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Chapter 3: The Value of Ubuntu – Moral and Governance case for Ethical and Responsible Financing and Investment Practices in South Africa.

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Abstract

This paper sets out to examine the application of Responsible Investment (RI) principles through the lens of *Ubuntu* philosophy, as an alternative corporate governance approach. We seek to understand why African investment managers are more grounded in Western philosophies compared to Ubuntu. Data were collected via archival data on the Institutional investors' Environmental, Social and Governance (ESG) practices in South Africa, and the interview of 7 institutional asset owners. Evidences indicate that apart from weak regulatory environment, corporate governance standards in many developing countries do not resonate with native cultural values and philosophies. Although the *Ubuntu* philosophy is a growing phenomenon, increase in contextualisation of its economic and financial cases through business education is warranted for it to be well grounded.

Keywords: Asset Ownership, ESG, Institutional Investment, RI discourse, South Africa, *Ubuntu*.

1. Introduction

The word "*Ubuntu*" originally derives from the Bantu¹ languages of the SADC² region. The notion metaphorically expressed in "*Umuntu ngumuntu ngabantu*" reflects the idea of togetherness as human beings, where consideration for one another is fundamental. Morphology of *Ubuntu* shows that the word derives from Xhosa language which has a prefix and a root. The prefix '*ubu*' refers to the abstract, and the root '*ntu*' is believed to be the ancestor that started humanity. According to Eliastam (2015), the term gained prominence in post-apartheid South Africa as a means of rediscovering African cultural values hitherto eroded by both colonialism and apartheid. The philosophy of *Ubuntu* has previously been applied to metaphysics and religion, politics and law. For instance Elizabeth Frawey Bagley³ proposed the introduction of *Ubuntu* diplomacy that will ensure cross-sector collaboration, which brings about maximum societal impact and sustainability through stakeholder partnership that succeeds together, not incrementally but exponentially. However, very little has been written on its application to institutional business, most especially, responsible investment (RI), which is the integration of environmental, social and governance criteria in appraising long-term investments.

This work therefore seeks to explore this African philosophy as both moral and financial case for the growth and development of RI within the African region as failure to do so may make capitalism in Africa to be “hollow and ungrounded” (Amaeshi and Idemudia, 2015). It is important however, that we understand an important and remarkable feature of the cultures and values emanating from sub-Saharan Africa, which is their non-individualistic or communal character that places premium on common good after the order of Marxist collectivism. In the words of Lutz (2009, p314), *“the communal character of African cultures does not mean that the good of the individual person is subordinated to the group, as is the case with Marxist collectivism. In a true community, the individual does not pursue the common good instead of his or her own good, but rather pursues his or her own good through pursuing the common good.”* The implication of this statement is that the underlying ethics of community engagement does not place the good of the community over those of the individuals, but place them side-by-side. Such examples could be seen in Akan proverb which says: *“The clan is akin to a cluster of trees which appear huddled together from afar, but which would be seen to stand individually when closely approached.”* (Gyekye, 1995 p158). This does not however infer that all Africans are communal in nature. For instance, previous research by Tompenaars and Hampden-Turner (1998) suggests diverse levels of individuality in the various ethnic groups in South Africa, although according to Lutz (2009, p315), these groups are less individualistic when compared to Westerners.

2. Research in context

South African country with a population of over 57 million people (based on 2018 estimates). During the 1970s and 80s which was typified by the Apartheid era, many foreign investors divested from the country. However, the South African economy experienced a period of continuous economic growth and prosperity between 1994 when a popular democratic government was installed, up to 2007. The economy had since witnessed a period slow growth up till 2018. (CIA World Factbook, 2012). The economy is the most stable in the African continent, and also well diversified. For instance, over 65% of the economy is service based, whilst industry and agriculture accounts for 31% and less than 4% respectively. One of the reasons why the economy has slowed in recent years is the prevalence of HIV/AIDS. The country has the highest HIV/AIDS prevalence in the world, with about 16% of the working population (i.e. people aged between 16 and 49) affected by the scourge. This amongst others accounts for the reason why investors and their managers would be concerned with the need to integrate ESG issues into the investment practice. By African standards, the South African capital market is the most developed based on market capitalisation and volume of trades. Many of the asset owners are signatories to the PRI Code which means that they can refer to themselves as responsible investors. Also South African was the first country apart from the UK, which has published a Stewardship Code that promotes responsible investment practice. As at 2018, 5 Asset Owners, 36 Investment Managers and 15 professional services firms

call them themselves responsible investors, which is the highest in Africa. What is the level of awareness of the similarities between Ubuntu philosophy and responsible investment?

Table 3.1: List of PRI signatories based in Africa

Country	Number of signatories
South Africa	56
Mauritius	6
Botswana	3
Nigeria	3
Morocco	2
Egypt	1
Total	71

Source: UNPRI, 2019.

3. *Ubuntu* Philosophy

Unlike many other Western theories and philosophies in the management sciences that have been properly developed and codified, *Ubuntu* is an emerging philosophy that had developed through oral tradition. Therefore the foundations of *Ubuntu* has hitherto been described as vague because it means different things to different people thereby making the development of a universally accepted theoretical interpretation difficult. According to Desmond Tutu (1999): “it is difficult to directly interpret *Ubuntu* into English language. It speaks of the very essence of being human. When we want to give high praise to someone we say, “*Yu u nobuntu;*” “Hey, he or she has *Ubuntu.*” This means they are generous, hospitable, caring and compassionate. They share what they have. It also means my humanity is caught up, is inextricably bound up in theirs. We belong in a bundle of life.” *Ubuntu* is rooted in traditional African virtue ethics which has been described by Colff (2003) as the African Tree concept, with seven branches in communal enterprise, leadership legitimacy, value sharing, collectivism and solidarity, interconnectedness, respect and dignity.

In an attempt to establish the philosophical precision of *Ubuntu* and demonstrate that *Ubuntu* is rooted in virtue ethics (which is seen as the highest in the hierarchy of the six normative ethical theories), Metz (2007), critically evaluated various theoretical interpretations of *Ubuntu* through the lens of Aristotelian virtues theory, Anglo-American theory, traditional and modern philosophy, which led to the rejection of propositions 1 to 4 (see table 3.2), and then concluded that *Ubuntu* resides between deontologism and virtue ethics. Lutz (2009) opined that *Ubuntu* does not imply the giving up of individual needs on the altar of group needs. Rather, *Ubuntu* is a partnership between individual and group needs. Lutz (2009) applied the analogy of a player in a football team to explain *Ubuntu* philosophy thus: a football player must do well individually and at the same time, must contribute to the success of the team. Such player cannot select between the two as they go hand-

in-hand. Therefore *Ubuntu* emphasises humanness and community engagement over material wealth, and quality of community life over than the acquisition of material things (Mbigi, 2005; Shonhiwa, 2006). A pertinent question that has agitated the minds of business philosophers is the understanding of what *Ubuntu* is, and how to situate it with, or against the Aristotelian virtue ethics. Aristotelian virtue ethics are not built on universal tick-box principles which are known to characterise consequentialist and deontological theories. Rather, Aristotelian virtue ethics seek to address wider questions with no standard template answers, such as the question of good life, social values, and how to live. On the other hand, *Ubuntu* has many theoretical interpretations (see *table 3.2*) based on existing literature (Lutz, 2009; Metz, 1995), and it has been described in diverse ways too⁶. According to Eliastam (2015) the re-emergence of *Ubuntu* philosophy is one of the efforts to restore Africa's dignity as part of effort in building postcolonial African States.

Development and a coherent application of *Ubuntu* philosophy is needed today in order to combat the underlying general problems such as poverty, accountability and sustainability facing survival of businesses in Africa today, as well as specific business' institutional problems such as effectiveness, productivity and stewardship. There are some similarities in some of the existing management thoughts and *Ubuntu*. For instance, in recent times, notable academic scholars in the field of accounting (Solomon, 2010; Atkins et al., 2014;) have called for a shift in reporting from stewardship (focusing on financial result for the benefit of shareholders) to accountability (measuring performance based on the needs of the stakeholders). *Ubuntu* however, based on the Lutz's (2009) analogy, stresses the need for a goal congruence between both stewardship and accountability through the measurement of individual business and the community success as the core of business responsibility in addition to the achievement of business unit and individual managers success measurement. *Table 3.2* suggests that in *Ubuntu* philosophy, community, humanity and relationship takes precedence over material wealth. In business discourse, previous researchers have applied *Ubuntu* philosophical underpinning in investigating the environmental and ethical attitude of Nigerian managers, and found, that Western philosophies have more influence than cultural philosophies such as *Ubuntu*. This research therefore seeks to build on the existing work in this area, by seeking to understand the reason behind South African investment managers' grounding in Western rather than *Ubuntu* philosophy.

4. Business Case for *Ubuntu*

In many of the indicators of development, the African continent is clearly lagging behind others. However, it is believed that the adoption of the sustainable development goals (SDGs)⁴ is likely to reduce the incidence of poverty on the continent. To this end, institutional investors like Pension funds in Africa are being encouraged to subscribe to the United Nations Principles for Responsible Investment

Table 3.2: Different meanings of Ubuntu

Proposition	Theoretical interpretation of Ubuntu	Mapping against rational ethical decision-making framework
1	An action is right just insofar as it respects a person's dignity; an act is wrong to the extent that it degrades humanity	EGOISM: How does the action relate to me?
2	An action is right just insofar as it promotes the well-being of others; an act is wrong to the extent that it fails to enhance the welfare of one's fellows.	SOCIAL GROUP-RELATIVISM: How does the action relate to my friends?
3	An action is right just insofar as it promotes the well-being of others without violating their rights; an act is wrong to the extent that it either violates rights or fails to enhance the welfare of one's fellows without violating rights.	CULTURAL RELATIVISM: How does the action relate to my culture and laws?
4	An act is right just insofar as it positively relates to others and thereby realizes oneself; an act is wrong to the extent that it does not perfect one's valuable nature as a social being.	UTILITARIANISM: How does the action relate to everyone who is affected by it?
5	An action is right just insofar as it is in solidarity with groups whose survival is threatened; an act is wrong to the extent that it fails to support a vulnerable community.	DEONTOLOGISM: Does the action treat every stakeholder with respect and dignity?
6	An act is right just insofar as it produces harmony and reduces discord; an act is wrong to the extent that it fails to develop community	VIRTUE ETHICS: How would a virtuous person act in this situation?

Source: Adapted from Metz, 2007

(PRI) Code which encourages asset owners to consider environmental, social and governance factors (ESG) in addition to the traditional investment appraisal techniques (see AVCA, 2018) in screening long-term investment. Apart from financial returns, integrating ESG factors into investments is a social service since it involves deploying capital to activities with societal impact and it is concerned with the long-term survival of businesses through good governance practice and environmentally-friendly business undertakings (CISL, 2014).

Although RI is seen as advantageous to the investors and the society at large (Solomon, 2009; Barnett and Salomon, 2006), others have argued that the growth of RI is a consequence of governmental failures in addressing externalities and risks imposed on business entities, financial or otherwise (Crifo and Forget, 2012; CISL, 2014, Gifford, 2014). It is suggested therefore, that effective ESG engagement and strong management can help channel finance to where it is needed in order to achieve the SDGs in developing countries – especially in Africa. According to World Investment Reports (UNCTAD 2014; 2018), there is an annual investment gap of US\$2.5 trillion which must be plugged for the seventeen SDG goals to have a good chance of being delivered by 2030. However, this challenge is particularly noticeable in Africa due to large population, weak economies, feeble regulatory environment and low adaptive capacity (UNECA, 2017). Little has been written on country specific responsible investment practices in Africa (Tessa et al., 2014; Solomon, 2013), and none at all has been written on its contextualisation through the lens of *Ubuntu* philosophy, although Chaplin (2006) noted a growing prevalence of *Ubuntu* networking in South Africa whereby business professionals from various backgrounds meet to develop business contacts.

5. Research Methodology

There is a noticeable weakness in the corporate governance systems being operated in many African countries, that despite the existence of multiple laws and regulations. Moreover, those flouting these laws and regulations mostly go scot-free. (Arjoon, 2006; Adegbite et al., 2011; Benston, et al., 2006). Societal culture and value systems have been found to create legitimacy for ethical environment (see Rossouw, 2005; Monks and Minnow, 2004, Wanyama et al., 2009), which explains the seeming incompatibility of corporate laws based Anglo-Saxon model of corporate governance with some indigenous African traditional business practices. However how can *Ubuntu* strengthen corporate governance and RI practice in the Southern African region? Using data from archival sources on ESG as well as semi-structured interviews, this chapter attempts to answer the following questions from an interpretive-constructivist paradigm, given on the ontological assumption that reality can be self-created:

1. What are the similarities between ESG and Ubuntu?
2. How can *Ubuntu* improve responsible investment practice?

Archival data were derived from the UK Stewardship Code, the CRISA, PRI Code, and relevant ESG legal provisions⁷, which are all freely available on the internet. These sources were used because they are the authority on RI practice. These sources provided us with the data with which we can compare findings from our interviewees, as it is common for social actors to say one thing, and then end up doing the opposite (Arnould and Wallendorf, 1994). In addition, 7 asset owners (all of them managers in Pension Fund trustee firms) were interviewed via telephone in November 2018 for average of 20 minutes each. The participants were all guaranteed anonymity so that they can freely express themselves, and this is the reason why we did not distinguish between the local and foreign-owned asset owners in the data analyses subsection. Recorded interviews were transcribed and fed into 'NVIVO' for coding. The NVIVO system helped us to organise, visualise and analyse data through coding in line with the Braun and Clark (2006) coding framework, which involves familiarisation with data, generating codes, searching for, reviewing and defining themes, and reporting. Thematic coding was then applied in categorising and analysing data based on observed patterns (Guest *et al*, 2012). Qualitative data collection methods were used because *Ubuntu* and RI are social phenomena that cannot be measured objectively or quantitatively, which justifies us gathering, interrogating and reflecting on data from diverse sources (Qu and Dumay, 2011).

Table 3.3: List of interviewees

Code	Interviewee's position in Pension Fund	Interview duration (minutes)
PF1	Investor Relations Manager	22
PF2	Chief Executive	22
PF3	Head of Finance & Investment	17
PF4	Compliance Manager	19
PF5	Governance Manager	21
PF6	Head of Investment	22
PF7	Finance & Management Services Manager	20

6.1 *Ubuntu and Asset Ownership*

One of the interpretations of *Ubuntu* philosophy is the principles of treating stakeholders with respect and seeking common good of the community at large. This involves pursuance of stewardship (the good of the asset owners) and accountability (other stakeholders in the community) side-by-side. This deontologism and virtue ethics are theoretically similar to Environmental Social and Governance (ESG) principles which are the basis for RI. Environmental issues such as coping with and adapting to climate change.

Table 3.4: Typical ESG Issues

Environmental (E)	Social (S)	Governance (G)
Emissions	Bribery and corruption	Accounting quality
Energy efficiency	HIV/AIDS	Audit quality
Environmental management	Labour relations	Board skills
Environmental policies	Product safety	Board structure
Genetic engineering	Respect for human rights	Independent directors
Hazardous and solid waste	Stakeholder relations	Remuneration
Pollution	Treatment of customers	Separation of Chair & CEO
Toxic chemicals	Working conditions	Shareholder rights
Water shortage	Workplace health and safety	Independent leadership

Source: Olatubosun (2013)

Investors, particularly institutional ones are now being put under immense pressure to act as custodian of good corporate governance in the investment chain because of their large resource base which places them at an advantage over others. For instance, it is the institutional investors that dictates the weight of portfolio to asset managers. They dictate voting policies, as well as financial and operating policy decisions in the investee companies if they hold more than fifty percent of the voting shares. This is the reason why management policies bothering on good governance, such as responsible investing should be targeted at them. Empirical evidences have shown that many of the effective corporate governance reforms that have been witnessed in recent times have been engineered by institutional investors.

The *Ubuntu* philosophy of humanness and individual pursuant of excellence has some similarities with responsible investment. Firstly they are both interested in the long-term survival of business units. For businesses to survive on a long-term basis in the 21st century, they must be able to adapt to the constantly changing business environment, be it social, legal or environmental. Climate change is now agreed to be the most important issue affecting investment today and the government has taken deliberate efforts to address many of these issues, such as water shortage, environmental damage, dumping of goods and air pollution via Acts of parliament (see table 3.4 & 3.5). Also, the South African government has taken deliberate steps to address skills gap, especially between white and coloured people so that the disadvantages that non-whites face in accessing education, jobs and credits are eradicated. These issues are important for harmonious relationship and political stability as well as economic growth and development of South Africa in the long run.

However, the main difference between the RI practice and *Ubuntu* is that RI is properly codified under principles published by the global organization regulating RI, which is the United Nations Principles for Responsible Investment (UNPRI), whereas *Ubuntu* principles are yet to be fully developed and entrenched in business practice. One can even argue that *Ubuntu* philosophy of fusing individuality and group success into a coherent whole stands in a higher pedestal when compared to

RI which is an offshoot of accountability only. This explains the reason why RI has been criticized by scholars as being unrealistic in subjugating the rights of the business owners to those of other stakeholders who take minimal risks in the overall success of the business unit.

Table 3.5: Legal provisions regarding ESG consideration in South Africa

Environmental	Social	Governance
National Environmental Management Act (1998)	Broad Based Black Economic Empowerment Act (2003)	Companies Act (2008)
Environmental Conservation Act (1989)	Labour Relations Act (2003)	National Credit Act (2005)
National Water Act (1998)	Skills Development Act (1998)	Insider Trading Act (1998)
National Environmental Management: Protected Areas Act (2003)	Housing Protection Measures Act (1998)	Consumer Protection Act (2008)
Air Quality Act (1984)	Promotion of Equality and Prevention of Unfair Discrimination Act (2000)	Code for Responsible Investment in South Africa (2011)

Source: Adapted from Nadia Mans-Kemp and Suzette Viviers (2014)

In this section, we analysed our findings using manual coding, in order to ascertain the extent of the understanding of Ubuntu, discussion of similarities between Ubuntu and ESG and the discussion of RI practices in South Africa.

6.2 Understanding of the meaning of Ubuntu

Clearly an important trend that was noticed throughout the interviews process is the non-standardisation of the meaning of Ubuntu and the perceived non-applicability of the philosophy to international business although some believe that it is conceptually similar ESG. Asset Owner firms interviewed with European ownership dismissed the term *Ubuntu* as a political tool and sometimes a backdoor to bring inefficiency into the workplace.

“the quest for Ubuntu has been loudest from the black community to connote taking over of White businesses or reducing standards to accommodate them. They are not offering anything new” PF7

“The term gained prominence during the apartheid era as a means of fostering togetherness amongst the black folks. Post 1994, it is now being used as a means of promoting patronage of local businesses or encouraging black-owned businesses. Ubuntu has nothing new to contribute to international business as far as I know. Perhaps it is a gimmick” PF3

“There are lots of similarities between the principles of responsible investment and Ubuntu. The only difference I can see is that one is well developed and understood because it emanated from the West, and the other which is not. Perhaps, the principles of *Ubuntu* should be properly laid out just like the PRI, so that we can all subscribe to it. Alternatively, since the

UNPRI is an international organisation, it could educate us all on the local variants of responsible investment so that we can relate to it in our local dialect. I am convinced that RI and *Ubuntu* are one and the same thing.” PF4

However, some local operators largely see *Ubuntu* as a means of catching up with the White folks, although they see little or no similarities between RI and *Ubuntu*.

“Yes, *Ubuntu* means unity, togetherness, caring for others. The principles, if well understood, could be applied to business. Perhaps on things like sharing common resources for the benefit of all.” PF2

“....*Ubuntu* reminds us of the need to be our brothers keeper. It is an age-long adage that resurfaced recently. Many are talking about it. I know what it is, but I find it difficult to place it in the same category with responsible investment.” PF5

Generally, we noticed that all the foreign-owned institutional investors interviewed are fully subscribed to the PRI Code. They also demonstrated good understanding of the RI principles, especially the need to avoid investment in entities labelled as ‘sin stocks’. Many of them also demonstrated good engagement with stakeholders through attendance at AGM, updating stakeholders through their website.

6.3 *Ubuntu as an ESG screening substitute*

One important finding of this research is that the local managers of institutional investment firms can relate to the use of *Ubuntu* better than the RI principles once it is made clear to them and they will be ready to operationalise and communicate it in the local language. The following responses were received from some institutional investors after the various use of *Ubuntu* were explained to them.

“Wonderful....I think we’ve lost a lot through the use of foreign management principles in this profession. What you have just explained to me has made me to understand *Ubuntu* better and now I can personalise responsible investment the same way as something that we’ve always practiced in South Africa before the White men came here. Surely, responsible investment is a subset of *Ubuntu*.” PF6

“We say these things (*Ubuntu*) in passing all the time, but no one has really taking time to articulate it the way you have presented it today. It sounds great. Maybe the awareness ought to be increased for others to learn it too.
PF1

Similar thoughts were shared by many other senior manager interviewees who are of African descent. Such thoughts are largely in agreement Wanyama *et al.*, (2009)

that the chief reason for the failure of corporate governance in businesses operating in Africa is the innate conviction that such principles are Western ideas being imposed on business leaders. For this reason, Wanyama *et al.* (2009) called for the domestication of Western governance principles in a way that shows that they are not at variance with the local African beliefs as well as the promotion of sound African philosophies that underpin Western thoughts. The time wasted in unlearning local thoughts and then imbibing them in foreign language seems to be an important issue that ought to be addressed.

6.4 Ubuntu and ESG screening

The interview again revealed that due to access to training on RI, foreign owned firms have a deeper understanding of RI principles and the screening instruments, but with little or no knowledge of how Ubuntu can be operationalised in the ESG screening. On the other hand, the awareness of the meaning of Ubuntu (but not its principles) is common amongst the senior officials of the local institutional investors, coupled with limited knowledge of ESG which forms the basis of RI. For instance, although several screening methods could be used in responsible investing (for example, positive screening, negative screening, engagement, best-n-class etc.), negative screening method is the most popular amongst local institutional investors since it involves avoiding certain kinds of investments that are seen as harmful. This is where Ubuntu philosophy becomes important. Ubuntu promotes self and others simultaneously. Ubuntu encourages excellence in individual pursuits, as those results in group excellence. Ubuntu expects that a business is an integral part of an open system that interconnects and depends on the success of others. Therefore, in *Ubuntu*, businesses are not likely to be discriminated against (that is, negative screening). Rather, steps would be taken to engage with the operators to make it better in order to sustain job creation and societal cohesion.

In *Ubuntu* systems, profit is seen as the consequence of the historical interdependency in the business community. That is, a firm makes a profit because other stakeholders have also made profit. Therefore making profit is important not only for one business entity, but for the long-term wellbeing of all entities connected to the business unit (see *figure 3.1*). This explains why a loss-making business unit in a community system built on *Ubuntu* philosophy is seen as a harbinger of losses for other operators, and it is a consequence of past events (lagging indicators) which may not necessarily continue in the future if the connected parties are willing to support it (leading indicators). Due to the interconnection of key stakeholders such as customers, staff and owners, it is important that the wellbeing of one party translates to the wellbeing of another party. This philosophy is quite similar to the Balanced Scorecard model promoted by Kaplan and Norton (2007) that shows the importance and interconnectedness of key stakeholders in generating and sustaining long-term profits. Whilst Balance Scorecard is limited to the interconnectedness of staff, customer and business owners in that order, Ubuntu transcends businesses to

connect entities outside of the business such as the community and humanity in general (Galthogo 2008, p47).

6.5 Ubuntu and Engagement with business stakeholders

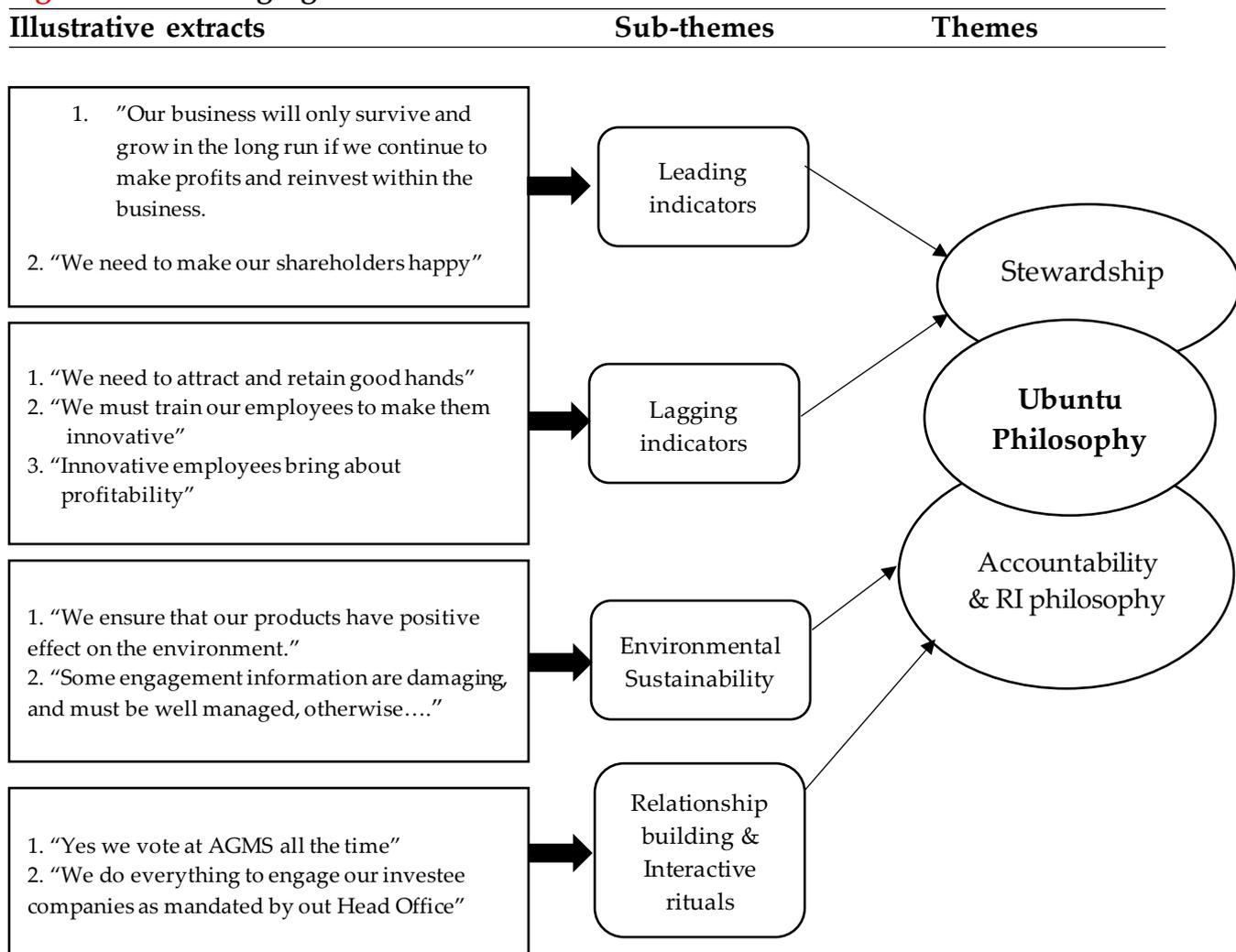
Engagement is an important principle of RI because it provides an opportunity to meet with key stakeholders and ensure that their objectives are being met, thereby reducing friction and engendering understanding. Engagement by institutional investors with portfolio managers and investee companies are expected to be communicated to the stakeholders through their website. Our interview process showed that engagement in the investment chain is largely reactive rather than proactive. All the interviewees communicate the results of the Annual General Meetings (AGMs) on their website, which is an exercise that is more of an annual ritual than a tool to build relationship with investee companies (Uche and Solomon, 2014). There are no evidences of deliberate efforts to meet with other major investors in the course of the year. The only other time that meetings do take place with the investee companies, is when they run into bad times, that is, when they require recapitalisation, when they are insolvent or when they are about being taken over by administrators. This is not the spirit of *Ubuntu* and certainly not the expectation from RI practice, but a manifestation of greenwashing and impression management (Olatubosun and Nyazenga, 2019). Both in RI and *Ubuntu* environment, meetings as a means of engagement are expected to be proactive, and should take place periodically.

“Continuous meeting with companies in which we have substantial investment is good. No doubt about that. But it is costly. The way out may be that share this activity with other major pension funds so that the weight will not harm us. As a business entity, we are expected to weigh these costs against the expected benefits otherwise we would be out of business before we know it.” PF2

“We vote at AGMs which shows clearly that we are keen in running those companies in our best interest. We are ready to look into other means of engagement that you mentioned. They are popular overseas but we are under pressure to deliver profits here.” PF5

Ubuntu philosophy suggests that any subsidiary businesses owned by major investors are an integral part of the family, and must therefore be prevented from wandering off the radar like a sheep without shepherd. Periodic meetings ought to prevent negative occurrences, and are not supposed to be carried out just to fulfil all righteousness (Cornelissen *et al*, 2015). In theory there is no difference between the attitude of *Ubuntu* and RI to corporate governance. However what we noticed is the non-personalisation of the RI principles because they are seen as foreign-imposed, and must therefore be implemented superficially.

Figure 3.1. Emerging themes and their illustrative extracts



7. Discussions

Financial and economic development rests on the deployment of the 4Ms (money, men, materials and machines) in the best possible way, with deliberate actions on the part of the constituted authorities to ensure that certain minimum goals are achieved. The South African government is inherently aware of the need to harness these resources in order to for long-term growth and development due to political pressures from citizens. They are also taking deliberate efforts to discourage *short-termist* thinking by enacting laws that promote inclusiveness and political cohesiveness whilst recognising social diversity. This has also been accepted in good faith as South Africa has the highest number of institutional investors who have subscribed to the PRI Codes for Responsible Investment on the continent. However, data gathered from the interviews of institutional investors in South Africa revealed dichotomy between institutional investors that are subsidiaries of foreign firms and those locally owned. The foreign-owned ones have very good understanding of the rudiments of RI practice as they are often sent on training overseas and many of

them have already managed RI portfolios prior to their secondment to South Africa. On the other hand, many of the locally owned ones demonstrated limited skills in RI practice. One of the reasons for this, based on our interviews, is not limited to the poor understanding of RI, but the failure to personalise RI principles, because it seems like they have been imposed.

Existing literature (Gifford, 2014; ICAEW, 2004) has proven that dialogical communication amongst stakeholders are capable of building trusts, especially between asset owners and the companies' management. Such communication leads to increased trust thereby reducing the incidence of reputational damage which can cause diminution in value of institutional investments. The kind of engagement noticed based on the data gathered via interviews, demonstrated a superficiality, especially amongst locally owned institutional investors. This therefore calls for a deeper understanding of the corporate governance requirements, not only in South Africa, but in many African countries that suffers the same fate. As mentioned earlier, South Africa is not in short supply of corporate governance provisions which operates on rules based. So, the question is, despite these abundant rules and regulations on corporate governance, why are African businesses still failing in large numbers?

This is a noticeable weakness of the rules based system in many developing countries that despite the multiplicity of laws and regulations, flouting of regulations largely go unpunished (Arjoon, 2006; Adegbite *et al.*, 2011; Benston, *et al.*, 2006). Considering the response of one of the interviewees, "RI is a selling point and that is why everyone is claiming to be engaging in RI." This resonates with Delmans and Burbano (2016)'s findings that incidences of limited or contradictory regulatory information strengthens individual and organisational-level cognitive greenwashing, which explains why policymakers and business managers should be incentivised to reduce greenwashing. Olatubosun and Nyazenga (2019) also found that individual and organisational cognition and regulatory laxity are have been previously observed to stoke acts of greenwashing. Societal culture and value systems have been found to create legitimacy for ethical environment (see Rossouw, 2005; Monks and Minnow, 2004, Wanyama *et al.*, 2009), which explains the seeming incompatibility of corporate laws based Anglo-Saxon model of corporate governance with some indigenous African traditional business practices.

8. Research implications

This paper investigates the awareness of RI and *Ubuntu* from the institutional investors' point of view based on the case study of South Africa. It is believed that the domestication of the knowledge and skills in RI is crucial in ensuring that the knowledge becomes pervasive and easy to operationalise in developing countries. The awareness of *Ubuntu* at the top of the investment value chain is crucial because they dictate the financial and operating policy decisions that would ultimately affect

the investee companies. We found that although the legal environment is saturated with laws and policies that encourages responsible investing, there is a material disconnect between the laws and the operation because the principles behind RI are perceived as foreign as they are not grounded in local philosophies. However, the same principles, discussed or explained under *Ubuntu* are personalised and owned by these institutional investors who turns around to show that they are proud of them. Communication is key in the understanding and therefore proper decoding and implementation of management philosophies. Managers are more likely to freely implements the strategies that resonates with they previously held beliefs in agreement with the view of Cornelissen *et al*, 2015.

We found that the legal environment is favourable to the implementation of RI practice as South Africa has the highest subscription to the PRI Code in Africa as well as the legal environment that demonstrates governments commitment to the development of RI practice, since it is an important part activity that leads to the achievement of the SDG, principally, eradication of poverty. Although the regulatory environment is good by African standard, the understanding of RI needs more attention from the education of investors' point of view. The investors ought to see RI principles as autochthonous rather than a practice that was imposed by the White man. Secondly, African virtues in business are being lost as a result of non-documentation. Many of these philosophies are only existing in folklores and tales and they may totally disappear if not properly documented and operationalised. We proposed therefore, that *Ubuntu* philosophy ought to be taught in business schools and paired against classical and modern management philosophies so that future African business leaders can own them. This way, future case studies could be referenced, refined and improved upon.

Also, communication of RI ideas in local dialect using local legends is important. We discovered that many business leaders interviewed continues to use Ubuntu as proverbs and idioms. However, they find it difficult to operationalise it in business cases. We also recommend that African lawmakers and business leaders should demonstrate understanding of the peculiar socio-cultural business environment in which they operate with a view to implementing corporate governance Codes which caters for the peculiar needs of the businesses operating in the environment. For instance, Nakpodia *et al*. (2016), proposed a fusion of rules based and principles based regulation, which has support of key stakeholders. The application of *Ubuntu* philosophy to the RI discourse offers an alternative view in the understanding of responsible investment based on the case study of South Africa. We were able to demonstrate that consideration of Responsible investment which is a subset of accountability theory, has always been part of Ubuntu philosophy, although the principles were unclear, and was not properly communicated and operationalised in the business environment. The Code for responsible Investment in South Africa (CRISA) was modelled after the UK Stewardship Code, based on the UNPRI Codes.

A future revision of the CRISA Code may include communication of the Ubuntu virtue ethics so that the populace can relate to responsible investment as originating from, and not imposed on South African businesses.

This research focused on *Ubuntu* and RI practices in South Africa. Future research in this area may look at the understanding of *Ubuntu* in other Southern African countries like Zimbabwe for instance, in order to deepen the understanding. Also our study focused on the RI practice through the lens of *Ubuntu*, future research in this area could explore regional or cross-country discussion in order to reflect the effect of culture and laws on investment practice. Another important issue which is yet to be resolved, although this is not limited to the application of *Ubuntu*, is the moral question of how to motivate managers towards communal goal congruence, and gauging the medium and long-term gains from the individual business' and community perspective. Reconciling business' self-realisation and communalism ought to be codified through business education that demonstrates that *Ubuntu* is in tandem with, and can be seen as a furtherance of many of the existing management philosophies.

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Notes:

1. Bantu is one of the top 10 languages spoken in Africa. Top in the order of popularity are: Arabic, English, French, Swahili, Berber, Hausa, Yoruba, Portuguese, Bantu and Oromi. Available at: <https://africa-facts.org/top-10-most-spoken-languages-in-africa/>
2. SADC is made up of 16 countries: Angola, Botswana, Comoros, DRC, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.
3. Elizabeth Frawley Bagley was the former Special Representative for Global Partnership Initiative in the Office of the Secretary of States, USA (June 2009 – October 2010).
4. Sustainable Development Goals (SDGs): 17 goals of the UNPD to end global poverty by 2030. It came into effect on January 2016, and builds on the Millenium Development Goals.
5. Responsible Investing – A Fad or the Future? Available at:
https://assets.kpmg/content/dam/kpmg/uk/pdf/2018/03/kpmg_responsible_investment_a_fad_or_the_future.pdf
6. Various ways by which *Ubuntu* has been described in previous literature: As a Theological framework (See Tutu, 1999; Forster, 2010); As a moral theory: (see Shuttle, 1993 and Metz, 2007); as a basis for business and management ethics (see West, 2014; Lutz, 2009; Mangaliso and Van den Bunt, 2007).
 - 7a. UK Stewardship Code is available at: <https://www.frc.org.uk/investors/uk-stewardship-code>
 - 7b. The CRISA is available at:
https://cdn.ymaws.com/www.iodsa.co.za/resource/resmgr/crisa/crisa_19_july_2011.pdf
 - 7c. PRI Code is available at: file:///Users/u/Downloads/UK_Stewardship_Code.pdf