the components and characteristics that form the foundational rock upon which organisations shall build their success. They are: ethical leadership; the organisation in society; corporate citizenship; sustainable development; stakeholder inclusivity; integrated thinking and; integrated reporting (IoDSA, 2016:4). Significantly, the King IV Report is more easily applicable to all organisations, with an inclusion of sector supplements for: small and medium-sized enterprises (SMEs); non-profit organisations (NPOs); state-owned entities (SOEs); municipalities and retirement funds. The King Code includes both principles and recommended practices aimed at achieving ethical governance outcomes. Sector supplements use different terminologies relevant to their specific environments. This shows the need for flexibility in application, without watering down the practices of sound corporate governance across industries and sectors (KPMG, 2016:5).

As will be demonstrated by the impact of unethical behaviour in corporate sector organisations, it is obvious that ethical corporate governance and effective ethical leadership are absolutes essential in ensuring good governance. Related to this assertion, certain characteristics and recommended practices are embedded in the King IV Principle 1 of ethical and effective leadership. These, with the acronym ICRAFT, (2016: 43-44; Todi, 2019: 12653) as they relate to good governance, include the following:

3.7.1 Integrity

This recommended practice is about ensuring that members of the governing body act in good faith and in the best interest of the organisation, and as they fulfil their duties, are able to avoid unwarranted conflicts. In the context of ethical governance, integrity is the quality of being honest and having strong moral principles. It encompasses consistency between stated moral and ethical standards and actual conduct (IoDSA, 2016:14).

3.7.2 Competence

To ensure effectiveness members of the governing body are expected to have sufficient knowledge of the industry, the triple bottom line (namely, economy, society and environment) in which it operates, and be willing to augment their competence (IoDSA, 2016:43).

3.7.3 Responsibility

Fundamentally, as part of their proposed practice, members of the governing body must be prepared to take collective responsibility for steering and setting the direction of the organisation. The ability to detect risks and capture opportunities is one of the capabilities members of the governing body are expected to possess and demonstrate (IoDSA, 2016:43).

3.7.4 Accountability

Willingness to account for the execution of their governance role and responsibilities must be one of the practices that members of the governing body are prepared to adopt (IoDSA, 2016:43).

3.7.5 Fairness

In the process of the execution of their governance role and responsibilities members of the governing body are expected to embrace a stakeholder-inclusive approach, meaning they are to totally to avoid having biases when dealing with the business of the organisation.

3.7.6 Transparency

In all their actions and behaviours, as they relate to their governance role and responsibilities, members of the governing body must be transparent (IoDSA, 2016:44)

These components, which are also recommended practices, are key to promoting ethical governance as outlined by the King IV Report. They provide a framework for ensuring that those with the responsibility of governing are able to clearly provide ethical and effective leadership to the governing body of an organisation. Corporate governance should not be seen as an end in itself, but rather a means towards realising certain benefits or governance outcomes: ethical culture, good performance, effective control and legitimacy. Below are examples of unethical behaviour in the South African corporate sector.

3.8 STATE CAPTURE IN SOUTH AFRICA

The investigation is named after an academic term, ‘state capture’ which has become a buzzword - shorthand for the numerous scandals that plagued the Zuma administration and ultimately brought it down. State capture entails more than just influencing public policy so that it systematically favours some organisations over others. It's also about purposefully weakening that component of the state's law enforcement process that might crackdown on corruption (Dassah, 2018:2). Classic corruption involves public servants demanding or taking side-payments in exchange for services; politicians misusing public money or granting jobs or contracts to their sponsors, friends and families, and; corporations bribing officials to get lucrative tender deals. Complete state capture occurs when organisations can influence the nature of the legislative process, and political players allow them to do so for personal advantage. The state's entire policy-making system becomes commodified, something politicians are eager to sell it. Many of the allegations from the investigation center on the relationship between two families: the Zumas, who are led by former President Jacob Zuma, and the Gupta family.

The two families became so inextricably tied that they were dubbed the "Zuptas" (www.news24.com). State capture has emerged as a global threat in a number of countries. The phenomenon of state capture in South Africa was recognised at the beginning of the new millennium as an irregularity in governance, but gained currency in the South African political arena in 2016 (Dassah, 2018:1). "State capture" is "nothing new in the South African political economy, " according to Fakude (2016), and "the entire modern economy of South Africa is predicated on undue influence of business over politics and vice versa." The betrayal of the public interest is referred to as state capture.

3.8 THE PASSENGER RAIL AGENCY OF SA (PRASA)

According to a recent National Household Travel Survey, an estimated 80% of South African train users, roughly 550 000 people, have abandoned their use of rail transport since 2013 (www.businessinsider.co.za). At the foundation of this deterioration is a string of exorbitantly extravagant and unscrupulous contracts that siphoned billons of rands out of the Passenger Rail Agency of SA (Prasa) into the hands of greedy and opportunistic politicians and businessmen (Bhorat et al., 2017:26).

In South Africa, there is an apartheid legacy of spatial segregation. This means that most working-class citizens are pushed to the outskirts of cities, far away from employment opportunities (Magubane, 2018a:1). Inexpensive urban commuter rail transport plays a significant role in redressing these spatial inequalities in the face of other expensive forms of public transport. However, the prolonged financial and governance catastrophe at PRASA have stifled any attempts at ameliorating the broken state-owned entity (SOE) and providing a workable commuter rail service.

The Passenger Rail Agency of SA (PRASA) was launched in March 2009, and it integrated previously separate rail and coach transportation segments. Metrorail, which provides commuter rail services, Shosholoza Meyl, which provides long-distance regional train services, and Autopax, which provides coach services, were among the companies merged. The consolidation aimed to improve the efficiency of South Africa's rail system. It came after a decision by Cabinet on 1 December 2004.

The purpose was to ‘offer rail passengers integrated services that prioritize customer needs, provide better mobility and accessibility to transportation in pursuit of a better life for all’ (PRASA Annual Report, 2012/13).

The consolidation of PRASA and the integration of the South African railway systems constituted an ambitious project of modernisation; this included a considerable improvement to PRASA’s locomotive fleet, station and train security upgrades, and the installation of high-tech electronic services at certain stations. It called for a significant increase in state investment. According to PRASA’s first annual report, government funding surged from R800 million in 2007, to almost R5 billion in the 2008/2009 financial year. In addition, South Africa was preparing to host the 2010 Fifa World Cup. The government needed to ensure that the public transport system could handle the surge of visitors to demonstrate its efficient public transport system to the world (PRASA Annual Report, 2009/10). Many of these modifications were not finished in time for the 2010 World Cup. However, the government proceeded to increase funding into PRASA for rail infrastructure and passenger fleet upgrades (PRASA Annual Report, 2010/11).

The first indication that PRASA was not intending on seeing through the modernisation project came in 2012. The South African Transport and Allied Workers Union (SATAWU) called a strike in 2012 (mg.co.za), requesting an impartial forensic inquiry into allegations of ‘maladministration and related inappropriate behaviour involving procurement irregularities [and] lack of disclosure [of] and [a] conflict of interest by the Group Chief Executive Officer (GCEO) and other functionaries at PRASA’. The South African Transport and Allied Workers Union (SATAWU) further demanded that the Chief Executive Officer (CEO), Lucky Montana, be formally dismissed for ignoring the charges. The union claimed it had proof of improper and corrupt tenders, which it handed to Montana, who allegedly dismissed all allegations (Public Protector, 2015:5; Bhorat et al., 2017:26). PRASA’s board maintained there was no evidence to suspend Montana. Deloitte, an external firm assisted by PRASA's internal audit division, conducted a forensic investigation into the claims and dismissed the allegations stating they are baseless and false (www.news24.com/fin24). Nothing was done to further address the allegations, until the Public Protector, Thuli Madonsela, who released a report called *Derailed* (Gqirana, 2015:1), probed the noteworthy affair. The Public Protector launched an investigation into PRASA as a follow-up to SATAWU’s 37 complaints in 2012. These complaints alleged serious maladministration, the flouting of procurement processes, nepotism and whistle-blower victimisation (Public Protector, 2015:5; Gqirana, 2015:1).

PRASA's allocation of an R51 billion tender for the supply of 600 commuter trains highlighted the company's series of turbulences that is symptomatic of broad ethical corporate governance failures within the SOE (Brummer and Sole, 2016:1; Bhorat et al., 2017:26). The Passenger Rail Agency of SA (PRASA) announced that seven businesses have submitted bids for the tender's consideration (Magubane, 2018b:1). However, the Gupta family and its business associate Duduzane Zuma, who is also former President Jacob Zuma's son, represented one of the bids, China South Rail (CSR) (Montana, 2018:17). The representatives are accused of pressuring the then-Minister of Transport and PRASA's Group Chief Executive Officer (GCEO) to give CSR the contract (Magubane, 2018a:1; Montana, 2018:17; Staff Reporter, 2018a:1). The pressure of the representatives came with threats to compel the Minister of Transportation to restructure the PRASA board if their demands were not met (Montana, 2018:16-17). However, the PRASA board, however, did not give in to the representatives' demands and instead awarded the tender to another bidder, the Gibela consortium. Following that, the GCEO claimed he saw a Gupta colleague who informed him 'there is an agreement at the political level that PRASA shall be instructed to rescind the tender if it is not awarded to CSR... PRASA's board of directors is being restructured in order to fulfil this stated goal...' (Montana, 2018:17; Bhorat et al., 2017:26).

A new PRASA board was created in 2015. Despite this fact, the CSR representatives' capacity to use their influence to persuade the minister to make changes to the SOE board is concerning with regard to corporate governance standards. The notion that boards of directors are obliged to be independent in discharging their duties is a source of worry with regard to corporate governance principles. According to Montana, CSR officials demanded that the PRASA board be restructured 'unapologetically and unabashedly... with power, authority, and arrogance, without any regard for the law or the Constitution of South Africa' (Bhorat et al., 2017:25-26; Montana, 2018:15-18).

A director of a company may be dismissed from the board of directors by an ordinary resolution of the shareholders. This is stipulated in section 71 of the Companies Act

71 of 2008 (RSA, 2009:140). Furthermore, before the motion to remove the director in question is put to a vote, the director in question must be given the opportunity to make a presentation to shareholders (RSA, 2009:140).

3.9 KLYNVELD PEAT MARWICK GOERDELER (KPMG) SOUTH AFRICA

Klynveld Peat Marwick Goerdeler (KPMG) is one of the world's big four accounting firms, with offices in South Africa. KPMG's South African branch has been embroiled in two controversies. The South African unit of KPMG, a Big Four accounting firm, came under fire in 2017 after becoming embroiled in a corruption scandal involving one of the country's most influential families, the Guptas. Members of the South African Trade Union have termed the Gupta family "shadow government." They are a powerful family with deep ties to South African President Jacob Zuma. The auditing firm is accused of assisting the Gupta family in tax evasion. They did so by assisting the Guptas in diverting cash from the Estina dairy farm project to pay for a family wedding, allowing them to avoid paying taxes on the proceeds (Staff Reporter, 2017a:1; Maimane, 2017:1).

The goal of the project was to build a dairy farm that would assist eighty individuals of the community of Vrede (Poplak, 2018:4). The Free State Provincial Government awarded the Estina dairy project in the Free State province to Linkway Trading, a firm owned by the Gupta family, allegedly without a competitive tender process. Furthermore, the wedding costs were to be classified as deductible business expenses for tax purposes (Poplak, 2018:1)

Section 23 of the South African Income Tax Act 58 of 1962 prohibits the inclusion of wedding expenses as business expenses (RSA, 2004a:162). Klynveld Peat Marwick Goerdeler (KPMG) was aware of the accounting violation of these expenses (Quintal & Hosken, 2017:1). However, they failed to act on them in accordance with Section 45 of the Auditing Profession Act 26 of 2005 (RSA, 2006:31). This led to the allegation that KPMG South Africa assisted Linkway Trading in tax evasion.

As a result of the incident, KPMG South Africa has announced the resignation of nine executives, including the CEO, Trevor Hoole. The audit firm acknowledged that they ignored red signs when dealing with the Estina dairy farm project. Klynveld Peat Marwick Goerdeler (KPMG) South Africa '... fell short of the quality expected, and audit teams failed to apply adequate professional scepticism and to comply fully with auditing standards, ', according to the firm's own admission (Hosken, 2017:2). Linkway Trading caused SARS to experience a financial loss by treating wedding expenditures as business expenses and deducting them from taxable income. Klynveld Peat Marwick Goerdeler (KPMG) South Africa should have notified this classification as a reportable irregularity to the Independent Regulatory Board for Auditors (IRBA).

Furthermore, the controversy involved KPMG South Africa's independence especially with the close relationship between senior KPMG partners and the Gupta family. Despite what would appear as an overt conflict of interest, which the IRBA later criticised, senior KPMG partners attended the wedding (Quintal and Hosken, 2017:2). This is a corporate governance problem, because external auditors are expected to be independent, according to the King IV Report on Corporate Governance (IoDSA, 2016:32).

There have also been allegations levelled against the South African Revenue Service (SARS) that it has a hidden rogue unit (KPMG, 2015:2; Serrao, 2018:1). The rogue unit was suspected of spying on taxpayers while acting outside of the law (Staff Reporter, 2015a:1). KPMG's international arm conducted an assessment of KPMG South Africa's work for SARS and companies owned by the Gupta family. KPMG) International's evaluation of KPMG South Africa's work for SARS found no evidence of fraud or corruption on the part of KPMG partners and staff. However, the new KPMG SA CEO admitted that the work done 'fell far short of KPMG standards' (Staff Reporter, 2017e:1-2). The KPMG study acknowledged the existence of the rogue unit within SARS. It said that the rogue unit was known to the then-Commissioner of SARS, Pravin Gordhan (KPMG, 2015:73-81).

The investigation uncovered, among other things, the following facts, according to Staff Reporter (2015:3):

The unit operated outside of SARS' oversight and control.

- Members of the unit were referred to as ghost employees.
- Agents unlawfully intercepted taxpayers' communications.

- Agents spied on the National Prosecuting Authority (NPA), allegedly at the instruction of the Deputy Commissioner of SARS. For these findings, Gordhan was criminally charged, as the report alleged that he knew about the existence of the unit and endorsed it (Nicolaides, 2017:2). Gordhan was also subsequently fired as Minister of Finance, based on this report.

KPMG South Africa, on the other hand, withdrew the report's findings, suggestions, and conclusions after admitting to a decline in standards while working with SARS. Nine KPMG South Africa executives and board members, including the CEO and chairman of the board, resigned after admitting wrongdoing (Nkemele, 2019:76).

Following all of this, SAICA initiated an investigation into the persons involved in the two scandals, dubbed the Ntsebeza Inquiry (SAICA, 2018:1). The investigation was intended to look into allegations that SAICA members working for KPMG South Africa "had allegedly participated in behaviour in violation of the SAICA Code of Professional Conduct" (SAICA, 2018:2). The following is a summary of the harm caused by KPMG South Africa: In the face of obvious financial and business malpractices by its [clients], KPMG disregarded the basic regulations of Corporate Governance Code and the reputational credibility of the external audit function over an extended period of time. As such, South African business leaders and company directors have come face to face with a critical ethical decision, should they part ways with KPMG or not? (Abedian, 2017:2).

In South Africa, the costs of contemporary state capture have been devastating. Estimates range from a modest R500 billion to R1.5 trillion. These figures take into account money lost directly to corruption, low or non-existent economic development, lost jobs, and an increase of state debt and borrowing costs. The austerity measures imposed to please credit rating agencies have disproportionately harmed the most vulnerable South Africans. This was true even before the devastating effects of the Covid-19 pandemic, which disproportionately affected the poor.

3.10 LEADERSHIP AND ACCOUNTABILITY

'In the deserted harbour there is yet water that laps against the quays. In the dark and silent forest, there is a leaf that falls. Behind the polished panelling the white ant eats away the wood. Nothing is ever quiet'- *Alan Paton, Cry, the Beloved Country*

(1948:80). The political factualism of this quote was witnessed in July 2021, as looting, unrest and threats of an insurrection loomed the streets of South Africa (theconversation.com). Schoeman (2021) postulates that ‘at the core of these events is ethics, apart from the scale and scope of such wanton breach of the law and morality, but also because of consequences’. Preceding these events, there have been ongoing disclosures about leaders who enabled the state capture. Notwithstanding, the fact that this is large-scale looting, none of the political leaders and politically connected leaders accused of complicity have faced serious consequences. As a result, CNN's Richard Quest's query to Bruce Whitfield on State Capture in January 2020 remains befitting: "How many people have gone to prison so far?" (www.702.co.za). The lesson here is that a lack of accountability serves to legitimise unethical behaviour in leaders.

Due to this, the consequent sense of impunity allows the behaviour that has so deeply broken our country to be reframed as ‘seizing the opportunity. It would be fair for looters to claim that they were simply replicating the actions of State Capture leaders, albeit on a much smaller scale individually.

We are oftentimes reminded of a tragic joke that we have all heard. It goes like this:

> A Mozambican transport minister pays a visit to a colleague in Portugal. The Portuguese minister points out a bridge, a dam, a new road, and a flyover while flying over the country in a helicopter. He pats his back pocket, smiles, and says "ten percent" for each infrastructure project.
>
> A year later, the visit is reciprocated and now the Mozambican takes his Portuguese colleague on a helicopter ride. Flying over some ground, there is nothing to be seen: no flyover, no dam, no bridge, and no freeway. The Mozambican laughs heartily, patting his back pocket, and says, ‘hundred per cent” (Kesavan et al., 2020).

The joke, while maybe exaggerated, compares the breadth and depth of unethical practices in the two countries. It points out that corruption is widespread and infiltrated all levels in the second country. It is fair to assume that corruption in South Africa is at a similar magnitude as that described in the story. Current public debates appear to indicate that this is the case, seemingly that corruption appears to have reached epidemic proportions in South Africa (www.news24.com).

Unethical practices such as bribery and fraud, falsification of experience, illegal award of tenders and collusive tendering (Oke et al., 2016:15) occur around the world; they are not unique to developing countries. However, there is something glaringly different about the way in which unethical practices manifest in the developed and developing worlds (Oken and Pande, 2012:480). We have to be cognisant that unethical practices are much larger that than the incidence of bribery during procurement transactions. In developed countries because of their relatively robust and transparent institutions, direct influence in the procurement process is greatly reduced (Kesavan et al., 2020; Olken and Pharode, 2013:493). Supplier competition, a free media, a well-informed public, civil society activism, and oversight systems all help to keep everyone in check. This is not to say there are no possibilities to influence the process. There are opportunities early in the process, such as the analysis of needs, the design of solutions and purchase decisions. At the policy and programme level, they are mostly influenced by sectoral and lobby groups (Oke et al., 2016:16).

It is, however, unlikely that the delivery process itself is interfered with. In general, delivery is made according to the specifications. The bridge is constructed, trains are delivered, tax is paid, and assets are being maintained. Moreover, as one might imagine many people benefit from the procurement. On the other hand, in most of the developing world, the entire process is subject to manipulation from beginning to end. This can result in poor quality service delivery or no delivery at all, overpricing and significant leakages. As a result, instead of a positive multiplier impact, a negative multiplier effect is produced. More money is spent on less, and even that ‘less’ comes with costly maintenance and potential difficulties in the future. This is possibly the most devastating element of the South African administration today. We gain less value for the increased spending, and there is almost no upside (Gildenhuys, 1991:41).

The lack of ethical governance in South African institutions evidenced through pervading corruption is a national problem, and should be recognised and addressed as such. It cannot be dismissed as a side project involving the investigation of a few corrupt contracts or transactions.

In this regard, we must address the system and ensure that it operates in a fair and effective manner. There are numerous reports detailing the failure of management systems and policies. When so many institutions are broken and dysfunctional, damning governance reports make no practical difference. Replacing self-serving leaders with ethical ones in a broken system will be like to shouting into the wind.

The most effective repellent for unethical governance, then, is not the promotion of a yet another anti-corruption programme per se instead, it is the consolidation of an ethical governance strategy into the policies and procedures to rebuild functional institutions and help them to perform better (Muthien, 2014:2). This happens when teams of professionals led by ethical leaders are placed in pivotal positions of influence, when policies are improved, and impaired processes and systems repaired. The restoration of accurate reporting will obviate problems, such as fraud, inefficiencies and corruption. Systematic interventions, paired with a continuous maintenance of performance development will preserve the institutions for the future. Programmes purposed for change must have positive goals and restore hope so that positive energy is created in the institutions (Kesavan et al., 2020). We can fight corruption by rebuilding the nation.

3.11 CONCLUSION

This chapter has attempted to unpack and locate the concepts of corporate governance and its evolutionary process in South Africa. It is encouraging that ethics continues to be at the forefront of building successful organisations. Corporate governance in South Africa has not been static over the years but has gradually evolved. This is evidenced by the production of four different codes on corporate governance in the last 26 years. Important to note is the fact that although South Africa is considered a leader in corporate governance, this has not made the country immune to scandals and corporate failures. This chapter has displayed the development of corporate governance in South Africa. It focused on ethics, from when it was first formalised in 1994, to the latest production of the King Report in 2017.

This chapter has proved that ethical governance and effective ethical leadership in organisations are absolutes. They are essential in ensuring the effective functioning, stability and success of corporate sector organisations within the post-1994 setting. The researcher highlighted the significance of ethical corporate governance and ethical and effective leadership within the corporate sector. The researcher achieved this by using some examples from cases where organisations in the private sector and an SOE experienced challenges related to poor governance and unethical and ineffective leadership. This further emphasised the crucial need for the application of good ethical corporate governance principles, showing the detrimental effects of not applying them. Good governance is measured through a variety of metrics. The measurement of good governance has become a beacon of hope for investors. We will analyse the importance of the metrics used in analysing good governance in the next chapter

CHAPTER 4: CREATING AN ETHICAL CULTURE AND MEASURING GOVERNANCE

4.1 INTRODUCTION

From the Steinhoff profit and asset inflation; to the VBS bank heist fiasco, with looting of over R2 billion and KPMG (South Africa) struggling to stay afloat amidst the exodus of clients such as Absa, Sasfin an DRDGold (Business Insider, 2020). One can conclude that, corporate wrongdoing is a continuing reality in global business. Unethical behaviour takes a significant toll on organisations by damaging reputations, lowering employee morale, and increasing regulatory costs—not to mention the wider damage to society's trust in the business (Schoeman, 2017:11). Few CEOs seek out to gain an advantage by breaking the rules, and most organizations have in place anti-corruption measures in place at all levels. However, recurring corporate scandals demonstrate that we should do better.

Corporate compliance is on an increasingly criminalised path. That is to say, businesses are now approaching compliance primarily through the lens of criminal law. They are relying on the principles of criminal legislation, enforcement, and adjudication to achieve their compliance objectives. How this has happened is instructive. Following decades of self-regulation prior to the 1960s, most corporations' compliance functions have evolved according to a predictable cycle. A corporate scandal occurs, and public outcry ensues. This is followed by an ongoing criminal investigation and a public apology, and finally, sweeping legislative responses follow, all culminating in increased company-level compliance efforts (Haugh, 2017:1215). This cycle, which has repeated itself during the last decades, has resulted in compliance regimes myopically focused on limiting unethical behaviour to criminal investigations and damning reports of companies.

In theory creating an ethical culture makes great sense and should be a compelling objective for all organisations. Nevertheless, in practice there are a couple of obstacles to realising this goal. First, organisations do not always have a clear, strong understanding with regard to what a change in organisational culture would fulfil or what benefit it would deliver. Second, changing an organisation's culture, in this case to make it more ethical, is widely acknowledged as a challenging leadership task.

Unpacking these issues is important to ensure that the pursuit of an ethical culture is not undermined (Schoeman, 2017:10).

A change in culture cannot be achieved through a top-down mandate. It is rooted in the collective hearts and habits of people, as well as their shared understanding of ‘how things are done around here’.

4.2 PILLARS OF AN ETHICAL CULTURE

Creating an ethical culture thus necessitates thinking about ethics not simply as a belief problem but also as a design problem. We have identified four critical features that need to be addressed when designing an ethical culture: Values, ethical leadership, incentives, and ethics assessment and reporting.

4.2.1 Values

Any form of human behaviour whether individually or within a group, subscribes to a value or a set of values. According to Cloete (2013:10), values are enduring beliefs that influence the choices that we make from available means and ends. It is a range of values such as the social, political, religious and organisational that influences the attitudes and actions of people. Most of these values are in essence concerned with what is right and good and can be described as ethical values.

In his work on ethical behaviour, Schermerhorn (1996:48) explains values as the underlying beliefs and attitudes that help to determine individual behaviour. Schermerhorn (1996:48) is of the view that values may vary among individuals leading to people having different interpretations of what is ethical or unethical in a given situation. In a multicultural society like South Africa, it is to be expected that people will have different interpretations of what constitutes ethical behaviour. This is because values are affected by a variety of factors including upbringing and culture.

While organisations are encouraged to learn the values of their employees, it is not an easy process. An organisation may welcome those with perfectly ethical values, but this does not apply equally to employees at the other end of the value spectrum. To address this issue, leaders need to understand that as much as they are expected to learn the ethical values of their employees, their role is not to accommodate the diversity of values in their organisation. Rather, the leaders' role is to work towards aligning employee values with those of the organisation.

4.2.2 Ethical Leadership

Most, if not all, organisations would agree that the commitment of the organisation's leaders is non-negotiable in order to achieve an ethical culture. Thus, the success of achieving this goal is contingent on their active, ongoing attention. This should not be difficult but without it, the culture shift will most likely be limited to a few pockets within the organisation (Grobler, 2017).

Ethical governance is centred on leadership, sustainability, and corporate citizenship. It has grown in importance as a result of the focus placed on it in Chapter 1 of the King ll Report. Leadership is a process of influence. As a result, a person in a position of ethical leadership must be able to influence the behaviour of his subordinates.

According to Carrol (2009: 100-101) leaders have four main responsibilities, namely:

- Fulfilling the mission of the company.
- Obeying the law.
- Being ethical and
- Promoting good citizenship.

Carrol (2009:104) further suggests that one is an ethical leader in four different capacities, namely as; a 'private person'; as an 'economic agent' (representing the organisation in commerce); as an 'organisational leader' (setting an example of moral and ethical behaviour) and; as a 'boundary spanner' (referring to ethical responsibilities beyond the organisation). According to literature ethical leadership is largely concentrated on integrity and honesty, and ethical leaders are considered as fair and principled decision-makers. In today's changing environment, firms must create a culture that supports and encourages ethical behaviour if they want to achieve long-term success, strategic supremacy, and a successful corporate image. Leaders' behaviour affects other stakeholders' behaviour in the organisation, and their behaviour become the most compelling component in building an ethical culture. The exhibition of normatively suitable behaviour through personal acts and interpersonal connections might be regarded as ethical leadership in this context (Patterson, 2014:59).

Ethical awareness is an aspect of an ethics curriculum that is frequently overlooked. High levels of ethical awareness, on the other hand, contribute significantly to the development of an ethical culture, not least because they act as an effective deterrent to wrongdoing. This can be accomplished through creative, engaging awareness initiatives and consistent communication. But awareness isn't enough; knowing ethics is also necessary.

Ethics can be learned through a variety of methods, with training being one of the most important. The training must, without a doubt, be relevant to the employees' jobs, duties, and ethical concerns. It must also engage employees since the ultimate consequence is not only learning, but a stronger commitment to ethics - which is critical for the development of an ethical culture.

4.2.3 Incentives

It is a stodgy truism that people do what they're incentivised to do, meaning that aligning rewards with ethical outcomes is an obvious solution to many ethical difficulties. That may sound straightforward (just pay people for acting ethically), but money goes only goes so far, and incentive programmes must offer a variety of rewards to be effective. According to Epley and Tannenbaum (2017:74), who are behavioural psychologists, ethical behaviour contains some degree of prosociality, such as treating others with fairness, respect, care or concern for their welfare. Along with earning an income, employees care about doing meaningful work, making a positive impact, and being respected and appreciated for their efforts. In one study, hospital employees were more likely to follow proper handwashing procedures when a sign above the sink reminded them of the consequences to others ("Hand hygiene prevents patients from contracting diseases") than when it reminded them of personal consequences.

Nonetheless, organisations need not overlook the importance of nonfinancial incentives (Elpey and Kumar, 2019). Given that ethical conduct is core to an ethical culture, it is only fitting that its value should be recognised. This can simply be done by simply using employee recognition programmes, such as employee of the month, that include ethical behaviours or ethical values among its nomination criteria (Schoeman, 2017:12). Directly rewarding ethics is laden with dangerous. Paying someone to be ethical can go against ethical conduct. However, by including ethical behaviour or ethical principles as performance indicators in a performance management system, ethics can be recognised and rewarded with recognition, praise, and validation. This develops the company's ethical standards, maintains ethical awareness, and emphasises ethics as a part of successful performance.

4.2.4 Ethics Assessment and Reporting

A key step – and a good starting point – in pursuit of an ethical culture is that ethics must be routinely evaluated to provide an accurate, representative picture of the organisation's ethical state. Organisations have a variety of reporting responsibilities, many of which are mandated by law. The Companies Act 71 of 2008 introduced ethics to legal reporting requirements: the Act requires all except small businesses to establish a social and ethical committee, which is responsible for monitoring and reporting on ethics. This is mirrored in the King III and IV Reports. Its focus on ethical leadership and ethics management includes ethical assessment, monitoring, reporting, and disclosure of organisations' ethical performance (IoDSA, 2009:27). Reporting on ethics is considered 'necessary to provide the board and management with relevant and reliable information about the achievement of ethics objectives, the outcome of ethics initiatives and the quality of the company's ethics performance' (Smit & Bierman, 2017:84).

While organisations measure and track other key indicators, such as sales, costs, safety or profitability, may fail to measure what matters most to the overall success: ethical behaviour and the extent to which ethics is exercised to stakeholders. Like most of the factors above, this step should hold the same significance (Schoeman, 2013).

The Ethics Monitor, a confidential web-based ethics survey is a simple approach to gain a reliable measure of an organisation's ethical status. It complies with the Companies Act 71 of 2008 and the King III Report's ethics reporting requirements. Most importantly, its results can provide valuable, detailed insight into an organisation's ethical status. The parameters outlined below that provide such understanding also represent what ethics reporting should involve (Schoeman, 2013).

Quantitative measurements should ideally be used to examine and report on ethics. This allows the findings to be compared, for example, to show how things have improved over time or to highlight discrepancies between branches or departments. It also enables for the evaluation of the effectiveness of programmes aimed at improving ethical behaviour.

Ethics reporting should be based on an assessment of all internal stakeholders' perceptions and experiences, not only the limited perspectives of the organisation's directors and executives. The secrecy and anonymity that any ethics reporting method provides to respondents is critical to its efficacy, allowing people to share their thoughts and experiences openly and without fear (The Ethics Institute, 2014:12-16).

The following outcomes should be included in an ethics report:

- An outline of the ethics management system that shapes the company's management of ethics.
- The specific ethics initiatives that were undertaken in the reporting period and what they have achieved.
- The outcome or progress made relative to ethics initiatives in the previous reporting period.
- The organisation's current ethics rating as an indicator of its ethical status and the overall quality of its ethical performance.
- The organisation's ethical strengths.
- The organisation's current ethical weaknesses or areas of concern and how these will be remedied.
- The degree of ethical behaviour or ethical maturity, which should provide insight into employees' commitment to the organisation's values, the extent to which leaders are seen to live the organisation's values and the effectiveness of the factors that drive and improve ethical behaviour in the organisation.

- The levels of unethical behaviour, which should quantify the incidence of specific unethical behaviours and indicate the effectiveness of the factors that reduce or prevent unethical behaviour.
- The degree of inclusiveness or exclusiveness of the company's ethical boundaries, which should encompass the extent to which.
    - the organisation's values apply to different stakeholder groups
    - the organisation values its employees
    - the organisation pursues the wider social and environmental interests represented by the triple bottom line (Ethics Monitor, 2007).

The benefits of comprehensive ethics reporting are significant. External stakeholders, such as investors, might benefit from the assurance it provides, which can strengthen stakeholder confidence and the organisation's reputation. It has the potential to reduce unethical behaviour by raising ethical consciousness. It also encourages openness and transparency, which lead to increased trust and the development of an ethical society (Smit and Bierman, 2017:84).

Effective training for dealing with ethical dilemmas in the workplace (among other things) maintains an ethical culture. The following design characteristics should be considered to guarantee that ethics training programmes are effective: consider the 'knowing–doing' divide and do not educate what the audience already knows; teach ethics from your own ethical experience, not from a theoretical framework and; combine the right theory with the right practice. To develop an ethical workplace and culture, an ethics strategy should identify explicit ethical goals and behaviour. Six focus areas that should be included in this strategy. These include setting ethical standards; establishing an ethics committee; building ethical awareness; measuring and monitoring ethical status; taking action to improve ethical behaviour and reduce unethical conduct, and maintaining an ethical culture (Schoeman 2014:177).

An added benefit from the regular assessment of your corporate governance ethics derives from the business dictum that 'you can't manage what you don't measure'. Although this is somewhat of an exaggeration, you can certainly manage organisational ethics better and more easily if you measure it. The need to measure good governance in developing countries is critical. The important but seldom acknowledged role of ethical corporate governance in human development impacts ethical behaviour in employees and the broader society. The need to measure national governance is pertinent. This is because that same society becomes the employees and leaders of companies, and they further perpetuate unethical behaviour in organisations. The prevalence of unethical behaviour in corporations is thus not only a failure of corporate governance but that of governance as well (Schoeman, 2014:177; The Ethics Institute, 2014:18).

Being cognisance of why governance should be measured is essential in the process of value creation. Governance has significant effects on many aspects of a country's performance, and it reflects how situations are handled; thus, it demands to be investigated and understood when resolving the statistics of its application (Donen, 2018:54). The numerous techniques and governance indicators reflect the fact that good governance is assessed for a variety of reasons. As a result, there exists a pressing need to assess governance practices in order to identify flaws and areas for development. Measuring governance also reveals which types of governance have been effective and which have been ineffective. The sections that follow will cover the specific applications of governance measurements that have been recognised globally for best practice and/or application. It will also look at their adoption by a number of countries, both developed and developing (Dassah, 2015:716).

Given the existence of a growing range of indicators of the well-being of democratic governance, they can be evaluated utilising three criteria as provided by The United Nations Development Programme (UNDP, 2007):

- validity;
- reliability; and
- legitimacy.

These are critical considerations to assess the quality of governance, human rights, corruption, women's empowerment, civil participation, and other related issues (Bevir, 2010:187).

4.3 MEASURING GOVERNANCE

4.3.1 The Worldwide Governance Indicators (World Bank Institute)

The Worldwide Governance Indicators (WGI) are a set of metrics used by the World Bank to measure quality of governance. Since the 1990s, researchers and donors have focused more intently on the significance of 'good governance' as a determinant of development and as a development objective in itself. The World Bank states that governance refers to 'predictable, open, transparent policy-making processes; a professional ethos on bureaucracy; the executive arm of government that must be accountable for actions; a strong civil society participation in public affairs; and a rule of law' (Munshi, Abraham and Chaudhuri, 2009: 5). Good governance refers to the realisation of the foundational values of democracy. Therefore, the emphasis on good governance has generated a demand for indicators to measure the quality of governance for both research and aid assistance. The Worldwide Governance Indicators (WGI), which rank countries on six elements of 'good governance' are first generation aggregate indicators. Researchers, policymakers and investors depend on these indicators. This is because a country's rating affects the investor-perceived corruption risk with regard to which countries to invest in or not. This method is also applicable to the measurement of corporate governance.

The WGI measures the quality of six dimensions of governance (Bevir. 2010:187):

i. Voice and accountability: the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and free media.
ii. Political stability and the absence of violence: perceptions of the likelihood that the government will be destabilised or overthrown by unconstitutional or violent means, including political violence and terrorism.
iii. Government effectiveness: the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
iv. Regulatory quality: the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

v. Rule of law: the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence.
vi. Control of corruption: the extent to which the elites and private interests exercise public power for private gain, including both petty and grand forms of corruption, as well as 'capture' of the state. (Bevir, 2010:187)

The World Bank is one of the most prominent and respectable international institution for measuring governance and is thus regarded as a reliable source of data. The World Bank continuously warms against treating the six aggregate indicators as mutually exclusive, existing outside of one another.

The elements of governance are interconnected, as stated in Chapter 2. If built appropriately, these pieces work together. Monitoring governance is important for a variety of reasons, including tracking country growth, understanding the dimensions and implications of effective governance for socio-economic development, as well as learning from the achievements and mistakes (Kaufmann, 2010:5). When a country's governance is evaluated, it can be used to determine where it stands in terms of its developmental stage. Organizations all throughout the world utilize governance measurements as explanatory variables to help them allocate foreign aid packages. According to Kaufmann (2010:5) foreign aid could only be used effectively in well-governed countries, therefore, the use of Worldwide Governance Indicators indicate the level of risk involved. As a result, governance measures are employed for a variety of reasons, including measuring countries' own performance.

The 'WGI encompasses 213 nations and territories and is based on several hundred variables generated by 25 different sources, including commercial data providers', according to Donen (2018:92). This reflects their reliability and reputation, and the fact that a number of countries around the world utilize their statistics, makes them the elite standard for measuring governance (Bevir, 2010:185), accept these governance indicators. The WGI was mainly based on the perceptions of macroeconomic management, however, the evaluation criteria has expanded to include trade and financial policies, corporate sector regulations, social sector policies, the effectiveness and efficiency of the public sector based on governance data sources (Kauffman, 2010:5). On a scale of -2, 5 to 2, 5, with 2, 5 being the strongest governance. The

2020 average based on 192 countries was -0.03 points. Singapore has the highest value at 2.34 and the lowest was Yemen at -2.31 points. South Africa scored 0.30. The below country-level governance rating reflects badly on the whole economy, making it extremely hard for investors to look at the country and wanting to invest in its economy. The implementation of ethical corporate governance in both public and private organisations will without a doubt improve the country-level governance rating, which means more investment probability equalling economic growth, further fighting unemployment and social ills.

4.3.2 The Ibrahim Index of African Governance

The Ibrahim Index of African Governance (IIAG) is a tool that measures and tracks the performance of African countries. The IIAG was established by the Mo Ibrahim foundation in 2006. The Index if known for its focus on provision of service delivery, postulating ‘every citizen has the right to expect from their government, and a government has the responsibility to deliver to its citizens’ (IIAG Index Report, 2020:8). The IIAG prides itself on comprising of the most comprehensive dataset measuring African governance, assessing African countries on a whole spectrum of governance dimension, from:

- Security and the Rule of law: Security and safety, Rule of law and justice, Transparency and Accountability, Anti-corruption measures;
- Participation, Rights and Inclusion: participation, rights, inclusion and equality and gender;
- Economic Opportunity: Public administration, corporate environment, Infrastructure and Rural sector; to
- Human Development: Health, education, human protection and sustainable environment (IIAG Index Report, 2020: 14).

The IIAG framework updated their data sourced to add three new sub-categories, namely:

- Anti-Corruption: A continuous sad reality of African countries struggling with corruption, the Index (2020:55) pointing out that corruption is most prevalent in the public sector, with public officials breaking down the state through bribes. Subsequently, pointing out that there has also been an increase in corruption in the private sector. The Index emphasised and this study emphasise the need for ethical governance and anti-corruption mechanisms.

- Inclusion and equality- Critical assessment of citizen's impressions of the integrity of elections, trust in electoral institutions, rights and the inclusion and equality of different groups and women. Also looks at political representation and equal socio-economic opportunities. King IV Report (2016:28) champions the protection of discrimination through ethical corporate governance in organisations. It does so through advocating for diversity. Therefore, the governing body should promote diversity in its membership across a variety of attributes relevant to promoting effective governance. These include the field of knowledge, skills and experience as well as age, culture, race and gender.
- Sustainable environment: This is a major topic in the study and is dealt with in detail in the previous chapter. The code of corporate governance in South Africa is on top of this through its promotion of corporate citizenship and environmental sustainability. The Index further calls for the enforcement of environmental policies, which is a great way for demanding governments to take climate change with the urgency it warrants (IIAG Index Report, 2020:9)

The Ibrahim Indicator of African Governance (IIAG) is a composite index that measures governance performance in 54 African countries statistically. Each IIAG dataset covers a ten-year period and provides a window of comparable data. The Mo Ibrahim Foundation defines governance as the supply of political, social, economic, and environmental public goods and services that every person has a right to expect from their government and that a government has a responsibility to provide. With its upgraded data collection methods, the IIAG is able to provide a more precise and relevant report on the state of governance affairs in African countries (IIAG Index Report, 2020:11).

According to The South African Institute of International Affairs (SAIIA) 'IIAG's view of governance is holistic, looking not only at democratic aspects, but also socio-economic factors' (Donen, 2018:94). The African Union (AU) in one of its political addresses, praised the IIAG, stating that it constitutes the most comprehensive dataset measuring African governance, assessing African countries on a whole spectrum of governance dimensions, from security to justice, to rights and economic opportunity, health and environment, to policy effectiveness. Policy effectiveness is essential when looking at ethical corporate governance and ethical governance as a design problem. Policymakers should create contexts that promote ethical behaviour and actions (Epley and Tannenbaum, 2017:73). Below is an example of how policymakers can devise systems intended to foster ethical behaviour.

Attention: Is ethics top of mind?

People have limited attention and are influenced by information that is readily available *or top of mind* at the time of decision-making. People simply act unethically because they don't think about the ethical implications of their behaviour.

Policy implication

Effective systems encourage people to consider ethics on a regular basis. Ethics checklists filled out before making a decision, signals that make ethical principles salient in the surroundings, and heuristics that can become repeated mantras for ethical action are all examples of triggers (Epley and Tannenbaum, 2017:77).

Once ethical behaviour slowly becomes entrenched into the fabric of public and private organisations, it will surely change society to become more ethical, exploring ethical behaviours.

According to the IIAG Index Report (2020:16), South Africa ranked in the top ten highest scoring countries in 2019, coming sixth with a score of 65.8 (out of 100.0). The Mo Ibrahim Index measures 52 African countries. It has sadly reported that in the last ten years, *South Africa's overall governance has worsened by -0.9 in this period, making it the joint seventh most degraded country on the continent.*

The OECD as a governance measurement instrument will be discussed in the following section.

4.3.3 The Organisation for Economic Co-operation and Development (OECD)

The Organization for Economic Cooperation and Development (OECD) is known as a think tank or a monitoring organization. Its stated mission is to influence policies that promote prosperity, equality, opportunity, and well-being for all people. It has dealt with a variety of concerns over the years, including enhancing the standard of living in member countries, contributing to global trade expansion, and fostering economic stability, this definition lays bare the responsibility and vision of ethical corporate governance. Therefore, the OECD's primary goal is to assist countries with development in a variety of sectors that contribute to a country's overall growth. Policy development and implementation are critical to the growth of a country and its companies; thus, the OECD is committed to aiding nations in developing structures and processes that would strengthen and reinforce good governance practices (OECD, 2011: 2).

Accordingly, unlike other organisations that try to quantify the quality of governance, the OECD's goal is to assist developing countries in improving their governance frameworks. The OECD is a forum for countries to gather and find solutions to common challenges, encourage ethical governance practices, and exchange ideas (OECD, 2011: 2). As a result, the OECD is more of a tool for promoting excellent ethical governance practices than a tool for measuring governance, making it reliable to monitor ethical good governance practices. Furthermore, OECD is popular for utilising performance measurement of policy programming as a crucial criterion for good governance. This is an essential instrument for establishing accountability and encouraging transparency (OECD, 2017: 386). One of the most significant challenges that many developing countries face globally is performance measurement in the public sector. It is perceived as a crucial component for developing countries in their fight to address their governance deficits. Good governance is indispensable for sustaining economic transformation in developing countries. However, developing countries such as South Africa currently lack the will and capacity to both achieve and sustain a climate of good governance. The absence of performance measurement creates a disparity in the assessment of good governance practices.

When the public is excluded from the formation of public policy, the identification of critical service delivery needs, and an awareness of the issues at hand, inevitably leads to the loss of a fundamental democratic process. In a 2017 research report on politicians' attitude on voice and accountability the following came to the fore: According to Lieberman, Martin and McMurry (2017:12-15), evidence from a South African survey on councillors gave a grim picture. It showed that a full 32% of respondents opted for an 'efficiency' or 'getting- things-done' value over citizen input. Fifteen per cent of respondents said they need to listen to their party leader first and foremost. This research reports reveals a threat to the democracy of the country. This disheartening reality re-emphasises the need for ethical leaders produced through the cultivation of an ethical culture in every organisation in South Africa.

As indicated by the information presented above, the OECD is dedicated to assisting countries in restoring and strengthening trust in institutions and communities. The OECD hinges on the philosophy of good governance practices, by encouraging the creation of inclusive, fair, and sustainable economies and societies, with efforts being made to establish common citizenship values (respect, justice, personal and social responsibility, integrity, and self-awareness). These values promote ethical governance in every sector of a country.

4.3.4 The African Peer Review Mechanism -APRM

The APRM is a mutually agreed instrument voluntarily assessed to by African Union member states as an African self-monitoring mechanism. The APRM is often described as 'Africa's distinctive and innovative approach to good governance' with the objective of improving governance dynamics at the local, national and continental levels (Rashed, 2015:5). Therefore, it is applicable to good governance within the framework of this study. The APRM's underlying theme is democracy and good political governance aimed at ensuring that the constitutions of member states reflect the democratic values, provide accountable governance, and that political representation is encouraged, and empowering citizens to participate in an equal and inclusive political environment.

Furthermore, the APRM is determined to increase efforts to promote ethical standards, policies and good governance practices as these are essential conditions for economic growth and sustainable development amongst member states. The following subject categories are used to group the specified norms and parameters against which peer review is conducted: democratic and political governance, economic governance and management, corporate governance, and socioeconomic development. Thus, the APRM allows member states to evaluate themselves and for a panel to judge them, subsequently, identifying deficiencies in addition to providing solutions and reinforcing good governance practices (Omozuafoh, 2016:1).

This tool can be utilized to assess the progress a country has made in implementing standard regulations and procedures, yielding a self-reflective assessment on the state's position. Furthermore, the adoption of recommended policies and procedures by countries determine the effectiveness of the APRM mechanism.

However, although the APRM is a good tool for self-monitoring in theory, its efficiency and effectiveness has been questioned in recent years. The experience of pioneer countries that underwent the review process such as Ghana, South Africa and Mauritius have underlined the difficulties that both governments and civil society face. Pointing out that because of the complexity of the peer review mechanism, the regulations are not always clear, and the countries under evaluation receive insufficient training and technical advice. This monitoring system also faces significant human, financial, and technical resource constraints. The absence of effective follow-up is one of the mechanism's largest issues and major flaws. There are insufficient resources and capacities to track the implementation reports of nations that have completed the review process (Gruzd and Turianskyi, 2014: 2)

Former developments in countries reviewed have proved the mechanism's effectiveness as an early warning system for emerging concerns and potential crises. For example, the APRM report for Kenya foresaw probable political instability before ethnic-related violence erupted in 2007, while the study for South Africa foresaw xenophobic tensions before they erupted in May 2008. Other publicly available country reports also identify shared difficulties across Africa, such as managing diversity, combating corruption, and building accountability mechanisms that will enforce good governance.

The APRM is credited as an unprecedented landmark globally, a unique opportunity and one of the most important and innovative reforms for Africa in recent years, an organisation by Africa, finding Africa centered solutions to Africa specific problems. In South Africa the implementation of good governance systems, continue to be a source of concern.

4.2.5 Corruption Perception Index: Transparency International

Related well-known efforts to monitor specific facets of ‘good governance’ include the Corruption Perception Index (CPI), generated annually since 1995 by Transparency International. Transparency is a fundamental element of good ethical governance. Transparent governance is important as it fosters accountability within local governments and the communities they serve because corruption threatens the values of good governance, leading to the misallocation of resources, harms public and private sector development, and distorts public policy. The 2020 Corruption Perception Index indicates the perceived country-level corruption in 180 countries around the world, with 0-9 being highly corrupt and 90-100 being very clean. South Africa scored 44, this suggests that the country is equidistant between being ‘very clean and highly corrupt’ its propensity lies towards the latter (Corruption Index, 2020:3).

With the impact of Covid-19, the Chair of Transparency International, Delia Ferreira Rubio, recognised that it is not merely a health and economic crisis. ‘It’s a corruption crisis. And one that we’re currently failing to manage’ (Transparency International, 2020:8). Unfortunately, this also applies to South Africa. In a December 2020 article for the Daily Maverick, Mark Heywood aptly described Covid-19 as ‘he scandal of the year’. Corrupting has a corrosive impact on growth and business operations, inequality and income distribution. Not only does unethical behaviour disturb economic advancements in terms of economic efficiency and growth, but it also has an impact on equitable resource distribution across the citizenry, reducing the efficiency of social welfare programs and, as a result, lowering human development levels. As a result, impeding long-term sustainable development. When media reports pointed Gauteng Member of the Executive Council (MEC) for Health Bandile Masuku his Chief Financial Officer (CFO) and head of department for aiding friends and comrades (the Diko family, in particular) procure huge contracts. These contracts were worth R125-million for the supply of personal protective equipment through their private companies (Largardien, 2021). Many more billions that were spent through illegal procurement processes.

Chapter 1 noted the debilitating effects of corruption on the fabric of society, because corruption depletes the funds that should ensure effective service delivery and, in this case, ensure that hospitals are fully equipped in the face of this ruthless pandemic. Corruption also erodes trust in the country's leadership, as well as its political and economic structures, which is even more vital during a time of crisis. The shocking scale and level of depravity of unethical governance were revealed.

Even though the African continent is predisposed to be corrupt, it is apparent that South Africa is currently facing a plague; this is proven by the statistics. With an average score of 32/100, Sub-Saharan Africa had the worst results. The Seychelles, which typically receives the highest score in this region, scored (66), followed by Botswana (60), and Cabo Verde (58). Regularly at the bottom of the index are the Democratic Republic of Congo (18), Libya (17), Sudan (16), South Sudan (12) and Somalia (12) (Transparency International, 2020:6). Transparency is one of the most important aspects of good administration; nevertheless, the findings show that corruption has sucked the wealth of South Africa. This is due to a few greedy political actors who are more concerned with enriching themselves than with improving their country's position.

4.2.6 United Nations (SWAP)

The United Nations is an international organization formed in 1945 by 51 countries to maintain international peace and security, develop amicable relations among nations, and promote social progress, better living standards, and human rights. In order to achieve its goals and coordinate efforts for a safe world, the Organization works on a wide range of fundamental issues, including democracy and the promotion of good ethical principles, sustainable development, environmental protection, human rights, gender equality and women's advancement, economic and social development, international health, expanding food production, and more. To achieve its goals, the United Nations adopt and recognise the elements of good ethical governance in their policies which include transparency, integrity, lawfulness, sound policy, participation, accountability, responsiveness (UNDP, 2017:127).

Individuals, corporations, and organizations benefit from ethical governance system and structures, which contributes to economic growth and aggregate development; nevertheless, the opposite is also true (Donen, 2018:99). Ethical governance structures and procedures foster social sector advancements and progression, whereas unethical governance results in poor economic administration and deteriorates development. It is important to note that ethical or unethical governance have a consequential impact of a country’s overall development.

Ethical governance practices are critical to every country's economy, and inherent components such as inequality, unethical behaviour (corruption), and rising unemployment have a detrimental impact. As stated by the UNDP (2017: 130), ‘the most recent data from several opinion surveys confirms that unemployment remains the most pressing issue for African citizens'. According to Reuters (www.reuters.com), South Africa's unemployment rate hit a new record of 34.4% in the second quarter of 2021 from 32.6% in the first quarter. The number of unemployed people totalled 7.826 million people from 7.242 in the previous three months (www.reuters.com; www.bloomberg.com**)**. South Africa has the highest unemployment rate in the world.

The high unemployment rate is a result of unethical corporate governance; a case in point is the millions of rands lost through greed. While one unemployed person will typically not have a significant impact on society, high unemployment rates in certain areas often lead to high poverty rates and poorer neighbourhoods. This amplifies the societal impact of unemployment (https://theconversation.com). All of these political and economic concerns are linked to the governance chain. It is apparent that a country's lack of ethical governance is the root of all perils faced by the citizenry. Despite the fact that unemployment is a major concern, the discontentment with income inequality exacerbated by an increase in the cost of living, have witnessed daily frustrations boil over into violent protests (UNDP, 2017: 130). Workers on the African continent are recognized for receiving low remuneration, which is an effect of unethical corporate governance. However, ethical corporate governance regulations found in the King IV Report (2016:23), speak to the need for fair remuneration being part of the structural feature of an organisation to stand against employee exploitation.

In Addition, 'the dissatisfaction with political arrangements was among the key drivers of public uprisings in Africa from 2011 to 2016', according to the African Economic Outlook published by the United Nations (UNDP, 2017: 131). Political security is lacking throughout the African countries, particularly in South Africa, where a split ruling party and pervasive corruption have resulted in political instability. Ethical political systems are critical in addressing all of a country's difficulties; yet, given the current circumstances in several African countries, they have become more of a concern. Political instability breeds unethical corporate behaviour such as corruption, which has a negative impact on investment opportunity prospects.

The high transaction cost of doing business in Africa is detrimental to business and companies and hampers the flow of commerce, as well as economic growth and development (Martins, Cerdeira and Teixeira, 2020: 2119). This provides insight on the current state of affairs in several African countries, where investments are lacking, and countries are forced to take on debt. Another issue is that due of the high prevalence of unethical practices and fraud, these loans are regularly misappropriated, creating dysfunction therefore rending the credit ineffective.

The United Nations has aided a number of African countries, but it lacks the capacity to administer and indict unethical tyrannical leadership. As a result, the UN can only make suggestions and offer advice. The United Nations reports that (2016: 53), 'African governance indicators, constructed by ECA, were developed to assist policymakers in identifying the gaps between policies, constitutional and other legal provisions and actual practice, as well as building in-country research capacity to measure and monitor governance, among others'. The United Nations has praised the instruments used to assess ethical governance in African countries. The Ibrahim Index of African Governance and the Worldwide Governance Indicators by the World Bank are two examples of measurement instruments that have been updated through time to solve their shortcomings. These measuring indicators are meant to aid in the improvement of creating fair and effective policies, ethical governance practices, and other elements that obstruct social and economic development. Many organizations and corporations utilize governance measuring tools when making decisions on investment opportunities; hence, if the results show a lack of ethical governance and political instability, or even a rise in them, investors will less likely consider an unstable country.

The divergent nature of the South African society is depicted in the different cultures, values and norms and religion, necessitates the importance of the development of a uniform set of ethical guidelines. This is pertinent to public administration as well as corporate governance.

4.4 CONCLUSION

Building an ethical culture is most vital in ethical corporate governance, an ethical culture is an environment designed to keep ethics top of mind, making ethics central to the framing of policies, processes and initiatives, and increase prosocial motivation. Organizations should aim to design a system that makes being ethical as easy and accessible as possible.

That means paying attention to the situations in which people find themselves; incorporating ethical principles into strategies and policies; keeping ethics in the forefront of people's minds; rewarding ethical behaviour through a variety of incentives; and encouraging ethical norms in day-to-day practices. While doing so will never turn a group of humans into angels, it will assist them in being as ethical as they are capable of being. The chapter further highlighted the gravity of ethics assessment in corporations, this is a great ethical indicator for investment opportunities.

What instrument is used to quantify ethical corporate governance and ethical governance will differ; nonetheless, what has emerged from the debate of all methods is that ethical governance and ethical corporate governance are absent in South Africa and on the African continent. The governance indicators reflect the state of ethical governance in a country. However, improving the governance in a county is wholly dependent on the government administration present. These methods not only assess ethical corporate governance, but also reveal deficiencies in a country's governance institutions that need to be addressed. The failure to adopt these recommendations is what is causing governance on the African continent to decline.

CHAPTER 5: SUMMARY, FINDINGS AND RECOMMENDATIONS

Good corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The good governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society.

(Sir Adrian Cadbury, 1992)

5.1 INTRODUCTION

Over the last two decades, ethical corporate governance has attracted a great deal of public interest because of its importance for the economic health of corporations and society in general. This recent focus on ethical governance allowed for the opportunity to reflect on South Africa's corporate ethical culture. It does so by looking at ethics as a key differentiator in a highly competitive international market, where reputation and values are now as important as products and services. The significance of ethical corporate governance in strengthening societal stability and equity recognises the need for businesses to play a more positive and proactive role. Ethical corporate governance and organisational ethical culture can be inherently restrictive, they can be a means of enabling corporations to achieve the highest rewards of a good legacy characterised by accountability, responsibility and compassion. The latter is soon becoming the business currency. Equally, a more positive approach to ethical corporate governance has been reimagined in this study. This study was motivated by several factors, the most significant being that ethical corporate governance is an absolute essential for in the socio-economic development of South Africa.

South Africans are, on a daily basis, confronted with the brutal truth of the levels of corruption and unethical behaviour on all levels of our society. It has been laid bare by the Judicial Commission of Inquiry into Allegations of State Capture. The commission has unearthed floundering and crucial information regarding corrupt activities involving the private and public sectors in South Africa. The plague of unethical behaviour has never been more widespread.

In an environment where unethical behaviour appears to be acceptable and has become the norm, creating and sustaining a healthy ethical corporate culture can be extremely challenging. Ethical governance constitutes parts of our everyday lives, organisations are bound by ethical corporate governance structures and regulations daily as reflected in Chapters 2 and 3. While the significance of ethical corporate governance was widely emphasised, another focus of the study was the impact and creation of an ethical culture in the corporate sector. This eventuality leads to the ultimate aim of ethical corporate governance. Typically, a culture of ethics would be represented by ethical leadership. This is because leaders are responsible for facilitating the change in culture because leadership is the most impactful factor in the ethical transformation process. Moreover, another underlying theme has been that ethical corporate governance promote investment opportunities, which in turn foster socio-economic development in the country.

The aim of this study was to emphasise the importance of ethical governance in the South African corporate culture. The study analysed the significance and impact of ethical governance, ethical leadership and ethical culture in the promotion of ethical behaviour in the corporate sector. From studying the reference and research material, it became evident that the prevalence of unethical behaviour in corporations is thus not only a failure of corporate governance but that of governance as well. It should be noted that the focus on the corporate sector is necessary because businesses are no longer on the periphery of development. They are complexly intertwined with society and its citizenry role. Oversight with regards to ethics poses a significant risk to the growth and development of the country. Another aim is to provide a starting point for organisations that are committed to making ethics a strategic goal. This can be done by through providing ways in which they can create an ethical culture.

The study intentions as stipulated in Chapter 1 are:

- Provide a theoretical perspective for the study as a foundation for conceptualising ethical corporate governance.
- Analyse the contribution of corporate governance legislation focusing on ethics.
- Provide case studies of unethical behaviour, both the private and public sector, proving the lack of ethical governance.
- Provide a strategy and solution on how to create an ethical culture; and
- Review the tools used to measure ethics in organisations and country-level governance.

These objectives will be assessed independently to see how they have been met individually.

5.2 OVERVIEW OF THE STUDY

5.2.1 Chapter 2

Chapter 2 looks at the theoretical chapter, considering the discourse of what ethical corporate governance is established as, in a somewhat deconstructed approach. Furthermore, it discussed the elements of ethics, governance and corporate governance separately to give the reader a refined perspective of what is meant by ethical corporate governance. It also looked at how the elements are interlinked. The chapter began by unpacking the phenomena of ethics and the ethical theories aligned with this study. Numerous scholars and researchers have contributed to the definition of ethical corporate governance, each with their own set of thoughts and points of view that are all related in one way or another. According to Gildenhuys, (2004:13), ethics is a systematic study of the principles and methods for discerning right from wrong and good from bad. Ethical principles set the standard for conduct and further indicate the parameters of how one should behave based on their moral duties and virtues. These are derived from the principles of what is acceptable and what is not acceptable. The study noted the importance of ethical theories as they provide the foundation for ethical solutions, and four theories were discussed, these include virtue ethics, utilitarianism, value-based ethics and deontology, which will be discussed next, Chapter 2 did not stop there, it is the chapter that keeps giving.

The second half of Chapter 2 looked at governance and good governance theory as the framework of the study. According to Munshi, Abraham and Chaudhuri (, 2009: 5), the World Bank describes good governance as ‘predictable, open, transparent policy-making processes; a professional attitude on bureaucracy; the executive arm of government that must be accountable for acts; a strong civil society engagement in public affairs; and a rule of law’. According to this definition, good governance is a key factor in underpinning the integrity and efficiency of an organisation. The study illustrated that good governance is not just a fancy phenomenon that begs the attention of organisations, but it is a way of life, for the betterment of organisations its employees and the societies they operate in. Other definitions of governance provided include ‘…complex network of institutions derived from but also outside of government, inter-organisational networks, and a plurality of stakeholders' (Bevir 2011:12). This definition refers to governance as being everyone's responsibility and not only that of government. It is the responsibility of all the people that are affected by governance, from private to public sector and the citizenry. The elements of good governance, which are universally recognized, influence the type of governance structures used. While these characteristics were addressed in Chapter 2, they were applied throughout the study to demonstrate their importance in the corporate sector of South Africa. According to Schwella (2016:26-27) elements of good governance include:

- Public Participation;
- Rule of law
- Transparency
- Responsiveness
- Consensus-orientated
- Equity and Inclusiveness
- Effectiveness and efficiency
- Consensus-orientated.

Good governance rests on ethical considerations. It is through ethical conduct and ethical administration that good governance is achieved. This is especially so in the corporate sector (business organisations)

The last part of Chapter 2 looked at corporate governance and business ethics, reflecting on the interdependence of businesses and the society. We see from the definition adopted by ICSA- The British-based Governance Institute that corporate governance represents a formal process or structure through the provision of leadership and direction in organisations. This definition of corporate governance focuses on "how firms are governed and for what purpose they are controlled". It also 'ensures that businesses have adequate decision-making processes and controls in place so that all stakeholders' interests are balanced (ICSA, 2021:2). It briefly looked at the US market, the European market and Southern Africa. It called attention to how ethics has permeated the corporate world, compelling them into developing moral conscience. Furthermore, it touched on the inclusive business ethics approach that is embraced in Southern Africa, referred to as 'ubuntu'. This approach looks at the importance of business ethics and its emphasis on deploying a moral assessment of economic practices. It does so by making sure that the needs of stakeholders are regarded just as important as those of the shareholders. The ethics of ubuntu, which means ‘I am because you are’, embraces all the elements of good governance. The chapter ended by looking at three different corporate governance theories, agency theory, shareholder theory and stakeholder theory.

Chapter 2 succeeded in conceptualizing ethical corporate governance as a whole, encompassing several points, and understanding the compelling rationale supporting each point. This chapter contributed to the study's value by explaining all of the facets that are interlinked with ethical corporate governance.

5.2.2 Chapter 3

Chapter 3 analysed the contribution of corporate governance legislation focusing on ethics. It also dealt with how corporate governance regulations in South Africa have contributed to the implementation of ethical corporate governance practices. These regulations were developed by the King Committee on Corporate Governance. The purpose was to provide guidelines for South African firms' providing governance structures and operations. The first half of this chapter focuses on the King Committee’s reports. Three reports were issued in 1994 (King I), 2002 (King II), and 2009 (King III) and a fourth revision (King IV) in 2016. The King Code of Corporate Governance is owned by the Institute of Directors in Southern Africa (IoDSA).

In 1994, the first King Report on Corporate Governance (King 1) was published the first corporate governance code for South Africa. The report was hailed as a watershed moment for a number of reasons. These reasons included its code of ethics and affirmative action plan. Most notable was laying the groundwork for businesses to implement corporate governance measures. It also made recommendations to legislators to enact legislation outlining corporate governance guidelines and making non-compliance with such standards punishable. The 1994 King I Report advocated for an integrated approach to good governance that took into account the interests of all stakeholders and supported solid financial, social, and ethical policies (Moloi, 2008:40).

In 2002, the King II Report was released. It included new sections of balanced and integrated economic, social, and environmental performance, what the King Code on

Corporate Governance refers to as the ‘tripple bottom line’. It established a reinforced attitude on ethical governance by focusing on the principles of good governance. The King II Report further emphasises the importance of sustainability, which was focused on the ‘non-financial’ components of corporate behaviour that impact the organisation’s ability to grow. These non-financial components include ethical leadership, employee development, product quality (environmentally friendly), customer satisfactions, innovation measures, the attainment of strategic objectives and employee satisfaction to name a few. Tonder (2006) posits that the King II Report was successful in highlighting the significance, necessity and elements of corporate governance. The report also emphasised that corporate governance can be effective only if organisations adopt an all-encompassing stakeholder approach, founded on a clear set of ethical values.

Code of governance leaders were dissatisfied with the King II Report. They thought that the King II Report was incorrect to include sustainability as a separate chapter, which lead to companies to report on it separately (Engelbrecht, 2009:1). In the next version of the 2009 King III Report, governance, strategy and sustainability were integrated. In contrast to previous editions, King III applies to all public, private, and non-profit entities. All entities are encouraged to accept the King III principles and explain how they have been implemented or not.

This report has shifted to a more ethical approach of corporate governance. Planting (2013) notes that the King III Report secured greater awareness of business ethics in South Africa. Indeed, ethical awareness was highlighted in the opening chapter of this report, whereas it was mentioned only at the end of the King I Report of 1994. This shift in positioning indicates how ethical awareness had increased in importance in the intervening fifteen years and became the cornerstone of acceptable corporate conduct; and having a code of ethics was critical in accomplishing this goal of ethics was integral to achieving this goal. This was highlighted by the shift away from single-line financial reporting to the triple bottom line approach, which helps in the assessment of ethical compliance. It covers identifying a company's ethical risk, defining a code for the company's ethical standards, institutionalizing the company's ethical standards, and reporting on them.

Since the release of the King III Report in 2009, there have been salient corporate governance and regulatory developments, both locally and globally, that need to be considered. Another factor to consider is that, listed companies are generally applying the King III Report. However, non-profit organisations, private companies and entities in the public sector have experienced challenges in interpreting and adapting the King III Report to their particular circumstances. The upgrade will aim to make the King IV Report more accessible to all types of entities across sectors. The 2016 King IV Report emphasised the participation of all company stakeholders, a theme that had been emphasised in prior King reports. The King IV Report, on the other hand, is more principle driven. It concentrates more on corporate social duties to communities and the environment, instead of just putting the focus on the rules that regulate the company's ethical practices or profitability

The King IV report focuses on four themes to improve corporate governance in South Africa: the establishment of an ethical culture, continuous performance measurement and value creation for all stakeholders, measures to ensure adequate and effective control, and the establishment of trust, good standing, and legality (King Committee on Corporate Governance, 2016). Since the end of apartheid in South Africa, it has become clear that concerns of corporate governance and business ethics must be prioritized in order to improve the country's business environment. Transformation necessitates regulation and legislation to guide both business and society, ensuring that everyone is equally protected from unethical business practices and benefits from the new directions and standards established to develop, grow, and sustain South African business into the future. The demand for business ethics research in the southern hemisphere has increased in the last decade. This is due in part to increased pressure from societal groups demanding for more transparency in business activities. The King Reports remain a pivotal structure in the creating of ethical corporate governance in South Africa, and with the evolution of the reports, it is comforting that ethics has been put at the fore front of creating successful organisations.

The last part of Chapter 3 provided case studies of unethical behaviour in both the private and public sector. It thereby proved that the lack of ethical governance is to be blamed for the lack of successful organisations, underdevelopment and zero growth experienced in South Africa. The study briefly looked at state capture and provided two case studies to look at unethical corporate governance practices in the private

(KPMG South Africa) and public sector (PRASA). These case studies further revealed what we already know, how rife corruption really is in South Africa, crippling the citizenry through high numbers of unemployment, inequality and poverty. These case studies also highlighted the need for an ethical culture, where ethical behaviour is enshrined in the business practices.

Corporate governance regulations are hailed among ‘the most effective summary of the finest international practices in corporate governance,’ according to the King Report on Corporate Governance (Institute of Company Secretaries of India, 2019:23). However, after more than 20 plus years of endeavours by businesspeople and regulators to improve the ethical framework of South African business, there is still plenty of work to be done. Yet, there is comfort that ethical culture is a vision that is being chased by regulators and organisations. Chapter 3 successfully traced the legislation available in propelling the need for ethical corporate governance forward.

5.2.3 Chapter 4

Chapter 4 provided a strategy and solution on how to create an ethical culture. As a result of the case studies reviewed in Chapter 3, it stressed the pre-eminent need for ethical corporate governance in the South African corporate sector. The cultivation of an ethical culture in organisations remains most pivotal in the process of establishing ethical corporate governance. Clearly, an ethical culture is desirable, not least because the result of an ethical culture is ethical habits, which provides tremendous value and various benefits to the organisation and its people. As a result, rather than focusing on culture as a motivator of behaviour (as values and norms do), it is more effective to concentrate on how to build an ethical culture. It is at this point that the study draws attention to four critical features in creating an ethical culture namely:

- Values
- Ethical Leadership
- Incentives
- Ethics Reporting

Each of the aforementioned features were analysed to include the practical methods to help organisations create an ethical culture. Ethics reporting further helps organisations with measuring ethics and provides a what-to-include guide when writing an ethics assessment report. Ethical leaders are essential in driving the importance of ethics through behaviour. The latter is the most powerful tool as the famous saying goes ‘people learn from your actions and not your words. The importance of an ethical culture was highlighted as one that attracts foreign investments, economic growth and development.

The need for governance measurement indicators surfaced because of the weak governance structures present in South Africa and across African continent. Chapter 4 covers governance measurement tools, which reflects available country level governance assessment metrics. Governance needs to be evaluated to assess levels of development, shortcomings, and obstacles, as well as providing tools for change.

As previously stated, governments should not take good governance for granted, as it is critical for investment opportunities that are essential for socio-economic growth and advancement. As discussed in Chapter 3, ignoring ethical governance leads to political unrest (insurrections), violent uprisings, and a surge in vicious crimes. Governance metrics are meant to aid rather than hinder the process of ethical governance. South Africa is a case in point of a country that has seen prosperity and overall development since the advent of democracy in 1994. However, due to the dysfunction caused by corruption, unemployment, and inequality produced by unethical government, the country has since regressed. In the final section of Chapter 4, the importance of measuring governance was discussed in depth.

The following were the key tools used to assess governance:

- Worldwide Governance Indicators (WGI)
- The Ibrahim Index of African Governance (IIAG)
- The Corruption Perception Index –Transparency international
- The African Peer Review Mechanism (APRM) and
- The Organisation for Economic Cooperation and Development (OECD).

The tools were created to explore several options for monitoring governance and assessing its efficacy. They quantify both the positive and negative aspects of a situation, as well as the obstacles that must be overcome.

The propulsion to stand up for ethics can be undermined by the extent of unethical behaviour that is evident in virtually every sector and industry. This is where standing together with others is so valuable. The promotion of an ethical culture, that fosters ethical behaviour is important in building successful organisations and a country. Once a system is created that promotes and protects ethical behaviour, then we will see more and more people stand up for ethics. When it comes to ethics, people must champion the concept of ethics, and the message must be persuasive. The message and focus cannot be solely on the negative: most people have become nearly ‘immune’ to ethical issues. Instead, the emphasis should be on progress and accentuating the positive aspects. Although it is unlikely that the media will switch to ‘positive news’ headlines, it is completely easy to ensure that what is ethical is recognised and rewarded within organisations. In terms of background, each ethical controversy, ironically, generates a more favourable environment for change.

5.3. FINDINGS AND RECOMMENDATIONS

5.3.1 Findings

- Corruption and poor ethics are often associated with the public sector, rightly so. However, events from the last decade in South Africa showed some of the worst kinds of unethical corporate governance actions from the side of the private sector (see Chapter 1 and 3). This realisation highlights the lack of accountability and punishment for unethical conduct. Companies that have been unethical and robbed the state of millions of rand have really never been ostracised. Nor have they faced punishment. Being punished would send a stern message that unethical governance practices are completely unacceptable.

- The actions of top managers, team leaders, and supervisors, as well as what they request and reward or punish, have a significant impact. So does peer expectations and group norms. People sometimes act unethically without knowing that they are acting unethical. They frequently believe that anything that is legal is also ethical. However, this is not the case. Similarly, just because something isn't absolutely unlawful doesn't mean it's ethical (see Chapter 1, 2 and 4).

- This emphasises the need to have visible code of ethics and regular ethics training to help employees to always be aware of what consists ethical and unethical behaviour. Chapter 4 gives detailed examples of how organisations can up their ethics visibility. This then leads to employees developing ethical habits, which is great for creating an ethical organisational culture

- The study found that employees find it difficult to champion ethical behaviour when no decisive action was taken against those who committed unethical act in the past. This deters employees from reporting unethical behaviour. Companies need active ethics managers, there should be systems in place for people that display unethical behaviour just like there should be a reward system for people that act ethically (see Chapter 2 and 3)

- When stakeholders feel seen and appreciated and when their values are aligned with that of the organisation, they are willing to act ethically. Chapter 2 gave an example of the difference between ethos and ethics, and this goes hand in hand with the value-based ethics theory.

- Employees have little knowledge of what is expected by their companies, especially from the side of board members and ethics managers. The need for employees to be given the King IV Report, or the latest King reports are important. This is because everyone in the organisation needs to be aware of what is expected of them and what they can expect from the organisations. This will help with the ethos part of ethics that we just mentioned above. If employees participate and are informed about their corporate social investment programmes, it motivates them to work hard for an organisation that makes a difference in its society (see Chapter 2 and 4).

The study's conclusions differ; however, there is a worrying golden thread across them all:

- Ethical corporate governance is acknowledged as pivotal, its application lacks in practice and existing structures; and

- Ethical corporate governance practices have an impact on a variety of issues, which in turn have an impact on economic growth, social and environmental development, political stability, and safety.

Each of these points will be explained in order to back up the findings.

(i) Ethical Corporate Governance is acknowledged as pivotal, its application lacks in practice and existing structures

The study makes reference to the importance of ethical corporate governance by various scholars, authors, institutions and organisations. The concept was defined in Chapter 2 so as to understand what the elements of ethics, good governance and business ethics are. The regulatory aspect of ethical corporate governance was discussed to explain the role that legislature plays in enforcing ethics in corporate sector organisations. The focus on ethical culture, provided by the King IV Report, shows a shift in local and global corporate governance. However, Chapter 3 indicated that the application of ethical corporate governance is not as effective as described theoretically. Reference was made to two case studies on organisations representing both the private and public sector. The findings showed a lack of ethics systems, transparency and accountability, and most importantly a lack of ethical leadership that is able to drive ethical governance practices.

Chapter 3.8 alluded to the fact that there is a dearth of active ethics leaders and ethical systems in place to check transactions in big corporations. It further showed that organisations ignore rules and regulations set by the code of governance as well as the Company Act 71 of 2008. This is especially the case regarding the board of directors and procurement processes. This finding puts forward the nonchalant attitude displayed by organisations when it comes to ethics.

(ii) Ethical Corporate Governance practices have an impact on a variety of issues, which in turn have an impact on economic growth, social and environmental development, political stability, and safety.

In Chapter 2.7, it was stated that Gildenhuys and Knipe (2000:93-130) see good governance as based on constitutional principles. These include human rights, civil obligations, the rule of law, and vertical and horizontal intergovernmental relations. The human rights mandate is the foundation of every governmental development policy. Schwella (2015:12) posits that governing well refers to the ethical dimensions of governance, the good referring to all the elements of good governance. These definitions indicate that ethical corporate governance practices contribute greatly to the economic development and political stability of the country

The effects of ethical corporate governance or lack thereof, are witnessed daily in the lives of citizens. The lack of ethical governance in South Africa has been characterised by disorder as political unrest and rampant corruption continue to undermine the fabric of society. In Chapter 1–3 the one major problem highlighted is corruption/ unethical behaviour in the corporate sector**.** This is especially the case because the private sector procures tenders from the government and vice versa. Also, government officials still get paid by private organisations to supply tenders. Citizens are daily victims of the epidemic of corruption, the poorest and most vulnerable people in society are disproportionately affected (Schoeman, 2021). The effects of economic growth, political stability, and safety are further highlighted in Chapter 3.10. Furthermore, corruption leads to the misappropriation and misuse of scarce resources, depleting the financial resources that could be used to ensure effective service delivery. As a result, inequality is exacerbated and trust in the country's leadership and political and economic systems is eroded. Many academics who have written about corruption have unavoidably addressed its moral and ethical implications.

Ethical governance frameworks are important for maintaining order and fostering ethical practices; yet, if effective ethical governance mechanisms are not in place, an organization is vulnerable to weak governance. This leads us to the benefits of ethical corporate governance, which include prosperity reflected in the economy and social sector as well as a people and organisations that exhibit and require ethical behaviours. Where equity and equality are applied, people are employed for their qualifications and not affiliations. A country with a corporate sector that is governed ethically is a country with limitless success.

5.3.2 Recommendations

The findings are connected to the topics covered in each chapter. While recounting how far we've come and what we've accomplished would be a more pleasant outcome, the truth is that the business sector still has work to do in terms of implementing ethical corporate governance systems. There seems to be a lack of urgency and importance on practices of ethical corporate governance, and the reasons behind this would require more investigation. The study and significance of ethics in corporate governance has to be made a priority for the situation to improve. The lack of ethical governance and ethical organisational culture indicate further the indifferent attitude that organisations have towards ethical corporate governance.

This portion of the chapter seeks to provide practical advice on how to go forward. The following recommendations were chosen as part of the study's goal of raising awareness of ethical culture and its impact on ethical corporate governance in South Africa. The suggestions are also substantially related to those mentioned throughout the research.

The study suggests that the only forward is for corporate governance regulatory boards to demand organisations to create an ethical culture. They must provide guidelines on how to achieve ethics and necessitate an ethics assessment report as part of the triple bottom line report process. In addition, they need to foster an environment where ethical leadership is expected from superiors and ethical behaviour is demanded from all stakeholders. With the current political and economic challenges in the South Africa, the only way to move forward is investing in creating ethical corporations. As said countless time, ethics is the new currency.

Chapter 2 speaks about the ethics of ubuntu, which leaves no room for greed and selfishness as it emphasises the importance of stakeholder inclusivity. These values need to be awakened in the people of South Africa, chapter3, identifies values as one of the features of creating an ethical culture. Organisations need to remind their employees of the values that are needed in creating a culture where all feel respected and valued. Because South African are people with a variety of backgrounds and values, it is essential that organisations demand of their employees to assimilate their organisational ethical values.

Chapter 3 mentions that managers have to keep abreast of the latest amendments to legislation that are relevant to the development of ethics. The need to involve an active ethics officer cannot be overemphasised. Policy effectiveness is essential when looking at ethical corporate governance and ethical governance as a design problem. Therefore, policymakers should create contexts that promote ethical behaviour and actions. This can be done by providing a quick checklist for employees to go through before submitting their work and an ethics contract to sign before taking up a new project. Regular ethics training is needed. In chapter 2 the study pointed to the importance of creating real life scenarios for employees and help them to solve it.

Furthermore, it is important to make sure that stakeholders know that because something is not illegal, it does not make it ethical.

Accountability is at the top of the list of factors that are needed when creating ethical corporate governance. Organisational leaders, employees and allies involved in unethical behaviours need to face grave repercussions for their actions. There is a culture of permissibility in South Africa that further discourages ethical behaviour. People in leadership positions with power always get away with unethical behaviour regardless of the consequences of their actions. Therefore, it is pivotal that organisations create systems that punish perpetrators for unethical behaviour. Unethical behaviour has devastating effects, some leading to the deaths of people. This is why unethical behaviour needs to be treated as a criminal offence where people are sentenced. That is the only way to deter people from partaking in unethical behaviour.

Ethical standards for organisations should be clear and well publicized, and adequate accountability mechanisms should be in place.

The recommendations highlighted above are in line with the findings and the analysis of the entire study. The first point was to understand ethical corporate governance**.** As it was clearly defined in all its aspects, the implementation of the measures and structures to see a turnaround in growth and development was emphasised. However, the implementation is strictly reliant on organisations and corporate governance regulators; thus, there is a need to stress the need to cultivate ethical culture and ethical leadership in organisations.

5.4 FINAL REMARKS

This study initially aimed to analyse the impact and significance of ethical corporate governance in the South African corporate sector culture. The focus was on the corporate sector as one of the most influential social institutions, with the power to influence generations to adopt ethical habits.

A key issue highlighted in this study is that unethical corporate governance such as corruption and crime has created a legacy of corruption in the corporate sector. This further puts forward the notion that ethical organisational culture is the change needed for the transformation. At the same time, reference was made to an example where ethical corporate governance structures were effectively implemented structures that addressed problems of concern in the process.

Understanding the history of unethical governance in the South African economy is essential in understanding how systematic corruption in the corporate sector is. This realisation sets forward a notion of urgency, because unethical governance has to be addressed and punished in order for ethical corporate governance to thrive. If corruption remains permissible in South Africa, then unethical governance will prevail, the country will reminisce of its glory days.

Bad governance is obstructing progress in South Africa; this is mainly due to a lack of good leadership. Once the leadership issues and corruption and crime are addressed, it could result in the implementation of better ethical corporate governance structures. The country is undoubtedly resource-rich, one of the most significant being its people. However, the abuse and exploitation of these resources by ineffective and corrupt leaders could lead to Africa losing all its riches.

The study reached its aim in determining the significance and impact of ethical corporate governance on the corporate sector culture. The conclusion is that creating an ethical organisational culture is the most essential and absolute factor in fuelling the vision of ethical corporate governance. This will result in socio-economic development and prosperity in the country.

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APPENDIX 1: CASE STUDY: BASF (MICRONUTRITION INITIATIVE

Company (Project)	**Description**	**Innovative Aspects and Operations**	**Sustainability/ Triple Bottom Line Focus**	**Reference**
BASF (Micronutrition Initiative)	Supplying food producers in developing countries with cost-effective condensed vitamins and minerals to enrich food products. The achieve this: 1. BASF promote better health of consumers. 2. The company BASF acts as supplier for food processing industry. 3. Offering its business partners expertise on cost-effective strengthening of food products that are affordable	Business to Business (B2B) business model targeting local food producers with products (i.e., vitamins and minerals to strengthen) benefiting the end consumers	**Economic**: The focus is on cheap quality food for strengthening better health effect and avoids risky products. **Social**: Local food that contains ingredients with vitamins to achieve positive health impacts of end consumers **Environment**: Locally produced, procured and distrusted products will reduce the impacts on the environment.	Gold *et al*. (2013:788)

APPENDIX 2: CASE STUDY: PRACTICAL EXAMPLES OF IMPLEMENTATION OF TBL BY DANONE (GRAMEEN DANONE FOODS

Company (Project)	**Description**	**Innovative Aspects and Operations**	**Sustainability/ Triple Bottom Line Focus**	**Reference**
Danone (Grameen Danone Foods)	A joint social business venture aimed at providing affordable nutritious dairy products to the poor in Bangladesh. To achieve this: 1. Building micro-factories (i.e., comparable small factories in decentralized locations). 2. Project organizers work in collaboration with local farmers as suppliers for raw materials. 3. Employment exclusively local small and micro-entrepreneurs as distributors. 4. Grameen facilitates in local business environment to assist Danone in developing managerial and technological expertise	All dairy products are produced locally by small and micro-factories Base of Pyramid as • Customers • Suppliers and • Producers	**Economic**: Developing a feasible Business Model. **Social**: Providing healthy and cheap dairy products to communities with low income. **Environmental**: Local production, distribution and supply minimize the impact on them environment.	Gold *et al*. (2013:788)