

## A FOCUS ON CORPORATE GOVERNANCE AND THE RELATIONSHIP WITH BUSINESS

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### **Abstract**

*Corporate governance and business has become the focus for the 21st century. Corporate governance is about the way power is exercised over corporate entities. Business will ensure that the way companies are governed ethical dimensions and power is exercised over them. In other words, business ethics is inherently part of corporate governance. It is not an optional exercise in corporate citizenship. In today's environment stakeholders have high expectations that companies should be run in accordance with good corporate governance practices. As a practical matter, many companies recognise that to encourage positive behaviours and repeat business with their customers, they need to undertake their business in the right way. Companies therefore draw up their values, embed them with their employees, and monitor that they do business according to them, knowing they will be held to account if they do not. The values espoused include for example integrity, honesty and openness. However not all companies do this. The questions of what is the "right way to run a business" are inherent in all aspects within corporate governance which will include an ethical focus. Corporate governance lies at the very heart of the way businesses are run. The extent to which business decisions reflect values and principles is a key to long term success. The article focuses on various dimensions and obligations and ultimately looks at different elements and stages in relationship to various practices. A focus of Friedman's theory is also provided and ultimately the characteristics of the King Report on Corporate Governance is reflected and discussed.*

### **Introduction**

Business values and standards lie precariously between the forces of the market on the one hand and on the other, the law. Business and government operate in numerous environments, including technological, legal, social, economic, and political dimensions. Business ethics deals with what is "right and wrong" in organisational decisions, behaviour practices and policies. Business ethics provides principles and guidelines that assist people in making informed choices that balance economic interests and social responsibilities. Being able to think of other stakeholders interests can better inform the moral dimension of your own decision.

### **Values, Standards, Laws and Beliefs**

The first area to consider is that of prescribed enforced law where values and standards are written into a legal system. Take, for instance, the behaviour of South African citizens and organisations in South Africa are governed in many ways by the laws of the country. Individuals and organisations must pay taxes, are forced by law not to take an unidentified amount of funds out of the country and are required to buy car licenses. On the other hand is

the area of free choice where no laws direct the behaviour of individuals or organisations and where there is complete freedom of behaviour. An individual's choice to buy a car, or an organisation's decision to give a Christmas party for members of staff are examples of free choice. Between these extremes lies the area of ethics.

In this area no specific laws govern, yet there are certain standards of conduct, based on shared principles and values about moral behaviour that guide the individual or organisation. In the area of free choice the individual and organisation are accountable only to themselves. By contrast, in the area of prescribed law, accountability is to enforceable laws. Also, for instance, breaking the speed limit to rush your wife (who's in labour) to hospital can be seen as ethical and illegal (De George, 2006; Rossouw and van Vuuren, 2004).

Ethical beliefs alter and change as time passes, and as they do so, laws change to reflect the changing ethical beliefs of society. Many governmental and regulatory laws and procedures are also changing. Since Enron and other corporate scandals, the Sarbanes-Oxley Act of 2002 and the revised 2004 Federal Sentencing Guidelines were created to audit and constrain corporate executives from blatant fraudulence on financial statements. Several federal agencies are also changing or ignoring standards for corporations. The U.S Food and Drug Administration (FDA) for example, speeds the required market approval time for new drugs sought by patients with life threatening diseases, but lags behind in taking some unsafe drugs off the market. Uneven regulation of fraudulent and anticompetitive practices affects competition, shareholders and consumers.

Legal questions and issues affect all of these environmental dimensions and every stakeholder. According to Weiss (2006), the questions that need to be asked are:

- "How much power should the government have to administer laws to protect citizens and ensure business transactions are fair?"
- Also, who protects the consumer in a free market system?"

The law prohibits theft, enforces contracts, sets limits to advertising, and reinforces many moral norms. Equating what is required for business with what is required by law became a convenient and easy norm to adopt. It makes clear one's duty and limits what one had to consider. It provided a convenient rationale for ignoring moral demands and for living by myth of Amoral Business. However, the view fails to consider the relation law and morality.

- Many laws prohibit immoral practices i.e. socially harmful practices such as murder, stealing, and perjury. One can argue that a law should be passed in order to eliminate such harmful acts in society. Another example is racial discrimination which was immoral before it was made illegal. Also, child labour or sweat-shop conditions; although unethical can only be substantially eliminated when made illegal.
- Law is for the most part reactive for example; one reaction to scandals is to try to prevent similar future scandals from occurring by legislation. There is a definitive delay between the time that society discovers that certain practices are harmful and the reaction time it takes for legislation to be drafted and passed in order to render these practices illegal.

- Not all laws are morally defensible such as laws requiring racial segregation and discrimination. To abide by the law in practicing discrimination was, in fact, to act immorally. It is dangerous to equate law with what one is morally, as well as legally, required to do because this denies the possibility of arguing, from a moral point of view, that either a law should be passed or a bad law repealed.
- Also, not everything that is immoral can be made illegal. Even though it is immoral to lie, this does not mean that all lying should be made illegal. Such a law would not be unenforceable, nor would it be worth the time and effort to try to enforce it to any great extent. It would be considered bad business as well as immoral if business people who claim to be bound by the law, lie whenever they felt like their shareholder, stakeholders, other business people or the like. (De George, 2006)
- Without a doubt a business cannot operate in a market place without being affected by the push and pull forces of the market as well as the laws of that country, the relationship is mutually interlinked, one cannot operate without the other, a business can be at the mercy of both the law and the markets and can also be the net gainer from both the law and the markets and can also be the net gainer from both, if one fails then it is the responsibility of the business to ensure that some form of middle ground is attained in order to continue to operate ethically.

### **The ethical issues arising from growing globalisation of business**

The growing globalisation of business has challenged businesses to adopt fair labour standards to ensure that their products are not manufactured under substandard sweatshop conditions. Well known companies have been criticized for tolerating abhorrent working conditions in their overseas factories, or those of their contractors.

Many of the ethical issues and dilemmas in global business are the cause of the fact that political systems, law, economic development, and culture differ considerably from country to country. As a result, what is considered normal practice in one nation may be considered as unethical in others. Due to the fact that managers in a multinational firm work for an organisation that transcends national borders and cultures, they need to be particularly sensitive to these differences and be able to make ethical decisions in those conditions where variation across society creates the likelihood for ethical problems. The most common ethical issues in a multinational corporation involves employment practices, human rights, environmental regulations, corruption, and the moral obligation of multinational corporations (De George, 2006).

### **Employment Practices**

Many ethical issues arise due to employment practices in foreign countries as a result of inferior work conditions in a host nation as opposed to those in the home nation. The conditions of trade are unfair to less developed nations; the trade which has developed is actually detrimental to the development of the less developed countries and is in fact exploitation.

### **Human Rights**

Basic human rights are still not respected in many nations. Rights that we take for granted in developed nations, such as freedom of association, freedom of speech, assembly, movement, political repression and so on are by no means universally accepted. One of the most obvious examples was South Africa during the days of apartheid. Among other things, the apartheid system denied basic political rights to the majority non-white population of South Africa, mandated segregation between whites and non-whites, reserved certain occupations exclusively for whites, and prohibited blacks from being placed in positions where they would manage whites. Another example is the human rights that child labour and sweatshop employees are denied (Weiss, 2006).

### **Environmental Pollution**

The rise in ethical issues is a result of the inferior environmental regulations in host nations as compared to those in the home nation. Many developed nations have substantial regulations governing the emission of pollutants, the dumping of toxic chemicals, the use of toxic materials in the workplace, and so on, which developing nations often lack. The question to consider here is: Is it moral or right to pollute and gain economic advantage in a foreign country or ensure the adherence of standard environmental regulations and pollution control by foreign subsidiaries? (Hill, 2007).

### **Corruption**

Corruption will always be a problem. There has always been and always will be corrupt government officials. Global businesses can gain economic advantages by making payments to those officials. In some cases, giving bribes might be the price that needs to be paid in order to do a greater good. Yes, corruption is bad, and yes, it may harm a country's economic development, but yes, there are also cases where side payments to government officials can remove the bureaucratic barriers to investments that create jobs. This argument is that once an individual starts down the road of corruption it may become very difficult if not impossible to stop hence strengthening the ethical case for never engaging in corruption. Large corporations make deals with corrupt and dictatorial governments who have no interest in the good of their people but only in their own good. The governments conveniently prevent the development of unions, do not enforce laws against child labour or sweatshop conditions, and so on, and in return receive support from global corporations and the governments of developed countries.

### **Moral Obligation**

Multinational corporations have power that comes from their control over resources and their ability to move production from country to country. Although that power is constrained not only by laws and regulations, but also the discipline of the market and the competitive process, it is nevertheless substantial. Business people should consider the social consequences of economic actions when making business decisions, and there should be a presumption in favour of decisions that have both good economic and social consequences. Multinationals that have abused their power for private and personal gain are immoral. In the case where they have acknowledged a moral obligation to use their power to better social welfare in communities where they do business is a good example (Hill, 2007).

### **The measures businesses can take to ensure fair labour standards**

Multinational companies outsource certain aspects of the company's operations in order to gain economic advantage by manufacturing or concentrating all or parts of its product abroad. For example China has a significant labour advantage in that the country is able to pay more people less money to produce a larger number of goods, thus reducing overheads, which in turn significantly reduce the overall production cost per unit, allowing larger companies, to benefit significantly by increasing their profit margins. The major charge against multinationals is not that outsourcing is unethical but rather that many multinationals engage in unethical practices when they operate in less developed countries (De George, 2006).

Slavery is of course immoral. Victims of child labour are often paid nothing or are charged more for their room and board than they earn, making them bonded servants working long hours in extremely poor conditions. They are in effect slaves. Because child labour is of many kinds, ranging from slave labour to children brought to work by their mothers to help them, some distinctions are appropriate. Children that are employed full-time and that are deprived of even basic education, condemning them to impoverished lives, are very poorly paid and forced to work in unsafe conditions or at work that is damaging to their health are referred to as "child labour".

Child labour is a serious issue and employing child labour is unethical. But in dealing with the problem it is important to note that the problem existed in those countries in which it is found before multinationals arrived there (De George, 2006).

In order to combat this problem, large companies should use the resources they have to investigate those with whom they do business. They can inspect the factories or plants. They can set standards that their contractors have to meet in order to continue their contracts. If multinational wishes to use a supplier that uses child labour, one approach would be for the multinational to insist that the children are fired before any contract is signed. However, multinationals need to ensure that such children do not suffer in order that the company can claim clean hands with respect to child labour. Some companies have set up schools at the factory for the children of woman workers who traditionally take their young children to work with them; others pay the parents the equivalent of what the children would be paid in addition to their own wages, if the children are sent to school, and still others have established training programmes for the children.

In 1997, the U.S. government placed a ban on the importation of goods made by child labour bondage. As a result more manufacturers started placing labels on their goods, especially their rugs, indicating that they have not been made by child labour. Whether such labels can be trusted is debated, but nevertheless importers are making special efforts to verify how the goods they sell were made. Part of the solution to child labour is the elimination of poverty that drives it in less developed countries. One of the best ways to eliminate poverty is through the education of the children who will be trained to do the kind of work required in developed countries (De George, 2006).

The problem of sweatshops is in many ways comparable to that of child labour. Both are often found in the same poor, developing countries. "Sweatshops" is a term that is broadly used to include a variety of poor working conditions. Typically sweatshops are old buildings,

with poor or little ventilation, poor sanitation facilities, and unsafe, unhealthy and crowded working conditions. They pay very low wages for long hours of work and the workers have no rights within them. They receive no benefits, and are often subject to physical and verbal abuse and sexual harassment or worse. Sweatshops, however defined, violate the human rights of workers, and hence it is immoral for anyone to run one.

As in the case of child labour, the multinationals have the money and power to inspect the suppliers they use and to insist that there be safe working conditions and adequate ventilation, that the workers be paid a decent wage, and so on. In addition to this it is essential that part of the workers and of the general population in the countries concerned be conscious of their human rights. Government intervention will be required in order to pass and enforce appropriate legislation. Another substantial requirement for sweatshop workers is the development of labour unions that will fight for their rights and for improved working conditions.

As in the case of Nike, by publicizing audits of their factories regarding possible sweatshop conditions, including labour and human rights violations led them to establish and acceptable minimum level of conditions and compensation for their workers ensuring them of a decent living wage, protection of their rights, and the respect and dignity they deserve as human beings (Weiss, 2006).

As in the example above of apartheid in South Africa, many state pension funds signaled they would no longer hold stock in companies that did business in South Africa, which helped to persuade several companies to divest their South African operations. These disinvestments, coupled with the imposition of economic sanctions from the U.S. and other governments, contributed to the abandonment of white minority rule and apartheid in South Africa and the introduction of the democratic elections in 1994. Thus, adopting an ethical stance was argued to have helped improve human rights in South Africa.

It has been accepted that globalisation is an unavoidable process and will progress forever; however, all businesses should obey to legal and ethical rules and regulations.

According to Yucel et al (2009:101), international business ethics problems can be solved in five guidelines:

1. "Do not direct intentional harm
2. Produce more good than harm for the host country
3. Respect the rights of employees and of all others affected by ones actions or policies.
4. To the extent consistent with ethical norms, respect the local culture and work with and not against it
5. Multinationals should pay their fair share of taxes and cooperate with the local governments in developing equitable laws and other background institutions."

The Universal Declaration of Human Rights is an important norm which has been ratified by almost every country and lays down basic principles that should always be adhered to irrespective of the culture in which one is doing business. For instance, article 23 of this declaration states that:

- “Everyone has the right to work, to free choice of employment, to just and favourable conditions of work, and to protection against employment.
- Everyone without any discrimination, has the right to equal pay for equal work
- Everyone who works has the right to just and favourable remuneration ensuring for himself and his family and existence worthy of human dignity and supplemented, if necessary by other means of social protection.
- Everyone has the right to form and to join trade unions for the protection of his interests” (Regent, 2008: 271).

### **Teleological Reasoning and Deontological Response of Marketers to criticisms of marketing**

The response of marketers to criticisms of marketing employs teleological reasoning. Marketers also have a deontological response to their critics. Teleological Reasoning- also referred to as consequentialism, claims that actions are to be judged by their consequences. According to this view, actions are not good or bad in themselves. Actions take on more value only when considered in conjunction with the effects that follow upon them. Behaviour is then ethical if it produces a greater balance of good over evil than any available alternative.

Deontological Response- also referred to as non-consequentialism, holds firm that the right thing must always be done, even if doing the wrong thing would do the most good for the most people. This approach is based on universal principles, such as justice, rights, fairness, honesty, and respect. Deontologists maintain that actions are morally right or wrong independent of their consequences (Weiss, 2006; De George, 2006).

### **Ethics and marketing with particular reference to: Advertising**

The purpose of advertising is to inform customers about products and services and to persuade them to purchase them. Deceptive advertising is against the law. A corporation's ethical responsibility in advertising is to inform and persuade consumer stakeholders in ways that are not deceitful. This does not always happen, as the tobacco, diet, and food industries, for example, have shown. There are ethical issues embedded in the practice of advertising. These ethical issues arise whenever corporations target ads in manipulative, untruthful, subliminal, and coercive ways to vulnerable buyers such as children and minorities. This discourse (legal) is based on the assumptions that advertising is worthwhile from an economic and social perspective; and that marketers have the right to persuade. On the other hand, there are ethical issues involving the essence of advertising, their appropriateness socially and economically, and their potentially harmful effects on individuals and on society at large. This discourse (moral) makes the distinction between “having a right” and “the right thing to do.” It is not based on the assumption that persuasion is a right that necessarily should be exercised by advertisers. The Federal Trade Commission (FTC) Act prohibits unfair or deceptive advertising in any medium.

### **Product Obsolescence**

Product obsolescence occurs when an existing product becomes out of date as a result of the introduction of a new or improved product or individuals preferential changes. Ethical issues raised about products often concerns the quality of products and services provided. Products

that are of poor quality, that are unsafe, that do not perform well, that do not contain what is promoted, that deliver little benefit, or that go out of style or become obsolete before they actually need replacing. Frequent changes in product features or performance, such as those that often occur in the computer industry, make previous models of products obsolete. Producers which change consumer concepts of acceptable styles (clothing and fashion) are those intentionally holding back attractive or advanced functional features, and introducing them later to make the old model obsolete (Smith and Quelch, 1993).

### **Marketing Research**

Marketing research aids management's understanding of customers, competitors, and the company's marketing activities. It is a basic component of the marketing information system and thereby, marketing decision making. Much of the attention given to the ethics of marketing research has been prompted by the self-interest concerns of the industry. In particular, there has been the realization that consumer goodwill is vital for most market research; unethical practice lessens the likelihood of consumer cooperation in an activity that seldom yields any direct benefit to the individual respondent.

Accordingly codes of conduct have been developed and efforts made to "professionalise" marketing research. Consumers, however, may view organizations efforts to gather data from them as invading their privacy. They are resistant to give out personal information that might cause them to become a marketing target or to receive product sales information. The exaggeration of data to make a selling point, or research questions that are written to obtain a specific result mislead consumers, this is immoral and unethical. Also, the importance of maintaining a consumer's information in a private and confidential manner is extremely crucial in relation to marketing research and ethics. Without self-imposed ethical standards in the research process, management will likely make decisions on inaccurate information (Smith and Quelch, 1993).

### **Marketing to children**

Concern regarding children's television advertising has been the focus of consumer activism since the early 1970's. The four primary concerns:

1. "That children were being exposed to advertising for products (e.g. heavily sugared cereals) that could be harmful to them if misused.
2. That certain television techniques (e.g. program hosts selling products) may be deceptive to children lacking the skills to evaluate them properly.
3. That advertising to children is de facto bad in that it exploits their vulnerabilities (e.g. naïve conceptions of time and money).
4. That long-term cumulative exposure to television advertising may affect adversely the development of children's values, attitudes, and behaviours" (Smith and Quelch, 1993:612).

Critics argue that children lack the conceptual abilities required for making consumer decisions. Through commercial messages, advertisers attempt to persuade young children to want and, ultimately, to request their products. Although current voluntary guidelines prohibit advertisers from explicitly instructing children to request that their parents buy advertised products, child-oriented advertising is designed to induce favourable attitudes that

result in such requests. Child-oriented advertisements utilize themes and techniques that appeal particularly to children: animation, clowns, magic, fantasy effects, superheroes, and special musical themes. Usually, they involve such products as cereals, sweets, and toys. The critical point is to understand child-directed advertising; however, it is not simply the product, the particular themes and techniques employed, or the composition of the audience viewing the ad, but whether the advertiser intends to sell to or through children.

Researchers have pointed to such harms as parent-child conflicts over refusals to buy requested products, children's unhappiness and anger when their parents deny their product requests, children's disappointment when advertising-induced expectations are unmet, and unhappiness resulting from children's exposure to commercials portraying lifestyles more affluent than their own (Weiss, 2006).

### **Pricing**

Ethical issues that arise in pricing include:

1. Anticompetitive pricing which is a result of the conflict between pricing decisions and antitrust law and include price-fixing and other price conspiracies, predatory pricing, and discriminatory pricing.
2. Fairness in consumer pricing, focuses on the effects of pricing actions on the end consumer and include potentially misleading pricing tactics that influence the consumer's ability to understand and compare prices, as well as unit pricing, which is meant to facilitate price comparisons.

Antitrust law in pricing aims in protecting "fair competition," and, in particular, protecting the small businessperson from being "run out of business" by larger competitors i.e. predatory pricing and discriminatory pricing and to protect buyers from being treated unfairly by sellers conspiring to fix prices. Deceptive pricing practices cause customers to believe that the price they pay for some unit of value in a product or service is lower than it really is. The deception might take the form of making false price comparisons, providing misleading suggested selling pricing, omitting important conditions of the sale, or making very low price offers available only when other items are purchased as well (Smith and Quelch, 1993).

According to Milton Friedman, the sole responsibility of management is to maximise profits for the shareholders within the law. Friedman believes that very little needs to be done in order for a business to alleviate social problems and fulfill their obligations to society. Friedman explains that "there is one and only one social responsibility of business- to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud". Friedman's statements are technically correct; however there remains some room for argument in both directions.

It is not entirely wrong to say that a business' goal is to make a profit, whilst operating within the confines of the law; however it is most definitely their sole goal.

### **Arguments in Favour of Friedman's Theory**

- The business must operate within the legal ambit of the country of its adoption, this means that a business must comply with regulations and ensure that all employees are appropriately taken care of and that there is no exploitation and abuse of these services.
- The business must exist to make a profit, else what is the point of doing business, a business when born is born completely out of this need, because someone somewhere is seeking to better improve their lives by being their own boss, whilst providing a service or product that will meet and surpass all expectation so that a healthy and sustainable profit can be reached.
- By remaining within the law and conducting business that is both fair and lawful Friedman articulates around the fact that a business be able to conform and manipulate their business dealings to within the requirements of the law, thus ensuring that all dealings and agreements are not only mutually beneficial but socially relevant when it comes to a business's shareholders, in other words there must be a mutual "pay-off" that can justify why this business is running.
- If a business is forced to conform and play the game according to the rules, then it is generally accepted that their profits may increase, which shows no reason to be doubted, this is good business sense and management.
- By operating within the legal framework created and ensuring that healthy bottom lines are attained, a business is not expected to engage itself in collusive, corruptive or anti-competitive behaviour at any level within its own framework, therefore making the primary position quite strong that a business must seek as its sole goal, maximum profits.
- Social responsibility should not be an issue that a business must comply with, as they are not operating within the law, only from a legal perspective. A business pays heavy taxes and also boosts employment in a country which is a government driver to growth. Their impact is large and undoubted and it should in all fairness be the government of that country that must ensure that their people are well taken care of in the social and welfare aspect as they are the direct benefactors of a business's continued success, a business cannot declare its profits without first taking into account taxes, levies, and other government related operational cost (Brown, 2005; De George, 2006).

### **Arguments against Friedman's Theory**

- If a business is made to believe that their sole responsibility is to attain maximum profits, while operating within the legal framework, then many doors are left wide open for exploitation- for example: China and many other developing nations do not have laws in place banning the use of child labour, the laws that are in place are very loosely regulated and should a business decide to use this cheaper labour option to make maximum profits, whilst still operating within the law, how does this truly reflect on the business entity, because technically they are not breaking the law.
- The argument can then be further broken down into a matter of social relevance and social responsibility, how can a business run its engine with a large staff compliment, whilst not concerning itself with the environment in which it operates. Many businesses especially in developing nations have plundered (legally) the natural resources of the country in which they operate. They have managed to make a profit

out of the land solely because they possess the skills necessary to do this, however their reach must not and cannot stop here, a business irrespective of size and type must be held socially accountable to a certain extent for how it goes about doing this in relation to social relevance and environmental awareness.

- No business can simply operate under the knowledge that all they are here to do is derive a profit, when you operate anywhere on our planet. You are socially responsible for the people who work there and the environment around you, a business cannot simply dump waste products as long as they are doing so legally and neglect all after care responsibility here, for example if a business is granted a certain amount of waste disposal per day, as part of the output from its operations that fall within the legal limits, then it would be fair to say that their responsibility ends there, however surely a business can then be accused of exploiting the laws of that country, as they have made no attempt to clear their waste in an environmentally friendly way, does this not then become their humane and good responsibility to conclude this by safely and hygienically disposing of their waste products, because eventually this waste will pollute air and waterways that filter and mix with the air and waterways of another country, surely this then means that a business is not simply operating within the law of its own country but also indirectly breaking the law of other countries where waste management's may be run on a totally different scale.
- The argument against Friedman can also extend to the fact that a business must be socially involved in empowering and bettering the lives of the people in the community in which it operates, it should be a law really that a business that is deriving profits from the use of resources and services in a particular country must then also ensure that they remain socially apt at leaving a lasting legacy/ footprint of their time here, by training and building their people to make more from their lives, through skills development and solid resource management (Hill, 2007; Brown, 2005).

### **Discrimination in the Workplace**

Unfair discrimination is defined as “unfair treatment or denial of normal privileges to persons because of race, age, sex, nationality, religion or disability. Individuals are hired based upon their qualifications, and people are compensated on the basis of their relative contributions to the organization. Unfair discrimination occurs when one individual or class is favoured over another on the basis of non-relevant criterion.

Recruiting procedures that are biased toward certain groups and that do not openly advertise to minority groups are discriminatory. Screening practices that exclude certain groups and that use biased test or qualifications are discriminatory. Promotion procedures that have “glass ceilings” (ie. invisible discriminatory barriers to advancement) for woman and minority groups are discriminatory. Terminating employees on the basis of sex, age, race or national origin is discriminatory (Fritzsche, 2005).

### **Gender**

Women are another group against whom discrimination in employment has been practiced. During the 19<sup>th</sup> century and the early part of the 20<sup>th</sup> century, the man in a household was considered the head of the family and the breadwinner. Men were paid more than women for

the same work because it was assumed that men had to support their families whereas women either had to support only themselves or had to contribute to the support of a family in which the man already worked. The allocation of pay was based on a combination of both work and need, a criterion that many people in former times considered appropriate. It can be seen that women who were underpaid for their work were actually being discriminated against.

As women joined the workforce in greater numbers, as divorce increased, as more women became heads of households, a movement gradually formed and women demanded equal pay for equal work, equal opportunity for women, and end to discrimination against women. Old habits die hard, however, and much discrimination, often in subtle forms, continues till present day. Its historical roots are nonetheless important to remember. Tischler (2008) says that today's women are equal to their male counterparts in education, experience, and skills, but women are not as competitive as men, this can be seen as a discriminatory, sexist presumption.

### **Disabilities**

A key challenge for managers is to promote an environment in which employees needing accommodation feel comfortable disclosing their needs and, at the same time, to ensure that the accommodations not only enable those with disabilities to effectively perform their jobs but also are perceived to be fair by those not disabled. Hiring and mainstreaming qualified disabled workers is increasing in importance because of the combined effects of the shrinkage and aging of the work force. Disabilities are categorized as permanent (for example, physical disabilities), temporary (such as resulting from injury or stress), and progressive (e.g. AIDS, alcohol and drug addiction, and cancer). It is interesting to note that everybody is just one car wreck away, a diagnosis away, a progressive condition away from joining the ranks of the disabled (Weiss, 2006).

### **Age**

The aging of the population suggests managers need to be vigilant that employees are not discriminated against because of age. Moreover, managers need to ensure that the policies and procedures they have in place treat all workers fairly, regardless of their ages. Companies can respond to aging and younger employees with fairness by implementing programs to accommodate skill training and monitoring. "Reverse mentoring" is occurring in some companies, in which younger, more technically savvy employees work only a few months and then decide they don't want to work their way up the corporate ladder, while older workers possess unique skills and values that make hiring them a simple matter of rethinking the costs of high turnover in a more youthful workforce versus the benefits of experience and mature standards that older workers bring to the mix (De George, 2006).

Because workers have the right to equal treatment, discrimination on the basis of non-job-related characteristics when hiring, firing or promoting people is immoral. Companies that discriminate against individuals are not getting the best people possible. To that extent they suffer some harm and experience no benefit. Laws alone cannot guarantee or equalize employment opportunities, fairness, and justice to members of groups that have been

discriminated against. Some beneficial structures must be built that give at least some compensation for those still suffering from the effects of discrimination.

- In an attempt to change existing conditions, the government has mandated equal employment opportunity for all. Although this is morally proper, some claim it is not enough
- Affirmative action can be taken to ensure that members of those groups previously discriminated against are not further ignored by the system.
- Preferential hiring can arguably be implemented to achieve affirmative- action goals without involving reverse discrimination. (De George, 2006)

### **The Relationship between Business Ethics and Corporate Governance**

Business ethics and corporate governance are key factors that influence investment decisions and determine capital outflows globally. This is in part a result of scandals in developed and developing countries. Good governance is based on moral standards, in an essence corporate governance has an ethical nature in that its primary intention is to take care of the interests of its stakeholders and shareholders. Corporate governance requires the directors of an organization to have ethical judgment in implementing moral objectives that in turn protect the company's reputation. Directors need to provide honest reliable information to its shareholders and stockholders that give a true reflection of what is happening in the organization if requested.

Ethics and ethical business culture are the heart of the corporate governance framework; however, the two are approached somewhat differently. Corporate governance is about accomplishing the core values of transparency, responsibility, fairness and accountability which in turn are also key concerns of business ethics, which shows how the two can be seen as directly related. On the other hand, the corporate governance aspect deals with setting up structures through which these values are attained, while ethics is both a guide for behaviour and a moral set of principles. While a good ethics system includes the core values of responsibility, transparency, fairness, and accountability, it goes into many other dimensions as well. The importance of the close link between corporate governance and ethics ensure that organizations are well-managed and successful (Russouw and van Vuuren, 2006; Sullivan, 2006).

### **The characteristics of Corporate Governance**

In order for board members to effectively control and direct the affairs of the business, they first need to make certain that the interest of all shareholders and stakeholders of the company are taken care of.

As described in the King Report on Corporate Governance for South Africa (2002), these are the characteristic of corporate governance:

#### **1. Discipline**

Corporate discipline refers to the adherence by senior management to internationally recognized, and accepted ethical behaviour practices. This in turn reflects a company's

knowledge, awareness and commitment of senior managers to the fundamental principles of governance.

## 2. Transparency

The board of a company should disclose necessary information in an accurate, honest and reliable manner, enabling its stakeholders and outsiders to make a meaningful analysis of the company's economic fundamentals, actions, and non-financial aspects, which in turn reflects whether or not the individuals concerned obtain a true picture of what is happening inside the company.

## 3. Independence

In order to eliminate potential conflicts of interest that may exist in a company, policies and procedures need to be implemented. These policies and procedures can range from the appointing of board members and committee members to outside parties, e.g. auditors, however, these policies and procedures still need to be ethical and objective, and not allow for unjust influences.

## 4. Accountability

The board of a company needs to be accountable for the decisions they make and the actions they take on specific issues. Individuals or groups in a company, who make decisions and take actions on specific issues, they need to be able to explain to their stakeholders why these specific decisions were made if they are asked to do so.

## 5. Responsibility

The board of a company should be held responsible for unethical behaviour and mismanagement of the organization. The board needs to be responsible to implement policies and procedures that will set the company on the right path.

## 6. Fairness

The board need respect and acknowledge the rights and interests of its stakeholders. Regardless of how many shares an individual in the company may have, all shareholders interests must receive equal consideration.

## 7. Social Responsibility

The board need ensure that ethical standards are met in order for the company to be well-managed and successful. They need to take human rights, corruption, environmental factors and other issues into consideration which in the long-run benefits the company's corporate reputation (Rossouw and van Vuuren, 2004; Brown, 2005).

## CONCLUSION

Interest in corporate governance and business ethics seems to be at an all-time high. The subject of business ethics has grown significantly, with interest focusing on corporate citizenship, companies' social responsibilities, and their relations with stakeholders. More recently, green credentials and sustainability have been added to the agenda. But business ethics is not just about corporate citizenship: business ethics are basic to running successful business. With moral dilemmas in business it is often not a matter of right or wrong, but

what's best for all concerned, both in the company and among all those affected by its actions. Management has to recognise issues and make choices. This is a function of corporate governance, which needs to be built on the bedrock of business ethics. It seems likely that future codes of corporate governance will find their foundations in ethics.

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