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ABSTRACT. In this paper an assessment will be made of the state of Business Ethics as an academic discipline as well as on the extent to which theory on Business Ethics has been translated into practice within the South African society. First the way in which Business Ethics is defined will be examined. Then the issues within the field of Business Ethics that is considered to be most important will be addressed, as well as the reasons why it is believed to be important to address them. From there the attention will be shifted to the way in which Business Ethics has been institutionalised at tertiary education level. An overview of important initiatives taken by the business sector themselves will also be reviewed. Then co-operation between business and academia on Business Ethics will be discussed. Finally an assessment will be made of what can be learned from Business Ethics elsewhere in the world and what can be offered in this regard. Also some future prospects of Business Ethics in South Africa will be explored.

Business ethics has become part of the South African vocabulary both on a practical and a theoretical level. The need for business ethics has been expressed by politicians, business leaders, and academics. The president of South Africa, Nelson Mandela, for example said at the opening

of Parliament (February 17, 1995): "We are conscious of the reality that corruption in many forms has deeply infected the fibre of our society. Precisely because we face the challenge of dealing with systematic corruption, we need a dispassionate and systematic approach to this question."

In this paper an assessment will be made of the state of business ethics as an academic discipline as well as on the extent to which theory on business ethics has been translated into practice within South African society. The paper is based on a literature study, a questionnaire to or structured interviews with prominent academics at Business Schools and other academic departments involved in the teaching of business ethics, as well as with business leaders who take a special interest in business ethics. First, the way in which business ethics is defined will be examined. Then the issues within the field of business ethics that are considered to be most important will be addressed, as well as the reasons why it is believed to be important to address them. From there the attention will be shifted to the way in which business ethics has been institutionalized at the level of tertiary education. An overview of important initiatives taken by the business sector themselves will also be reviewed. Then co-operation between business and academia on business ethics will be discussed. Finally, an assessment will be made of what can be learned from business ethics elsewhere in the world and what can be offered in this regard. Also some future prospects of business ethics in South Africa will be explored.

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## 1. Definition of business ethics

As far as terminology goes for describing the field of business ethics, the term "business ethics" is the most widely used one. The Afrikaans equivalents used are either "besigheidsetiek" or "sake-etiek". Some do however prefer to use the term "management ethics" or its Afrikaans equivalent "bestuursetiek".

As far as definitions of business ethics go, mainly three trends are apparent from the survey. The first trend defines Business ethics in terms of personal values and virtues that should be applied to business practices; the second, in terms of the application of societal or religious norms/rules/standards/values to business practices; and the third as a reflection on economic and business practices and decision-making that will ensure that business activities are beneficial to individuals and society alike within the framework of a competitive market-driven economy.

## 2. Issues in business ethics

There is a broad consensus amongst academics and business leaders that the following issues should be regarded as priorities within the field of business ethics. Two general comments on these issues can be made. First, the issues identified reflect the current reality of South Africa in that the country is shedding its racist Apartheid legacy and is being transformed into a democracy where the basic rights of individuals are protected. Second, the fact that all these issues are of a normative kind, and almost none of a meta-ethical kind, suggests that business ethics as an academic discipline is still in its early stages of development. There still is very little reflection on business ethics as a field of study, and on the theoretical issues underlying normative decision making.

### 2.1. Cultivation of a moral business culture

By far the most important issue identified by respondents is the building of a moral business culture. This, of course, implies that the moral

fibre of the business community is tarnished. It is amongst other things reflected in the high incidence of corruption, and so-called white collar crime. In South Africa, white collar crime has more than doubled during the first year of the newly formed democratic government. The cases which the South African Police are currently investigating amount to about 18.5 billion South African Rand. According to the police, it is estimated that only 10 percent of all economic crimes are being reported. Should one further take into consideration the fact that the success rate of the police in prosecuting these reported cases stands at 53 percent, speculations that the value of transactions associated with economic crime are in excess of South Africa's gross domestic product (GDP) become more credible (Financial Mail, 9 July 1993, p. 42). These alarming statistics produced by the South African Police are also confirmed by a recent study conducted amongst the 200 largest businesses in South Africa (based on total assets). The study found that 48 percent of respondents experienced fraud recently and that 62 percent had the perception that fraud was on the increase (Britz, 1994, p. 1).

The most popular explanations for this flaw in moral fibre is the situation caused by economic sanctions during the final years of the apartheid era. Sanctions barred South Africa from entrance to world markets. South African businesses where thus forced to find alternative means of access to these markets. Ingenious, but often also immoral means were used to gain access and these attempts were praised, rather than repudiated. In this way, a culture started to grow where unethical means of doing business were valued. This contributed to the weakening of the moral fibre of the business community (cf. Massie, 1993). The trend that was set then did not stop when sanctions were lifted, but is still continuing. This immoral culture was also fed by other sources such as the immoral nature of the apartheid ideology, and the fact that the majority of the population considered the socio-economic dispensation of Apartheid illegitimate and therefore felt no moral obligation to it.

Turning this tide is considered to be the biggest challenge facing business ethics in South

Africa. Ways and means must be found to convince the business community that a moral business culture is essential for business and for a good society.

## 2.2. *Affirmative action*

Second on the list of priorities for business ethics is the issue of affirmative action. The ethical debate on this issue has moved beyond the stage where the question is whether affirmative action is morally justifiable or not. It is accepted both by government (see ANC, 1994, pp. 16–17) and business (see King Report, p. 24) that affirmative action should be implemented as a means of addressing the imbalances that the apartheid system produced. Although Apartheid can only be held responsible for the race imbalances that developed, it nevertheless also coincided with gender imbalances. Both these imbalances are targeted by affirmative action programs. The current ethical debate centers more around the form that affirmative action should take in order to achieve its goals in a morally sensitive way.

## 2.3. *Work ethic*

South Africa has a pretty poor productivity record. It is widely recognized that the country should improve its productivity in order to become globally competitive. It also needs higher productivity to be able to curb unemployment through economic growth and in order to fund the cost of the massive social restructuring associated with the transformation of the country. Prominent amongst the reasons for the low productivity is discrimination against black people during the Apartheid era and the resulting lack of investment in development of their potential. It also created hostility in the work environment that resulted in a lack of commitment to company objectives.

It is believed that respect for the dignity and creative potential of each employee and the identification of shared values by all employees of the company, can turn the tide of low productivity. The challenge for business ethics is thus

seen as the facilitation of this process: the development of a morally sound work ethic that will encourage employees to unleash their productive potential to the advantage of their company and their country.

## 2.4. *Information security*

The sophistication of the South African economy is reflected in the fact that security of information is regarded as one of the major issues that should be dealt with in business ethics. The challenge in this regard is to find a way of dealing with information that will ensure on the one hand that privacy and intellectual property is respected while at the same time ensuring that transparency is enhanced. Although an issue like insider trading has already received fair attention, the debate on related issues dealing with information security is still in its initial stages. The conviction that these issues are in need of urgent attention is, however, very strong.

## 2.5. *Business and society*

The responsibilities of business towards internal and external stakeholders as well as towards the society, state, and ecology is another pertinent issue that should be addressed by business ethics. The issues in this regard in South Africa are defined roughly along the same lines that the debate on corporate social responsibility has been developing in Western Europe and Northern America. What differentiates the debate, however, from the debate elsewhere is the perceived responsibility of business to assist in the reconstruction and development of South Africa in order to undo the harm caused by Apartheid. Not only are businesses often expected to have their own initiatives for correcting the imbalances caused by Apartheid, but they are also expected to support the government in their so called Reconstruction and Development Program. The reason for this is that business is held co-responsible for the inequalities produced by the Apartheid dispensation. This is evident from the ANC's (the ruling party) official document titled

the *Reconstruction and Development Program* where it is alleged that "under the Apartheid system the state co-operated with a handful of conglomerates to shape the economy to benefit a minority of whites at the expense of the black people. Economic policy and the main economic actors in industry systematically excluded and hindered black people. As a result South Africa has one of the most unequal patterns of distribution of income, wealth and opportunity in the world" (p. 75). The legitimacy as well as the extent of businesses' responsibilities in this regard is an issue confronting business ethics in South Africa.

## 2.6. Other issues

Other issues, also considered to be important by respondents but not as high on the priority list as the five issues discussed above, are worker participation in decision-making the development of ethical codes, bribery, and moral decision-making.

## 3. Justifying business ethics

To the question as to why business ethics is important, mainly three arguments transpired from the responses of practitioners in the field.

The first argument for the importance of business ethics is based on the public role that businesses are playing. It is argued that businesses are in a privileged position in society where they exercise huge discretionary choices about fundamental issues in the public domain. Business ethics is regarded as important because it can keep reflection on this public role of businesses and their responsibilities and obligations, in this regard, alive. From these reflections, guidelines for business can be drawn up to assist them in fulfilling their public role with moral sensitivity and thus in a way beneficial to all stakeholders of business.

A second argument revolves around the contribution that business ethics can make towards the improvement of business performance. It is believed that business ethics can assist business in building a work ethos that will unify employees and give them meaning in their work. The expectation is that such a work ethic will make employees more loyal to their companies and will thus contribute to the unleashing of their productive and creative potential within the working environment. This in turn will boost business performance and will prevent the country from economic decline.

A third justification is that business ethics might help to overcome the discrepancy that individuals often experience between their individual values and the values pursued in business. They experience a crisis in their personal integrity in the sense that they subscribe to one set of values in their private lives but are forced to live by another, and often contradicting, set of values in their business life. It is hoped that business ethics will help to transform business to the extent that the moral values and moral standards that they ascribe to can also be practiced with integrity within the business environment.

## 4. Business ethics in the academia

The extent to which business ethics is institutionalized in academia in South Africa varies immensely from the one tertiary educational institution to the next one. An overview of this institutionalization will be given in terms of the following categories: teaching, research, and publications.

### 4.1. Teaching

#### 4.1.1. Universities
A survey at graduate business schools in South Africa has indicated that the way in which business ethics is taught ranges from a compulsory course in business ethics in one institution, through elective courses at two others, to no courses at all. In all business schools, however, it is believed that business ethics is integrated in some of the subjects being taught at the business schools, such as marketing, human resource management and strategic planning. As far as integration into the curricula of business schools

is concerned, two kinds of integration can be discerned. The one is where integration is formally facilitated and monitored; the other, where integration is informal and supposed to occur in a spontaneous way. Most of those who follow the integration route seem to fall into the latter category. In such cases, the integration of business ethics into other courses is not facilitated by an expert in business ethics nor is the process of integration being monitored. This makes it extremely difficult to tell how effective these attempts at integration are.

Business ethics is also sporadically taught in other departments outside business schools. Philosophy, Human Resource Management, Industrial Psychology, and Business Management are departments that have been identified. In all these departments, the components on business ethics tend to be scant and rather the exception than the rule.

### 4.1.2. *Technikons*

At technikons, a component on business ethics is found in the Business Management course. All technikons share a common generic curriculum in South Africa. This generic curriculum is supposed to form 70 percent of the curriculum presented by any technikon. The remaining 30 percent of the curriculum is compiled on the discretion of the department or lecturer presenting the course. In the case of Business Management, a component on business ethics is included in the generic curriculum. The generic curriculum does not, however, prescribe what the content of the business ethics component should be. It is up to each department or lecturer to fill it with whatever content they regard as appropriate.

### 4.2. *Research*

South African databases on research indicate that most of the research done on business ethics is primarily done in the research components of MBA or equivalent programs. The number of such completed research in the field of business ethics is, however, very limited.

### 4.3. *Publications*

When it comes to publications, a fair number of articles have been published in academic journals. According to South African databases such as the Index to South African Periodicals (ISAP), the South African Corporative Databases (SACD), and the South African Studies databases, 64 articles in academic journals have been published on some or other dimension of business ethics in South Africa from 1987 to 1995. These databases also indicate that 7 books have been published in the same period.

## 5. Business ethics in the private sector

That business ethics is not only a concern for academics but also of business in South Africa is evident from two major recent initiatives by the business sector. The one is the King Report and the other the Business Against Crime Initiative. These two initiatives will be discussed as examples of business ethics in the private sector, together with ethical codes and training on business ethics in the private sector.

### 5.1. *King report*

The King Report on corporate governance was completed at the end of 1994 under the chairmanship of a former judge of supreme court, Mervyn King S.C. It was formed under the auspices of the Institute of Directors in Southern Africa with support from the South African Chamber of Business (SACOB), the Chartered Institute of Secretaries and Administrators (CIS), the South African Institute of Chartered Accountants (SAICA), the Johannesburg Stock Exchange (JSE), and the South African Institute of Business ethics (SAIBE).

The Report was inspired to a large extent by the Cadbury report in the U.K., although the King commissions terms of reference were wider than those of its U.K. counterpart. Besides a code of practice on financial aspects of corporate governance, it included the drawing up of a code of ethical practice for business enterprises, and

the commission also had to deal with the issue of disadvantaged communities and their access to the world of business. The final Report deals with issues like duties and responsibilities of executive and non-executive board members respectively, professional and ethical standards of external and internal auditing, affirmative action, and stakeholder communication. An interesting aspect of the Report is its *wide interpretation of stakeholders* (cf. Armstrong, 1995, p. 19). It moves beyond the traditional view that board members are only accountable to the shareholders who have selected them and defines stakeholders as "any person, entity or interest group that has some association with the company" (p. 16). Also the issues on which the board should report to its stakeholders range from financial matters to employment, environmental, social responsibility, customer interest, and supplier interest issues.

A further unique feature of the King Report is the extensive "Code of Ethics for enterprises and all who deal with enterprises." It deals will the ethical responsibilities of all conceivable stakeholders in a business – not only with the responsibilities of the business towards it stakeholders, but also with the responsibilities of stakeholders towards the business. Sir Adrian Cadbury, Chair of the Cadbury Committee, remarked on the code of ethics that "It is the most comprehensive such code that I have seen."

Since the middle of 1995, it has been made compulsory for all companies listed on the Johannesburg Stock Exchange (JSE) to indicate in their annual reports the extent to which they are adhering to the code that was drafted by the King commission. According to Roy Anderson, executive president of the JSE, who also chaired the task group who dealt with compliance to the recommendations of the King Report, it is hoped that this practice will also put peer pressure on unlisted companies to adhere to the Report's code of ethics.

### 5.2. *Business against crime*

Another major recent initiative to promote a moral business culture in South Africa was launched in August 1995 when the Council of

Southern African Bankers (COSAB) and Business South Africa (BSA) held a conference in order to combat crime and corruption. COSAB represents 41 banking groups in South Africa and BSA represents 19 employer organizations from all the major industries in South Africa. Out of this conference, the Business Against Crime (BAC) initiative was born.

The harsh realities that encouraged this initiative are, amongst others the high incidence of white collar crime mentioned earlier, a murder rate of 45 per 100,000 (compared to a world average of less than 6 per 100,000), and a total crime rate of 5,651 per 100,000 (compared to the world average of 2,662 per 100,000). Business Against Crime set themselves the aim to make a difference to these crime statistics within 3 years. They intend to achieve their objective through a variety of means. Firstly, they want to build a moral culture in business through leadership and a reorientation in moral and work values within South African businesses. Secondly, they want to assist the criminal justice system in becoming more effective in performing their duties. Thirdly, BAC also want to cooperate with the government in order to assist the government in becoming more effective in fighting crime.

Initiatives already taken by BAC in this regard includes a donation of 100 BMWs to the police to form a special highway patrol unit; a special research project on crime, violence, and investment, and the installation of a satellite communication network to improve communication between police stations across the country.

### 5.3. *Ethical codes*

Another initiative taken in the business sector to promote business ethics is to encourage businesses to adopt ethical codes. Both the King Report and BAC are taking important initiatives in this regard. That a lot still needs to be done in this regard is evident from recently completed research done on ethical codes in South African businesses. In this specific research done in the Sunday Times Top 100 Companies (ranked by return to shareholders), it was found that only 9 of them had ethical codes in the strict sense of

the word. A further 32 had documents with a ethical dimension contained in it. When companies with ethical codes were compared to companies without ethical codes, it was found that "there is no difference in ethicality of employees within organizations which have ethical codes and employees within organizations which do not have ethical codes, when faced with situations requiring decisions to be made regarding ethical issues" (Young, 1995, p. 121). This study found that unless ethical codes are supported by effective communication and training, as well as continual enforcement and reinforcement, ethical codes might turn out to be nothing more than words on paper. When supported by these means they can, however, become an important contributor to the development of a moral business culture in South Africa.

### 5.4. *Training*

Another initiative taken by business to address moral behavior in business is to include modules on business ethics in the training of employees and managers. These courses are often presented in collaboration with academics or other practioners in the field of business ethics. Examples of such training programs are the Strategic Leadership Ethics Program (presented by Applied Business ethics International), the Ethos Program (presented by the Graduate School of Business at University of Stellenbosch), and the Management 2000 Program (presented by the School for the Development of Business Leaders at Rand Afrikaans University).

### 6. Co-operation between academia and private sector

That there is co-operation between academics and the private sector on business ethics in South Africa cannot be denied. The above description of what is happening in the field of business ethics testifies to this. What can, however, also not be denied is that co-operation is still very limited. Co-operation is mostly limited to the participation of academics in training programs with a business ethics component. There is also

some consultancy by academics on the demand of business to assist in the development of ethical codes. What is neglected to a large extent is co-operation between business and academia on research related to business ethics. Also co-operation between business and academia on the compilation of South African case studies that can be used in training on Business Ethics is insufficient.

In this survey both academics and business leaders expressed the need for closer co-operation between them. Such co-operation would offer benefits to both parties and would go a long way in stimulating the growth of the field of Business ethics.

### 7. Relationship to business ethics in other countries

The fact that business ethics is a fairly new field of study in South Africa implies that much can be learned from discourses elsewhere. Just about each of the priorities facing Business ethics in South Africa (as listed in section 2) have been a topic of discourse in Western European and Northern American business ethics circles. It would be rather foolish not to learn from what has transpired there.

South Africa is also struggling with Business ethics problems that are not in the business ethics discourses of Western Europe and North America. Newly formed democracies, like South Africa, are faced with problems unique to such societies in transition. Amongst these count the moral justification of the new economic system, the introduction of moral business culture, and certain kinds of corruption that flourish in such societies. In this respect, South Africa can learn from other countries in Africa, Latin America, Eastern Europe, and Asia who are struggling with similar business ethical problems associated with massive political and economic transition.

South Africa cannot only learn from other countries, it is also in a position to offer unique perspectives to other countries. First, it can offer unique perspectives on debates that have been running for some time already. Affirmative action is a good example in this regard. In discourses

elsewhere on affirmative action, the focus has been mostly on minorities that should receive preferential treatment. In South Africa, however, the vast majority stand in need of affirmative action. This calls for a different approach to affirmative action. Perspectives developed in this regard can enrich discourses on affirmative action elsewhere. The same also applies to an issue such as AIDS in the workplace where the sheer number of people who are HIV infected give an altogether different dimension to the problem.

Second, the current focus in the South African economy is on offering economic access to those sectors of the society who were previously obstructed from full participation. The ethical problems related to the economic empowerment of the disadvantaged players in the economy thus receive high priority. This focus in business ethics in South Africa also differs from discourses elsewhere where the focus have been mainly on the interests of big corporations and the problems that they have identified. Hopefully the South African perspectives on ethical problems related to blue collar workers and the access of disadvantaged communities into the economy can enrich the international discourse on business ethics.

## 8. Quo vadis?

Business ethics in South Africa is obviously still a fairly young endeavor. Important ground work has however been done for its development as a field of study as well as for its integration into the practice of business in South Africa. For the further development of business ethics in South Africa, the following challenges should be addressed:

Initiatives taken by business to strengthen the moral fibre and social consciousness of business should be supported, and further initiatives of that kind need to be taken in order to broaden the appreciation of morality in business.

Co-operation between business and academia should be increased in order to promote training and research on business ethics. Such co-operation can also enhance both the development of ethical codes and their successful implementation

in business as well as the compilation of South African case studies on business ethics.

International co-operation and participation is needed in order to reap the benefits of developments within the field of business ethics in other parts of the world. In this way, reinventing the wheel with regard to business ethics can be avoided. There are however issues typical to the continent of Africa that are not priorities in the discourse on business ethics elsewhere in the world. These need to be addressed in co-operation with fellow Africans. Co-operation with the rest of Africa in this regard is still almost non-existent and is in need of urgent attention. South Africa has a huge responsibility and opportunity in this respect.

Teaching on business ethics also needs close scrutiny, especially when it comes to the integration of business ethics in other curricula in business schools. That integration of business ethics should be regarded as the ideal and the first prize can hardly be denied. Integration will not, however, occur spontaneously. Lecturers need to be prepared for integration; integration must be facilitated into the various courses where it is appropriate; and the process of integration must be monitored very carefully. Unless this is done, integration might result in evaporation. The value of an independent course on business ethics in conjunction with the process of integration can hardly be overestimated.

Finally, it is evident that South Africa has scant resources when it comes to expertise in the field of business ethics. It can no longer be afforded to aggravate this situation by the isolation of persons with expertise in this field. Co-operation between all concerned parties should become a high priority.

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