



Towards an Ubuntu-based Stakeholder Theory

*Schalk Engelbrecht & Minka
Woermann*

BEN-Africa Conference 2016



UNIVERSITEIT
STELLENBOSCH
UNIVERSITY



Do we need
Ubuntu?

A need for Ubuntu?

5,300 Wells Fargo employees fired over 2 million phony accounts

What happened?

On Thursday, federal regulators said Wells Fargo (WFC) employees secretly created millions of unauthorized bank and credit card accounts -- without their customers knowing it -- since 2011.

The way it worked was that employees moved funds from customers' existing accounts into newly-created ones without their knowledge or consent, regulators say. The CFPB described this practice as "widespread." Customers were being charged for insufficient funds or overdraft fees -- because there wasn't enough money in their original accounts.



Egan, M. 2016. "5,300 Wells Fargo employees fired over 2 million phony accounts".

CNN Money. Available at: <http://money.cnn.com/2016/09/08/investing/wells-fargo-created-phony-accounts-bank-fees/>

A need for Ubuntu?

The consequences

The phony accounts earned the bank unwarranted fees and allowed Wells Fargo employees to boost their sales figures and make more money.

Wells Fargo is being slapped with the largest penalty since the CFPB was founded in 2011. The bank agreed to pay \$185 million in fines, along with \$5 million to refund customers.

Lasting damage?

"I didn't sign up for any bloody checking account," Kennedy, who is 57 years old, told CNNMoney. "They lost me as a banking customer and I have warned family and friends."

"Consumers must be able to trust their banks," said Mike Feuer, the Los Angeles City Attorney who joined the settlement.

"How does a bank that is supposed to have robust internal controls permit the creation of over a half-million dummy accounts?" asked Vladeck. "If I were a Wells Fargo customer, and fortunately I am not, I'd think seriously about finding a new bank."



A need for Ubuntu?

After the scandal broke, Wells Fargo's CEO John Stumpf was called to Capitol Hill to testify. He told the senators that the bank's upper management wasn't responsible for the giant scam. He said it was just a bunch of bad apples working at bank branches. Mostly low-level employees.

"Eight is Great"

"Dial for dollars"

<http://www.npr.org/sections/money/2016/10/07/497084491/episode-728-the-wells-fargo-hustle>



A need for Ubuntu?

Why bother with Ubuntu?

- **Augustine Shutte** (2008): *"...embodies ethical insights that are both true and important in themselves, and are also significantly lacking in dominant ethical thinking in the global community."*



Introduction

Introduction

Defining Ubuntu

- *Descriptively: one's identity is inextricably tied up with the identity of others*
- *Prescriptively: one ought to morally support one another*

Problems with the descriptive approach:

- *Vague and ambiguous*
- *Provides little direction for action*
- *Can be used for purposes of white washing*

We therefore motivate a prescriptive account

- *Specifically Thaddeus Metz's Ubuntu principle of right action*



Goal and scope

Goal and scope

Goal: To determine whether Ubuntu can represent a credible alternative to the individualist and holist theories that largely constitute Western moral philosophy (and inform business ethics)

To this end, we:

- *Present Metz's principle of right action*
- *Operationalise this account in a stakeholder context*
 - *As an alternative to Freeman's libertarian stakeholder theory*
- *Explore the practical implications that this view holds for managing a firm's relations with its employees*



Ubuntu as a principle of right action (Metz)

Metz's methodology

Immoral judgements as defined by both Westerners and Africans

- *A. to kill innocent people for money.*
- *B. to have sex with someone without their consent.*
- *C. to deceive people, at least when not done in self- or other-defence.*
- *D. to steal... unnecessary goods.*
- *E. to violate trust... for marginal personal gain.*
- *F. to discriminate on a racial basis when allocating opportunities (Metz, 2007, p. 324).*

Immoral judgements as defined by Africans

- *G. to make policy decisions in the face of dissent, as opposed to seeking consensus (p. 324).*
- *H. to make retribution a fundamental central aim of criminal justice, as opposed to seeking reconciliation (p. 325).*
- *I. to create wealth largely on a competitive basis, as opposed to a cooperative one (p. 325).*
- *J. to distribute wealth largely on the basis of individual rights, as opposed to need (p. 326).*
- *K. to ignore others and violate communal norms, as opposed to acknowledging others, upholding tradition and partaking in rituals.*
- *L. to fail to marry and procreate, as opposed to creating a family.*

Definitions of Ubuntu

U1: *“An action is right just insofar as it respects a person’s dignity; an act is wrong to the extent that it degrades humanity” (Mokgoro; Onah)*

- *Human dignity*

U2: *“An action is right 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” (Wiredu; Gyekye)*

- *Well-being (utilitarian)*

U3: *“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” (Gyekye)*

- *Well-being (moderate communitarianism)*

Definitions of Ubuntu

U4: *“An action is right 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” (Shutte; Ramose)*

- *Self-actualisation*

U5: *“An action is right just insofar as it is in solidarity with groups whose survival is threatened; an action is wrong to the extent that it fails to support a vulnerable community” (Mbigi; Maree)*

- *Relationality*

U6: ***“An action is right just insofar as it produces harmony and reduces discord; an act is wrong to the extent that it fails to develop community” (Tutu)***

- *Relationality*

'Harmony, friendliness, community are great goods. Social harmony is for us the summum bonum – the greatest good. Anything that subverts or undermines this sought-after good is to be avoided like the plague.'

(Archbishop Desmond Tutu)

Two conditions of harmony:

- *Shared identity*
- *Relationships of good-will*

Metz's principle of right action

“An action is right just insofar as it promotes shared identity among people grounded on good-will; an act is wrong to the extent that it fails to do so and tends to encourage the opposites of division and ill-will” (Metz, 2007: p. 338).

Freeman's stakeholder theory

Stakeholder management addresses two questions:

- *What is the purpose of the firm?*
- *What responsibility does management have towards stakeholders?*

Stakeholder management is pragmatically justified

- *i.e. concerns joint decision-making regarding value creation*
 - *Resonates well with a number of Ubuntu ideals*

Stakeholder management is grounded in libertarian arguments

- *Does not resonate with the Ubuntu ideal of foregrounding need over rights*

Libertarian characteristics

Freeman and Phillips (2002, p. 336) claim that an argument is libertarian if it:

- *Relies on freedom, liberty, the equal liberty principle, or some kindred notion;*
- *Relies on basic negative rights, like those defined by Rawls's first principle, and including individual property rights;*
- *Allows for the creation of positive obligations through various voluntary actions (e.g., contracting and promising);*
- *Countenances at most a minimal state, as defined by Nozick and others; and*
- *Assumes that human beings are largely responsible for the effect of their actions on others.*

Libertarianism and stakeholder theory

Instrumental thesis

- *Managers ought to pay attention to stakeholder relationships if they wish to maximise shareholder value over the long-run*
 - *Justified on the basis of respect for shareholders' property rights (may generate positive obligations)*

Normative thesis

- *Managers ought to pay attention to stakeholder relationships*
 - *Justified on the basis of consent, contract, voluntary acceptance of benefits (which may also imply positive obligations)*

Ubuntu-based stakeholder theory: A response

We posit that grounding stakeholder relations in the a priori moral obligation to promote harmony (Ubuntu) as opposed to in voluntary contracts

- *provides a better explanation for the normative thesis*
 - *Moral duty is a more convincing basis for justifying positive obligations to stakeholders than voluntary contracts*
- *avoids some of the problems associated with enforcing contracts*
 - *Specifically problems of power, legitimacy, and/or urgency*

Provisional conclusion

- *The criterion of 'mutual value creation' does not oblige firms to attend to the interests of marginal and disenfranchised stakeholders*
- *Ubuntu, premised on harmony (i.e. shared identity and good-will), places an a priori imperative on firms to attend to these interests*



Application: Relationship with employees

Application: Internal relationships

Leadership & Decision-making

- *Leadership = moving people to do something*
- **Current state**
 - *Strategy and goal setting = executive function*
 - *Mode of influence: Charismatic leadership and/or Transactional*
- **Ubuntu compatible leadership**
 - *Strategy setting: stakeholders (employees) actively influence; result of (sufficient) consensus*
 - *Mode of influence: Servant Leadership*
 - *Benefits: shared identity, goodwill, reduced division, meaningful work*
 - *Versus libertarian stakeholder theory:*
 - *Moral good vs stake*
 - *Active participation versus voluntary agreement*

Application: Internal relationships

Profit sharing and employee ownership

■ **Current state**

- *Employees earn salaries & performance-related bonuses*
- *Reserved for: EXCO, board members, directors, shareholders*

■ **Ubuntu**

- *In line with Ubuntu approach*
- *Co-ownership: shared identity and solidarity*
- *Profit sharing: solidify common purpose; enhance collaboration; reduce division*
- *Better sense of community beyond the firm (addressing inequality)*

■ **Libertarian Stakeholder theory**

- *Unnecessary and risky*

Application: Internal relationships

Termination & Retrenchment

■ **Current state**

- *Underperformance & misconduct – termination*
- *Changes in economic conditions, financial performance – restructuring*

■ **Ubuntu**

- *Opposed to harmonious relationships – dissent, severed relationships, ends shared identity, lack of goodwill*
- *Failure to reconcile (H); distribution of rights vs needs (J);*
- *Underperformance: compassionate assessment, collective problem-solving, consensus*
- *Retrenchment: preserve community (F)*

Application: Internal relationships

Termination & Retrenchment

■ **Libertarian Stakeholder theory**

- *Unfortunate, but instrumental requirement, no moral transgression*
- *Termination: less stake, less claim; risk to health of the firm & balance of stakeholder interests*
- *Retrenchment: justifiable – health of firm; balance of interests*

Conclusions

Conclusion

- *Does Ubuntu represent a unique and important contribution to global business ethics?*
- *Yes*
- *An Ubuntu approach can correct the excesses of global business by putting people before profit (humanising capitalism)*
- *Vs economic growth and profitability – effective capitalist business framework requires attention to multiple goals (harmonious relationships)*

Challenges

- *Not messiah*
- *Engagement takes time; consensus is difficult*
- *Distribution of wealth*





Thank you

Presenter:

Schalk Engelbrecht

Associate Director: Forensic

Contact Details

Tel: 082 713 7656

E-mail: Schalk.Engelbrecht@kpmg.co.za

Minka Woermann

Head of Unit for Business Ethics and Public Integrity

Centre for Applied Ethics

Contact Details

Tel: (f) +27 21 808 3556

E-mail: minka@sun.ac.za



kpmg.com/socialmedia



kpmg.com/app

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2016 KPMG Services (Pty) Ltd, a South African member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved.

The KPMG name, logo are registered trademarks or trademarks of KPMG International.