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CORPORATE GOVERNANCE IN AFRICA

Assessing Implementation and
Ethical Perspectives



Corporate Governance in Africa

Kerry E. Howell • M. Karim Sorour
Editors

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*To my partner, Samantha
Kerry E. Howell*

*To my wife, Mahinour
M. Karim Sorour*

Preface

The rationale for developing this project emerged following ten years of research in corporate governance, and specifically cases of corporate governance on the African continent. Deriving specifically from the supervision of a number of PhDs in cases regarding corporate governance in Africa, each of the chapters develops phenomenological studies through critical theory or constructivist perspectives using distinct methodological approaches. General understandings of corporate governance are developed, and ethics and in certain instances related these notions to a specific case or country on the African continent. Two chapters (the ones on Kenya and South Africa) are not based on a PhD, but both provide an ethical perspective regarding corporate governance issues. Chapters 1–3 develop ethical ideas and their relationship with corporate governance, as well as theoretical frameworks concerning shareholdership and stakeholdership. Each of the following chapters uses case studies to help identify relationships between the universal in terms of a global or an occidental perspective regarding corporate governance ethics and codes of conduct in relation to relativist perspectives in the individual states. Through specific case studies, this text provides an opportunity to identify corporate governance and ethical issues in Africa. Indeed, relationships between universal determinants or directives from the international community and relativist local cultural perspectives are assessed. Furthermore, issues regarding globalisation as imposition and the necessity for developing

countries to adhere to external governance mechanisms are introduced and analysed. Case studies illustrate what may be considered necessary transformations within specific states if governance procedures are to be transparent and ethical so as to facilitate trust, confidence and inward investment. Good corporate governance can contribute to sustainable economic success as well as enhance credibility and corporate responsibility. Good corporate governance practices may also deter unethical practices that undermine African capability and credibility in the international domain.

The objective of this text is to provide a rigorous, valid and trustworthy study that enables an understanding of experiences regarding what is occurring in each specific context as well as provide some comparison. Each study is qualitative, and transferability rather than generalisation is the main rationale for determining relations between individual African experiences. Obviously, the chapters in the volume do not offer the full findings that can be found in the relevant PhD theses but, rather, attempt to provide a flavour of their essence and act as introductions to each of the larger studies that have been undertaken.

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1

Introduction: Notions of Governance, Social Contracts and Ethical Perspectives

Kerry E. Howell

Introduction

This text provides an original opportunity to identify and assess implementation and ethical issues relating to corporate governance in Africa. Through specific case studies regarding corporate governance in individual African states and relationships with generic determinants, advice and direction from the international community, this text provides an ethical assessment of issues regarding globalization as an imposition and the necessity of developing countries to adhere to external governance mechanisms. In addition, through the case studies the text will illustrate what may be considered necessary transformations within specific states if governance procedures are to be transparent and ethical so as to facilitate trust, confidence and inward investment. There is recognition that corporate governance contributes to sustainable economic success as well as enhanced credibility and corporate responsibility (Armstrong 2003); each a necessary variable when attracting funding from both regional and foreign investors. ‘Good’ corporate governance practices are also perceived as

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means of deterring unethical and corrupt practices which may undermine African capability and credibility in the international domain. 'Good' corporate governance may also ensure market discipline and transparency (Armstrong 2003). Indeed, 'standardization of corporate governance ... across many different countries may ... seem like a sound approach' (Letza 2015, p. 191). However, because of cultural and historical differences such an approach has largely been resisted. That said, it is not unusual for developing and 'transition economies to adopt with little modification the established codes and regulations of developed countries' (ibid). Indeed, local cultures and traditions exist in individual countries and this text identifies relationships between universal and relativist perspectives of corporate governance in Africa. In addition, rationales for acting through self-interest (egoism) and/or the common interest (altruism) underpin the ways agents behave when dealing with moral dilemmas and regulation.

In this study a number of different countries are assessed and analysed through specific paradigms of inquiry and methodological approaches. Critical theory and constructivism provide paradigms of inquiry, leading to research programmes that challenge universal perspectives of corporate governance in relation to the needs of separate states and the contradictions that arise when local cultures are not taken into consideration. Phenomenological and qualitative research enables understanding of specific environments and situations through identifying human activity and agency. Indeed such research allows transferability of findings through the amalgamation of similarities and difference in relation to each of the African states analysed. All of the countries identified in the study have been influenced by colonization which has impacted on cultural attitudes and evolving business environments. Fligstein and Choo (2005) argued that corporate governance involved a reflection of political and socio-economic upheavals and struggles in a given environment rather than efficiency and agency relations between stakeholders and boards.

Africa consists of 53 countries and can roughly be divided into three areas which include the 'Arab-speaking countries in North Africa (the Maghreb zone), the French-speaking countries of central and western Africa (the Franc or Francophone zone), and the English-speaking countries of southern, eastern, and western Africa (the commonwealth states or Anglophone zone)' (Roussouw 2005, p. 95). Roussouw (2005)