The Principle of Participation in Corporate Governance: An African Perspective

[1]**Headmound Okari**, [2]**Victor Keraro**, [3]**Kellen Kiambati**

[1,2,3]Jomo Kenyatta University of Agriculture and Technology (JKUAT), Nairobi, Kenya

Abstract

The purpose of the paper is to present the "principle of participation" that is common in African cultural systems and way of life as the distinguishing characteristic of an African oriented corporate governance system. The paper contends that corporate governance systems are culturally influenced and argues that the existing theories in the realm of contemporary corporate governance systems are alien to the African culture and therefore might not offer sufficient solutions to challenges facing organizations operating in the African environment. The paper observes that while other continents seem to be making progress in wealth creation and economic development, the African continent still lags behind manacled in corruption scandals, mismanagement of organizations and public resources. The paper argues too, that these problems are possibly propagated by individualistic tendencies. Thus, the paper proposes that embracing the principle of participation in African governance systems could offer a sustainable strategic solution and propel the African continent to sustainable social economic development.

Keywords

Corporate Governance, Philosophy and Principle of Participation

I. Introduction

This paper presents 'the principle of participation' as the true identity of an African oriented corporate governance system. To an extent the paper contradicts what some scholars have written on corporate governance especially individualistic oriented theories of corporate governance. Various theories such as the agency theory advanced by Milton Friedman holds that the principal objective of corporate management is to maximize profits for the benefit of its shareholders. Milton Friedman holds that the maximization of profits is the only objective of corporations 'the business of business is business'. In this paper, the individualistic approach to corporate governance is presented as alien in the corporate governance system underpinned in African philosophy. For instance, Colley (2003) attributes the origin of western prosperity to individual efforts. He asserts that the western economic prosperity lies in the development of an economic system that embraces, for the most part, free enterprise, capitalism and competition. Colley further contends that free enterprise brings to the economies of developed countries the sustained energy of competition, in which the creative minds of countless individuals are unleashed to pursue their individual best interests. This competitive environment leads to 'survival for the fittest' regimes of the most successful. He concludes that "the three cornerstones of the western economic system are, therefore, free enterprise, competition, and capitalism" (Colley, 2003). These so called economic cornerstones characterize corporate governance systems not only in the western countries but also in contemporary Africa and beyond as a result of the western influence. While the key guiding question for individualistic oriented Corporate Governance approaches as stated by Colley and his colleagues is "how enterprises should be managed in the best interest of the shareholders, a true African oriented corporate

Governance guiding question should be; "How should enterprises be managed in the best interest of the community?

Adam Smith quoted in Colley (2003), describes "the invisible hand of self- interest" as central in human behavior and the principle drive for economic and social development. Individualism which seems to be elevated in contemporary governance systems may be construed as the cause of economic stagnation haunting the African continent compared to the rest of the world especially the developed continents. For Africans, the 'whole', which is the community, takes priority over the part and the individual can best be understood and be defined in the context of participation in the community. A business organisation as a corporate entity is also understood from a similar perspective. The community, therefore, becomes the necessary substratum on which the individual germinates and receives nourishment. It is this phenomenon that this paper refers to as the Principle of Participation, which should be the true identity of an African oriented system of corporate governance.

A. Corporate Governance in the African Context

Debates on the African approach to corporate governance could be similar to those on the Western or Asian approaches as influenced by their cultural philosophies. Such an argument may not hold for those who view corporate governance as a universal enterprise free from social or cultural influence. Corporate governance from the perspective of African philosophy could be inconceivable to those who perceive Africans as being incapable of proper reasoning and therefore void of any philosophical engagement. In order to arrive at a true identity of an African corporate governance system based on African philosophy, it is sufficient to appreciate that corporate governance is not an empirical science like mathematics, physics or chemistry. Unlike these empirical sciences, corporate governance is a relational activity of people and it is associated with culture which is a product of a given race, ethnicity or society. Empirical sciences, unlike a social activity are expected to be free of racial or social commitment (Oruka, 1990).

This paper avers that in African philosophy, the jigsaw of life is simply a sharing that one receives and gives in the spirit of participation. For Africans, this is the essence of human existence; to be is to participate. The traditional way of life of the African people is the type in which the population shares a sense of togetherness with strong emotional ties (Odetora, 1985). Participation is the mother value platform from which other values spring. It is the level of participation which determines the hierarchy of being and social rank of an individual, institution, or social organisation (Kwezi, 1969). The whole principle of participation begins from the individual 'I' who joins with the 'Other', to form 'We' and finally society which is the subject and object of Corporate Governance.

II. Definition of Key Concepts

Principle: According to the Dictionary of Philosophy and Religion (1995), the word principle has its etymology in the Latin word Principe, from principium, which is 'a beginning'. It is "a fundamental cause, or universal truth; that which is inherent in

everything and ultimately accounts for being" (Runes, 1998). The Oxford Advanced Learners Dictionary (2000) defines principle as "a belief that is accepted as a reason for acting or thinking in a particular way." In this paper, the term principle will be used in an integrated manner, reflecting both these meanings.

A. Participation

The word participation stems from the word 'part', which means "a member of; a person or thing that together with others makes up a single unit." It is the act of taking part in an activity or event (Oxford Advanced Learners Dictionary, 2000). From these two definitions, it is evident that 'part' on its own is incomplete. It only becomes complete when it joins with 'others' to make a whole. In this paper, part is equated to an individual who can only be complete by connecting himself or herself to other persons to make a community, which is the whole. Participation, therefore, is the connecting factor that brings together the 'I', and the 'Other' to make a fabric of 'We', and that 'We' is the community.

B. Corporate Governance

According to Shleifer quoted in Mallin (2007), corporate governance deals with the ways in which investors of corporations assure themselves of getting a return on their investment. The Organization for Economic Corporation and Development defines corporate governance as a set of relationships between a company's board, its shareholders and other stakeholders. It provides a structure through which objectives of the company are set and the means of attaining those objectives and monitoring performance are determined (Mallin, 2007). Cadbury (1992) views corporate governance as concerned with holding the balance between economic and social goals and between individuals and communal goals… the aim is to align as nearly as possible the interest of individualistic corporations and society (Mallin, 2007).

C. Corporate Governance Theories

The fundamental theories in corporate governance began with the agency theory, expanded into stewardship theory and stakeholder theory. The theories continued to evolve into resource dependency theory, transaction cost theory, political theory and ethics related theories such as business ethics theory, virtue ethics theory, feminist's ethics theory, discourse theory and postmodernism ethics theory. These theories address the cause and effect of variables, such as the configuration of board members, audit committee, independent directors and the role of top management and their social relationships. The theories are heavily inclined towards regulatory and management control systems but fail to address the continued causes of failure of corporations, especially within the African context. It is evident that Corporations have become powerful and dominant institutions. They have reached to every corner of the globe in various sizes, capabilities and influences. Their governance has influenced economies and various aspects of social landscape but also adopted various elements as influenced by the prevailing social cultural elements in a given societal context. With the emergence of globalization, there is greater de-territorialization and less of governmental control, which results in a greater need for accountability (Crane and Matten, 2007). Hence, corporate governance has become an important factor in managing organizations in the current global and complex environment. Corporate governance applies to all types of firms and its definitions could extend to cover all of the economic and non-economic activities within and outside any organization.

III. Participation and Corporate Governance

While Traditional corporate governance approaches are heavily top-down, there is a shifting trend in corporate governance within corporations in contemporary times to bottom up approaches. The principal of participation discussed in this paper contemplates a circular model of corporate governance in which all parts including the shareholders, society, managers, government, environment, and other participants are intimately connected by an endless chain of participants towards attaining the ultimate end of business which should be the common good. Govindarajan & Trimple (2012) argue that to achieve day-to-day business excellence, companies must do more than hire and train outstanding individuals. They must optimise the way individuals collaborate through job specifications, organizational designs, and work processes. Martin (2010), presents the view that employees in contemporary strategy formulation and execution don't like the buy-in approach where senior management and consultants formulate strategy and then handed down to them for execution as a way of buy-in. Such buy-in creates a distinction between strategy formulation and execution. The principal of participation advocates for the inclusion of all the 'parts' along the circular model in the entire corporate governance system framework.

IV. The Influence of the Principle of Participation in the African Corporate Governance System

A. An African as a Composition of Participations

While all humans, and may be other animal creatures, are by nature gregarious, An African is ontologically relational. The 'I' is always inclined or pulled to the 'Other' and vice versa. At one given point of our life, we all come to terms with the fact that in order to be alive, a human being has to be with and for the other by participation in all situations and circumstances. The human relational nature is not limited only to other human beings, or to the physical world, but tends to transcend the concrete 'I' and 'Other' and beyond. This brings about a long chain of 'otherness' that begins with the physical and ends in the metaphysical. The community is a cobweb of relationships, both biological and non-biological. This has an ontological flow dimension taking into account the fact that individuals do not exist independently of others. In this sense, true African based corporate governance should be characterised by a synergistic advantage as opposed to individualism. Empirical participation is based on the fact that, "the life of the individual is grasped as it is shared". A member of a tribe, clan, family, knows that he does not live to himself, but within the community" (Kwesi, 1969).

A successful business is the success of the 'whole' and not for the 'part' in the same way is a failed venture. Mbiti (1998) explains that, "whatever happens to the individual happens to the whole group, and whatever happens to the whole group happens to the individual. The individual can only say: I am, because we are: and since we are, therefore I am" (Mbiti, 1988). As rightly argued by Ayogu (2001), incorporating the influence of norms and values as this or other moral sentiments can improve the understanding of boardroom dynamics and characteristics of the decision management and control in 'business Africa'. Consciousness and appreciation of this inherent principle by business participants could positively influence the drive of organizations towards common interests above subjective interests.

B. Participation and Human Rights

Participation in the African context can hardly be separated from life and its activities. Participation is the centre of gravity to which every human being and human actions are drawn to such an extent that there can be no meaningful life without participation. It therefore, follows that participation and life are indivisible. Safeguarding or neglecting one means that the other is equally affected. Recognition and respect for human rights in our contemporary times has been acclaimed as one of the most important tools to protect and promote human life and dignity. Rights and duties control relations and interrelations in any human society and they are of absolute necessity in any corporate governance system. Thus, recognition and respect for human rights becomes a necessary condition of participation while any abuse of these rights abstracts and eclipses participation in the community. It has been and it is the desire of people that a favourable ground may be nurtured for all people to participate fully and African oriented corporate governance should radically uphold such.

In contemporary times, many human rights declarations accord more attention to the individual than the group: "The low status accorded group rights connected with ethnic indigenous identity is for instance evident in the text of the universal declaration of human rights as adopted in 1948. The declaration is overwhelmingly individualistic…" (Falk, 2000). This does not resonate well in an African perspective given it places an individual above community. An African oriented corporate governance system should uphold community and in the process of policy formulation guard against elevating the 'I' in the expense of the 'WE'

C. Participation as a Moral Principle

In African philosophy, cultural values, norms and other commonly accepted practices are the measures by which human and organisational actions are judged either as morally good or bad. The chief value is the respect for human life and dignity and, therefore, for participation to qualify as a moral principle, it has always to aim at enhancing and promoting human life and dignity. "Moral behaviour consists of an intuitive recognition that we are all manifestations of the will to live" (Lewis, 2005). All moral principles should be guided by this fact that can be summarised as "neminem laede, imo omnes quantum potes, juva (injure no one, on the contrary help everyone as much as you can)" (Lewis, 2005). Such should be the cardinal commandment of any ideal African corporate governance system and the main reference point for any organization in Africa when formulating policies and critical organizational guiding principles.

African scholars have developed two main schools of thought to explain the African basis of moral principles. One school of thought of morality focuses on religion while the other focuses on society. Religion and society in the African context are inseparable. The society is composed of people and religion is the way of 'being' of these people in the community. In traditional African society, every human activity is a religious affair. In this case, being is not simply 'to be', but to participate. Religion controls and determines the people's way of doing things. Every participatory encounter involving the 'I' and the 'Other' is religious in itself. As a moral principle, participation confronts individualism and instead propagates 'Otherness'. Human beings as organisations are in essence morally indifferent with the potential of becoming either morally good or bad. In African ethics, a morally upright person or institution is one that is fully connected to the 'other(s)'. To disrespect or violate community values is to dissociate oneself from the community and such a 'part' is considered to be morally

bad. Morality in African ethics is about 'We' and not 'I'. It is not my way but 'our way' of being and acting, our custom. To be a life-giving person or institution is to participate, for to participate, is to be morally good, and not to participate is to be morally bad.

D. Participation; The basis of Goodness

It is a human nature to desire that which is good. "The very nature of 'the good' permits participation" (Kanyike, 2004). Participation is not good because it is desired, but it is desired and promoted because it is good. As a moral principle, participation aims at propagating and promoting the good in all its dimensions within the community. It acts as the basis on which all individual, organisational and community good is founded. "The good end for an individual and business which involves a chain of parts is conceived as coinciding with the good of the community. Thus choices that influences the direction of corporate governance policies are highly or lowly ranked according to whether they contribute to or detracts from the common good" (Coetzee, 1998).

Desires of various individuals and organisations in the community are mingled and redirected to participation, to obtain a common good. The common good is not justified by the idea of promoting the interests of the majority but rather it transcends the majority to embrace all, which is the community in totality. From these, one can deduce that; the intermarriage between the good of the 'I' and the good of the 'other' is what constitutes the common good. This is the highest form of 'goodness' for the community. Kalenga (2000) contends that, "the greatest good is shared good. For the good of the world and the good in the world belongs to everyone". For the African, something can only qualify as good if it seeks to strengthen and promote participation.

In traditional African society, work as a means to a good end is a community affair. Each community member has a moral obligation to participate in work for the good of every member of the community. Through work, people experience the providence, and therefore the goodness of nature. Through work, people receive from and give to nature what is good. For instance, people cultivate land for food, and in return, they maintain and ensure good for the earth. Nobody is allowed to tamper with nature for it also participates and has vital forces in the lives of the people. African oriented corporate governance system should, therefore, be scrupulously sensitive to the people and the environment who are the true embodiment of the ancestors, the spirits and the ultimate Supreme Being.

E. Borrowing from the Bee Colony Analogy

Every analogy limbs though it carries within itself some good level of truth. The paper uses the analogy of a bee colony in trying to illustrate the spirit of the principle of participation in an African orientated corporate governance system; A bee colony consists of numerous bees of different types with different roles. For instance, the queen lays eggs, drones fertilise the eggs, and worker bees make food and guard the colony against enemies. When all these roles are accomplished, the colony is perfect and harmonious. This harmony is shared even to the general environment as the bees help in cross pollination, providing food to other wild animals resulting to some kind of common good. A bee on its own cannot live to the full or literally 'cannot be happy'. The life of a bee in such a state becomes imperfect. Bees can only survive and obtain all their essential needs as a colony. We can therefore conclude that each bee is important to the other and the environment to the extent that it participates and facilitated to do so fully. For a bee to

belong to a colony is a necessity. Concisely, each bee is a bearer of goodness, which, when intermarried with the goodness of the other bees through participation, results in the ultimate good of the entire colony.

The analogy of the bee colony closely illustrates the principle of participation in African philosophy which this paper is recommending as the true substratum on which African based corporate governance can only be underpinned. In the African understanding, to be is to participate. Human beings and good corporate organisations cannot be bearers of goodness if controlled by individualism and greedy. It is only by participation that individuals and organisations can survive and blossom. Participation is the kingpost of a building in which and into which every organisation operating in the African environment ought to be a participant. The Principle of participation largely remains a reality in the life of an African and it should be the true identity of African oriented corporate governance system.

V. Conclusion

This paper has presented the principle of participation common in African cultural systems and way of life as the distinguishing characteristic of an African oriented corporate governance system. The paper appreciates the role of culture in influencing corporate governance systems and argues that the existing theories in the realm of contemporary governance are alien to the African culture and therefore limited as sources of potential solutions to some of the challenges facing organizations operating in the African environment. This paper has argued that most problems facing organization in Africa are propagated by individualistic tendencies. From its discourse, the paper proposes that embracing the principle of participation in African management systems could offer a sustainable strategic solution and probably propel the African continent to a sustainable social economic development. This paper is limited to the extent of its purely conceptual approach to the concept of participation and corporate governance and therefore proposes a deeper contextualized research on these concepts and their applicability in the contemporary corporate governance systems especially in the African context.

References

[1] Ayogu, M,"Corporate Governance in Africa; The Record and Policies for Good Governance", Economic Research Papers, African Development Bank No. 66, 2001.

[2] Cardbury, A,"The Financial Aspects of Corporate Governance", London. Burgess Science Press. UK, 1992.

[3] Coetzee, P. Ed.,"The African Philosophy Reader, Routledge, London, 1998.

[4] Colley, J.,"Corporate Governance, Business, Legal and Ethical Challenges Faced by Boards of Directors", McGrawHill, New York, 2003.

[5] Crane. A, Matten. D.,"Business Ethics", (2nd Ed). Oxford University Press, 2007.

[6] Falk, A.,"Richard, Human Rights Horizons: The Pursuit of Justice in Globalising World, Routledge", New York, 2000.

[7] Govindarajan, V, Trimble, C.,"The CEO's Role in Business Model Reinvention", Harvard Business Review, Spring 2012, 2012.

[8] Kalenga, M (2000),"Kwanzaa and the Practising of The Seven Principles: The Cooperative Creation of Good", [Online] Available: http://www.africawithin.com/karenga/kwanzaa 2003htm. 7/12/2005 Retrieved 14/02.2009.

[9] Kanyike, E.,"The Principle of Participation in African Cosmology and Anthropology", Montfort Media, Balaka-Malawi, 2004.

[10] Kwesi A.,"Biblical Revelation and African Beliefs", Orbis Books, Marknoll, 1969.

[11] Lewis R.,"Ed., Philosophy Now: A Magazine of Ideas", Issue 52, 2005.

[12] Mallin, A.,"Corporate Governance", 2ND Ed. Oxford University Press, 2007.

[13] Martin, R.,"The Execution Trap", Harvard Business Review. July-August 2010.

[14] Mbiti J,"African Religions and Philosophy", General Printers Limited, Nairobi, 1988.

[15] Odetora, T.,"Sociology: An introductory African Text", Macmillan Ltd, London, 1985.

[16] Odera, O.,"Philosophy and Cultures", Proceedings of 2nd Afro-Asian Philosophy Conference Nairobi, Oct/Nov 1981, Bookwise Limited Nairobi, 1983.

[17] Oruka, O,"Trends in Contemporary African Philosophy", Shirika Publishers, Nairobi, 1990.

[18] Oxford Advanced Learners Dictionary, (6th Ed.), Oxford University Press, Oxford, 2000.

Headmound Okari, Headmound is currently pursuing a Ph.D in Business Administration – Strategic Management option from JKUAT. He holds an MBA (Strategic Management) from Catholic University of Eastern Africa and a BA (Philosophy & Social Sciences) from Uganda Martyrs University. Currently he is the Academic Registrar and lecturer at Consolata Institute of Philosophy a Constituent College of Urbaniana University of Rome. Other positions in which he has successfully served include; Program Manager for Caritas Nairobi, Development and Public Relations Officer for Christian Brothers among others.

Victor Keraro, is a Kenyan holding an MBA in strategic management and a B.Sc. in Business Administration, both from the United States International University (USIU), Nairobi. He is a qualified accountant and secretary holding CPA-K and CPS-K certificates. Victor is currently pursuing his PhD in Business Administration, Strategic Management focus at JKUAT. His employment experience stretches over 26 years in senior management positions in international development organizations. Currently, he works for PwC, as a Director in charge of the Canadian Cooperation Office, a Programme Support Unit of the Canadian International Development Agency (CIDA) in Kenya. Previously, Victor worked as Director of Finance and Administration at IFPRI, WWF and the Forum for Agricultural Research in Africa (FARA). He is a widely travelled professional.

Kellen Kiambati, holds an MBA in Strategic Management from the Kenya Methodist University and is currently pursuing her PhD in Business Administration with a focus in Strategic Management at JKUAT. She is a Strategic Management Consultant with Discount Financial Services Ltd. She has a very wide experience spanning over ten years, ranging from undertaking surveys, analyses of data to conducting social sciences research. She has proven expertise in objective research design, knowledge management and report writing. Kellen has helped in the development of business plans for Skippy Enterprises Scrupsurf Cleaning Services as a Lead

Consultant. She has undertaken a consultancy in the evaluation of Global Access Network Ltd Strategic Development, Market Survey and Business Development. She has also done consultancies at MJ-ATAP Consultancy Ltd. Kellen is a member of the Institute of Human Resource Management of Kenya