

## **Corporate governance and the African business context: the case of Nigeria<sup>1</sup>**

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**Abstract:** A robust institutional framework is essential to enable firms to function efficiently. The aspect of corporate governance investigated in this paper is the legal and societal principles and process which form the business context within which firms operate. The paper explores the challenges to firms trading in Africa arising from cultural dynamics peculiar to the continent and further explores the historical reasons for the present cultural context to business in Africa. Nigeria is presented as a special case, perhaps even an extreme case, of the challenges to corporate governance in Africa since it is perceived by many to be one of the weaker environments given its perceived levels of corruption. The paper concludes with an assessment of the likelihood of African states successfully tackling corruption in the future as the current approaches unfold over the coming years.

**Keywords:** corporate governance, corruption, Africa.

**JEL codes:** K22, M14.

### **Introduction**

While there are numerous definitions of corporate governance for the purposes of this paper corporate governance refers to the legal, quasi legal and societal principles and process established in relation to incorporated bodies (Letza & Sun, 2004; Letza, Smallman, & Sun, 2004; Letza, Sun, & Kirkbride, 2004). Governance arrangements are multi-fold but in essence are the arrangements established to ensure that corporate entities meet acceptable standards of ethical and professional conduct in their activities. The whole issue of corporate governance has come under intense global focus recently following the credit crunch around the world. Failures in corporate governance have been cited as a major contributor to the financial crisis of 2008 (Kirkpatrick, 2009; Dermine, 2013) While there are multiple underlying causes of the credit crunch

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it is thought that a major contributing factor is the failure of unregulated swaps markets (Murphy, 2008) a possible indication that sophistication of the industry had outpaced the governance arrangements. According to (Arner, 2009) apart from the fact that financial institutions did not manage their own risks or businesses, one of the major causes was the divergence between domestic regulatory structures and the realities of global finance. This raises many questions on the gap between robust corporate governance and the prevailing business context. For example, do governance arrangements need to keep pace with the business context and compliance dynamics for risks to remain contained in today's interconnected and diverse world? For foreign firms, what is the level of divergence between domestic regulatory structures and the realities of doing business in a different cultural context? Foreign firms wishing to keep their risks to manageable levels need to know therefore what governance arrangements are in place, whether or not they are in consonance with the business context and whether or not they are prepared for the local challenges to corporate governance. Specific to this paper, how different is the business culture in Africa from that of the Western world and how much of an impact does this have on corporate governance?

The aims of this paper are to provide an understanding of the Business Context in Africa and the compliance arrangements for Africa and to assess the fit or otherwise between compliance arrangements and the business context in Africa.

The fundamental assumption in this paper is that Nigeria represents a special case, perhaps even an extreme case, of the challenges to corporate governance in Africa since it is perceived by many to be one of the weaker environments given its perceived levels of corruption (Transparency International, 2008; Apampa, 2005; Smith, 2005; Meredith, 2005), and so illustrations from Nigeria would be useful. The second assumption is that cultural differences between the West and Africa largely account for why tried and tested solutions/arrangements from the West rarely translate adequately into similar effectiveness in Africa. Finally, it is assumed that corporate governance refers to the governance arrangements in place to ensure that formal rules, principles and processes are complied with which were established to ensure that corporate entities meet acceptable standards of ethical and professional conduct in their activities.

Section 1 provides a backcloth to the African context through discussion of the Ubuntu philosophy as a traditional value system and potential alternative to the Western systems. Section 2 presents a review of the historical context to present day Africa. Section 3 discusses a possible response to the established corrupt business environment in Africa. Section 4 outlines the modern approach to corporate governance in Africa. The paper concludes with an assessment of the likelihood of African states successfully tackling corruption in the future as the current approaches unfold over the coming years.

## **1. The Backcloth of the Ubuntu philosophy**

The term Ubuntu is uniquely African and its origin developed within the traditional African family system and the related 'clan' system as an extension to family. The term refers specifically to sub-Saharan Africa and it defines how people and communities should behave in their interactions (Taylor, 2014). According to Turyahikayo (2014), Ubuntu is based on the realisation that the humanness that I share with others makes me conscious of the reality that in my essential being I depend on the essential beingness of the other. Therefore, "being for the other" appears to be a necessary condition for being for myself' (p. 66). Africans are socialised within a society that promotes collectivism, unity and pluralism. It is a way of life that Africans believe in and practice in their daily interactions with others. 'A person is a person through other persons' and can best be known as humanness or being human although its significance is far greater than that (Taylor, 2014). Boodryk (2002) has defined it as humanness, Ramose (1999) and Mkhize (2008) both argue that Ubuntu could be best understood in terms of its etymology. All, however, emphasize its nature as a communitarian ethic. In the context of this paper the understanding will be that Ubuntu is a means of establishing or determining relationships between people based on the saying that 'a person is a person through other people' and will be understood to mean humanness.

## **2. Recent historical analysis of the context**

African countries have consistently scored less than 5 on the Corruption Perceptions Index (CPI) (10 being least corrupt and 0 most corrupt) since Transparency International began publishing it in 1995. Therefore, corruption is generally perceived to be pervasive, systemic and endemic in many parts of Africa. With the possible exception of Botswana, Mauritius, Cape Verde and South Africa, It would appear that the perceptions of corruption in the region have not changed sufficiently to bring it at least to the point where the region is no longer amongst those perceived to be 'most corrupt' even if it has not quite joined the group of those perceived to be 'least corrupt'. Botswana, Mauritius, Cape Verde and South Africa are also amongst the top performers (those scoring 70% and over) on the Ibrahim Index on African Governance that "assesses national progress in five key areas which together constitute a holistic definition of good governance: Safety and Security; Rule of Law, Transparency and Corruption; Participation and Human Rights; Sustainable Economic Development; and Human Development". From the above it would appear that corruption and corrupt behaviours are inimical to good governance and by extension good corporate governance in Africa. This section traces the origins of corruption in order to provide a background against which to

project current governance arrangements for corporate governance and also a framework within which to assess the adequacy or otherwise of such arrangements and aid the identification of challenges to good practice in Africa today.

The assumption that cultural differences between the West and Africa largely account for why tried and tested solutions/arrangements from the West rarely translate adequately into similar effectiveness in Africa would lead us to investigate what specific cultural attribute is common to the countries of Africa and then test for whether or not that attribute is found in the West. The population distribution varies significantly with Nigeria alone accounting for 20% of the continent's population. Not all countries have a significant coast line and at least 19 are landlocked. The physical appearance and characteristics of Africans is markedly different from North to South, East to West. Although there are groups of countries with language commonalities, and therefore culture too, they are usually restricted to a narrow geography such as Kiswahili speakers in Kenya, Uganda, Tanzania. Likewise along the Sahel Savannah belt of Nigeria, Benin, Togo, Ghana, Ivory Coast, Niger, Mali, and Burkina Faso you will find Hausa mixed with Arabic being spoken (and a form of Creole or Pidgin English/French spoken in the rainforest belt of these countries but these pockets of culture do not cut across a sufficient swath of Africa to account for the seeming "cultural" response to corruption. It might be interesting to note that Nigeria alone contains over 250 ethno-linguistic groups (Meredith, 2005). One might even identify religious blocks such as the predominantly Muslim Maghreb countries to the north of Africa however; religious pluralism can be found in most of Africa. The one culture-inducing event that is common to the history of all of Africa barring two countries (Ethiopia and Liberia) is Colonialism. Although Africans have long ceased to blame all their ill fortune on colonialism and instead positive, forward looking, "home-grown" solutions to Africa's problems by Africans like NEPAD<sup>3</sup> have emerged, let us, just for the sake of this analysis, revisit the issue of colonialism in Africa.

The colonisation of sub-Saharan Africa by Britain, France, Portugal, Belgium, Germany, Spain and Italy took place during the latter part of the 19<sup>th</sup> century (Simmons, 2009). The 'carving up' of Africa into European style territorially defined states has led to many of Africa's contemporary economic problems and conflicts (Simmons, 2009; Meredith, 2005). Borders were drawn up with little regard for both indigenous societies and the physical ecology of the land. Many ethnic groups found themselves divided by these colonial boundaries (Simmons). This impacted negatively on existing social and trading arrangements. The move towards independence and decolonisation began after the end of the Second World War (WWII) (Simmons, 2009; Meredith, 2005; Isichei, 1983). Colonisation had also given many Africans the opportunity to study abroad. This had the effect of exposing them to the democratic process-

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<sup>3</sup> New Economic Partnership for Africa's Development.

es which existed in the colonising countries causing them to question the authoritarian rule being forced on them back in their home countries (Simmons, 2009; Isichei, 1983). It is believed that out of Colonialism grew a new privileged class in Africa established only through their Western education such as teachers, civil servants, leaders of parastatal and government trade unions (Ake, 1987; Isichei, 1983) as opposed to the traditional leaders of the people. It was this group who moved for independence of their states and the key strategy they employed was to encourage non-cooperation of the people with the Colonialists in order to sabotage their rule (Ekeh, 1975). The ordinary people were encouraged to show up for work late, evade taxes, be insubordinate and resist their white employers, embark on strike action where possible (Ekeh, 1975), misuse government property, leak official secrets and engage in unsanctioned activities (Oladoyin, Elumilade, & Ashaolu, 2005). We learn from (Isichei, 1983) that this would not have been hard to achieve given the depth of ill feeling ordinary people had towards the Colonialists especially because of the imposition of taxes and the perceived inequities in society. Indeed, the story is told of the Nigerian trade union leader, Michael Imoudu, “who became a hero in colonial Nigeria for encouraging strikes against the British, a practice that earned him strong resentment from his former collaborators, now in government, when he repeated it against his own independent nation, with the British gone” (Ekeh, 1975).

At independence the mask was removed. The African masses confronted an indigenous ruling class, which was content to inherit the colonial economy and disinclined to transform it. The only apparent way to mobilize the economic resources which would allow the local political class to initiate any kind of development strategy and begin to challenge foreign capital for the control of the economy was through statism. Simmons, 2009 suggests that for the process of colonisation to work as efficiently as it did for so long a very centralised and “totalitarian” state (Isichei, 1983) needed to be created by the colonising Europeans. When African countries gained independence this is what they inherited. Single party systems with authoritarian centralised governments were essentially what Africans had been living with for the previous seventy to eighty years. It would have seemed logical for this form of government to continue. “They could not consolidate their power without creating a material base for it for which they used their political leverage to appropriate wealth with state power” (Ake, 1987).

The new privileged class, having displaced the Colonialists, related to the people in a manner reminiscent of but often worse than the Colonialists had done and so the strategy of non-cooperation and sabotage continued until it became habit and part of the socially constructed reality of many citizens. In Nigeria today such behaviours are seen as part of the “culture” (Aluko, 2002)) or at least what informs how one generally relates to civic responsibilities (Akindele, 2005). Igbo Culture in South Eastern Nigeria has it that Government work is “*Oluoyibo*” meaning “the white man’s work” and the Yoruba’s in South

Western Nigeria have a saying “*a ki s’ise ijoba la oogun*” meaning “one does not break sweat doing government work” which further demonstrate the disconnect between modern civic values and traditional values. The transition of many African societies from traditional to modern has presented some peculiar problems, one of which is corruption (Okafor, 2009). Governments have seized power and wielded authority in Africa since independence but only a scarce few have established legitimacy with the ordinary citizens since political corruption which is rife ultimately deprives a political system of legitimacy (Oladoyin et al., 2005).

Ordinary folk watching these events in the civic space must begin to understand the goals that African society seems to be setting for them. The highest social stratum of African society has been used as a tool of class formation and is seen by those from lower strata as a means of survival and social mobility (Okafor, 2009). Different European countries used various styles of colonial administration. The French used assimilation (or direct rule). Africans essentially became citizens of France. The British favoured a system of indirect rule where local elites were chosen to manage the administration of the colony (Isichei, 1983). This meant that the French effectively dismantled many of the existing social structures while the British allowed these structures to continue. However, the British model required a system of ‘divide and rule’ where any opposing traditional structures were purposely maintained in order to stop any chance of a common ideology of anti-colonial nationalism occurring such as that experienced in India. The outcomes in post-colonial African states are quite different in response to these differing colonial systems. Former French colonies tend to lead to a ranked system of ethnic stratification. Subordinate groups have little or no ability to improve their situation through political processes. In former British colonies, however all ethnic groups (even minorities) appear to be able to organise themselves politically” (Simmons). According to Meredith, 2005 amongst the messages that have come through loud and clear is that society expects you to get rich quick; and that wealth without hard work is a virtue. During colonial times the primary means cherished by society was education but the goals were the same. As soon as you got out of an institution of higher learning, you would simply demand your right of access to this better life and it was granted. The neo-colonial economy has nurtured a value-system which glorifies wealth and encourages its accumulation at all costs and by all means but especially through political and/or public office connections (Okafor, 2009); however, society at every point has failed to grant equal access to the means it has touted. The experiences of people in trying to live up to societal goals (noting those who succeed and what means they used, those who failed and what means they used) has created a system of myths, shared beliefs and norms that have successively shaped the collective value system. Where the goals themselves are suspect like the cherished “get rich quick” or “wealth without hard work”, the value system deriving from their pursuit has been sus-

pect too. Corruption occurs as a result of dissonance between our social reality and our expectations<sup>4</sup> and where society does not adequately regulate the natural drives of individuals who are in pursuit of such expectations, corruption begins to spread unchecked. It is of course more rampant now because education is relatively commonplace compared to what it was like in colonial days and so that particular means is being replaced by access to political and public office – the new way that society prices for scarcity of access to resources (in the old days the “haves and have nots” were distinguished through the labels “educated” and “not educated”. Today the dividing line is increasingly between “connected” and “not connected”). Access to political and public office is limited and in a sub-regional economy with a poor performing real sector the competition between the privileged classes is all the more heightened and with it the need for those in control shore up their position and to buy off strong competitors.

Where have these ideas come from? There are five responses open to ordinary citizens who are confronted by these goals and means set by society. First, conform by accepting both the goals and prescribed means; second, accept the goals but not necessarily the means by striving to obtain success by “innovating” and taking advantage of a range of “deviant” means available in place of the less accessible “conventional” means in order to attain success; third, abandon the goals but keep the means, concentrate on retaining what little you possibly gained or still have in place of going after a higher yield of success; fourth, retreat into escapism, abandon both the goals and the means – like drug addicts, alcoholics, vagrants, and the severely mentally ill whose reactions repress them from society making them unable to obtain success via the prescribed means and finally, rebel against both/either goals and/or means and create your own goals and/or means. Replace such ideas with irrational objectives which may include the violent overthrow of the system altogether.

In Nigeria one can observe an eclectic range of responses in operation. A good number have chosen to be “innovative” in the pursuit of flawed societal goals (for example, Nigeria is now notorious for advance fee fraud or scams, drug trafficking and money laundering) (Meredith, 2005) in some other countries it is human trafficking and sham marriages to foreigners and this sets up a vicious cycle further entrenching corruption. Others simply conform to the status quo (Aluko, 2002). Those who do not want to be corrupt are left with the option of rejecting societal goals but keeping the means and trying to salvage what poor outcomes they can from it given the circumstances. Otherwise they can reject both the goals and means or follow the route of outright rebellion. Any of those paths would bring the individual into serious confrontation with society. In the Niger Delta region, and not necessarily as an anti-corruption move, the youth have chosen the response of confronting society through re-

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<sup>4</sup> A natural fall out of Merton's Strains Theory.

bellion. Fighting corruption would be in Nigeria the same as adopting strategies to shake off the social tyranny of the ruling classes who have placed their interests so far above those of ordinary citizens. Their actions have seen to the entrenchment of unwholesome attitudes and behaviours into new customs now endemic in this region. According to the great African Playwright and Nobel Laureate, Professor Wole Soyinka, “The man dies in all who keep silent in the face of tyranny [...] in any people that submit willingly to the ‘daily humiliation of fear’, the man dies” (Soyinka, 1972) but according to the moral philosopher, Mill, “the tyranny of custom” is a repressive effect of society that crushes individuality (O’Toole, 1993). Society imposes costs on people for violating social norms, which in turn affect behaviour (Jensen & Meckling, 1994). In the face of such powerful interests, effective redress can only be sought sustainably through collective action. According to the (World Bank Institute, 2008) collective action is known to be useful in cases where there is a need to level the playing field between competing interests and/or where local laws and anti-corruption practices are weak. It is a collaborative and sustained process of cooperation among stakeholders. It increases the credibility of individual action, brings vulnerable individual players into a coalition of interests (an alliance of like minded organizations and/or individuals). Collective action is needed in Africa if corruption is to be brought down from its present unacceptably high levels. From this paper it would seem that a key objective of collective action must be to close the gap between civic values and traditional values. It will require focused and sustained collaboration between the civil society, government and business watched by the entire society (Apampa, 2008). It will need to be socially reconstructed into a new set of customs regarding how governance is itself conducted in Africa.

For the purposes of this paper four sources of power are discussed including: control of resources; control of state policy; control of ideology and control of the use of force. Within this construct the rationale for successive military coups in Nigeria and the intricate relationships between the educated elite (who are also the business leaders) with government can be better understood. The Northern Elites known as the “Kaduna Mafia” for example, in the run up to the 1979 elections, benefited from corrupt government procurement in order to fund activities to “protect their interests” and the elites from other parts of the country have also done likewise at every opportunity.

The polarization of society along tribal lines by the privileged class therefore means that each group is trying to outdo the other one in power and authority. Given the intense and often very bitter competition between ethnically defined groups for control of public resources and control of state policy (Okafor, 2007), taking from the common treasury to “protect the interests” of one’s group has come to be seen as a legitimate self-preservation move rated by ordinary folk as neither moral nor immoral but as a necessary instrumental act, not arising from individual dispositions (Aluko, 2002). The societal assumption, possibly



arising out of Nigeria's civil war, being that no one, except one of your own, will work for the advancement of your community. The hope of good governance coming from the civic space is therefore weak and what good you do get out of governance will more than likely come from the community level at which you have ownership and find belonging. Increasingly today though, the Kingmakers are banding together into one "Class Mafia" under the banner of the ruling party replacing the old "Kaduna Mafia" (and other ethnicity based Mafias).

If we return to the earlier construct regarding sources of power and note that control of resources and control of state policy are firmly in the grip of the privileged classes, then what about control of ideology and control of the use of force? One would rather banish the thought that violent revolution is a panacea for corruption. There is no evidence in history that supports the idea that a violent revolution can put an end to corruption in a society, it may change its trajectory, location or perhaps its intensity for a season but never achieve a sustainable response. What one can do is influence those used by the privileged to enforce their corrupt customs (Okafor, 2007), to refuse to be so easily exploited for ends that damage their own long term interests. The other option available is the control of ideology. Different groups in Nigerian society have their theories regarding the instrumentality of corruption in their lives. Ordinary citizens complain that they lack a voice; they are unable to participate in the processes that determine and shape their future, they do not see equity, justice or fairness in society and worse are the poor levels of service delivery from government which means that in addition to the struggle for food, shelter and clothing, they have to become their own local government, each finding alternative sources of power, potable water, medicines and so on (Apampa, 2008). Corruption to them facilitates their Egalitarian ideals; a way of getting some of the stolen wealth redistributed back because of their need to survive. The well-educated professionals complain of the absence of a level playing field in pursuit of their Libertarian ideals. Those with the connections or those willing to play the game according to the corrupt order seem to progress; those who do the right thing are not adequately rewarded, those who do wrong are not effectively sanctioned and there is a general blurring of what constitutes acceptable standards of behaviour. "If you can't beat them, join them and if you can't join them, emigrate!" seems to be their mantra. For the entrepreneurs and business folk in Nigeria the driving force seems to be access to affordable finance, markets and know-how/technology (Apampa, 2008). Connection to public officials or political office holders is a tried and tested route to affordable, even if corrupt finance and so this group in seeking greater efficiencies has learnt to leverage alliances towards its Corporatist ideals.

Against the back drop of class interests in Nigeria and the symbiotic relationships that exist between business and public office holders it should not come as a surprise that government's ability or willingness to effectively monitor business, sanction deviant behaviour and act as a control is not strong

enough and more stringent measures are needed (Aliyu & Elijah, 2008). The bureaucratic mechanism of control (Ouchi, 1979) is thus weak. In a situation where the Director-General of the Securities and Exchange Commission still owns an actively trading Stock broking firm and is widely believed to have been nominated for the post by the Director-General of the Stock Exchange and both officers owe their time in office to the wishes of public office holders emerging from the context described above, it is also not a surprise that there is not much of a market for corporate control in Nigeria with neither body moving to have the antiquated laws revised that make hostile takeover bids an uphill task in Nigeria. The alternative would be to seek increased stakeholder activism as a control measure: shareholders associations, consumer protection groups, labour unions and the media being some of the more obvious groups. Researchers who have written about rent-seeking/captured relationships in corporate governance in Nigeria lament the extent of the problem between some of these groups and business (Apampa, 2008; Okike, 2007; Nmehielle & Nwauche, 2004; Yakasai, 2001). Business for its part would like to be left alone to self-regulate. However according to self-regulation theories (reviewed in (Jones & Ryan, 1997)) for this to be successful three factors need to be present: a standard against which to measure current or future actions, an underlying force motivating compliance and finally the desire to further some goals and avoid others. As has been discussed so far in this paper there is a blurring of attitudes to standards as the civic space is neither moral nor immoral to many people and so we see a lot of opportunism and other agency problems, the motivations are away from compliance and there are insufficient consequences from regulatory authorities or stakeholders to make business generally desire to further some goals and avoid others. With mutual capture rife between business and government and between business and its stakeholders, borrowing words from Robert Owen<sup>5</sup>, it is the choices made by society not its laws or laws of the markets that determine the social conditions. To deal with corruption therefore, there is need for a series of choices to be made by business, civil society and government in dealing with corruption as a collective.

### **3. A possible response to context**

The foregoing arguments notwithstanding Nigerian society is not monolithic and three distinct business groups can be identified based on their tolerance for corruption (Apampa, 2008): those who have never and will never get involved in corrupt acts and would rather fold up than change this policy (they are a minority); those who do not wish to be corrupt and would rather live a corruption free existence but cannot see any way they could survive if they

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<sup>5</sup> Robert Owen was a 19th Century Industrialist.

were to do so (they are in the majority) and finally, those who will be corrupt no matter what (they are also a minority). The same sort of segmentation can be applied to participants in government and civil society. What if all of those who would not be instrumental about corruption were to come together to act as one? What if they chose to work together to find viable alternatives to corruption? Will they depart from the old norms if the benefits are sufficiently great (Jensen & Meckling, 1994)? Would they have a good chance to influence the majority by showing them how they can make integrity pay (Kirkbride and Letza, 2008)? Since by the instrumentality of corruption the corrupt order was created, by the instrumentality of integrity therefore (once ways and means are found) a new custom could be developed. Since society has contributed significantly to the manifestation of corrupt behaviour the solution can best be found by focusing on the society rather than the individual that exhibits the behaviour (Aluko, 2002). A Clan Mechanism of control (Ouchi, 1979) can be built by them which utilizes the norm of reciprocity (which assures that should one party in a transaction try to cheat another, the cheater, if discovered, will be punished by all members of the social system, not only by the victim and his or her partners), the legitimization of authority (each participant being mutually accountable to each other and to the scrutiny and sanctions of the group) and finally, social agreement on a broad range of values and beliefs. This represents a recreation of conditions inherent in community life and thus holds out hope that more interests can be for change if the group also succeeds in finding viable alternatives to corruption.

In traditional society of many developing countries a mechanism of control is rampant amongst revolving credit schemes called *Esusu*, *Susu*, *Ajo* etc. Apart from Chinese society (where it is called *Hui*) and Japanese society (where it is called *Tanomoshi*) where you find a variation of this concept which depends on homogeneity and little or no turnover within its membership (Ouchi, 1979), a more robust version tolerant of heterogeneity and high turnover of its membership is found in Nigeria (Bascom, 1952), throughout West Africa (Little, 1962), other parts of Africa (Ebaugh & Curry, 2000) and even the Caribbean (Maynard, 2004) and many parts of Asia too. These schemes typically pool resources with each member making a contribution and then the entire pot goes to one member as a loan which then revolves to other members in turn. It is a well-documented fact that compliance with group rules, principles and processes in this scheme is remarkably good when compared to compliance at the level of formal, private sector financial institutions. How does it work? It assumes shared incentives, mutual accountability and peer review within the context of a self-governing forum, the norm of reciprocity (which assures that should one party in a transaction try to cheat another, the cheater, if discovered, will be punished by all members of the social system, not only by the victim and his or her partners) is in operation, and a system of shared values and beliefs. An amusing aspect of this traditional African institution is that it also has

a Western name “The Clan Mechanism of Control” (Ouchi, 1979) even though there is no popular Western application of the concept. Perhaps the most famous large-scale application of the concept is in the setting up of Micro-credit schemes in Bangladesh through the Grameen Bank by the globally celebrated Mohammed Yunus.

One collective action group established on the clan mechanism of control is the Business Action Against Corruption (BAAC) in Nigeria. BAAC emphasises the importance of good corporate governance practices, and tackling critical areas in the business environment and attempts to prevent corruption from flourishing. Its work examines the entire corporate, regulatory and stakeholder framework that ensures effective governance including new voluntary and mandatory codes and company law, as well as developing joint government-business strategies in areas such as tax and revenue collection, tenders, permits and licenses, the movement of goods and the operations of the courts. Each BAAC national programme develops consultative working structures through which nationally defined strategies can be implemented to improve public services, prevailing business trends and standards of leadership behaviour. BAAC is also developing continental governance norms and implementation mechanisms and strengthening capacity. BAAC is formed from previously independent initiatives devised by civil society organizations including businesses and NGOs. Demand led, it has political buy-in from governments, which ensures supply-side impact and improvement of key governance indicators of capability, accountability and responsiveness) (BusinessActionForAfrica.org, 2005).

As a scheme on its own the BAAC has legitimacy amongst its participants, however, if the scheme is to have legitimacy in the eyes of ordinary citizens at large then it would need to incorporate certain principles of democratic justice as well such as Voice, Power and Respect (O’Toole, 1993). In (Apampa, 2008), we learn that (Oyejide & Soyibo, 2001; Yakasai, 2001; Nmehielle & Nwauche, 2004; Sanda, Mikailu, & Garba, 2005; Central Bank of Nigeria, 2006; Amao & Amaeshi, 2007) believe weak voice, power and participation to be responsible for weak control of companies by shareholders’ associations in Nigeria. According to the philosopher Mill it is a personal injustice to withhold from anyone, unless for the prevention of greater evils, the ordinary privilege of having his voice reckoned with in the disposal of affairs in which he has the same interests as other people and so the scheme must incorporate a robust public feedback and complaints handling system to ensure the principle of Voice (O’Toole, 1993). According to the philosopher Montesquieu true democracy exists when the body of the people is possessed of the same supreme power or in Aristotlian terms, power must only be exercised for the common good (O’Toole, 1993). A mechanism must be worked out which shall give ordinary people the power to determine and control how the scheme is run and more importantly, in whose interests it is run. Finally Kant tells us that the rulers must treat the ruled as ends rather than means (O’Toole, 1993). The ruler in

a democracy must be equal to the ruled and no better thus accountability of the system must reflect such respect of ordinary citizens or sovereignty demonstrated through self-reporting processes being directed towards them and not members only. Let us call such a mechanism Clan Mechanism of Control with aspects of democratic justice incorporated in it 'the *Civitas* Mechanism of Control' and recognise that it has to balance Libertarian (sought by professionals), Egalitarian (sought by ordinary citizens) and Corporatist (sought by government and entrepreneurs) ends in the one tool. In other words, it must effectively combine principles of individual liberty, social justice and economic efficiency in the one social organization (Oladoyin et al., 2005).

Practical lessons that could be taken out of this *Civitas* Mechanism of Control for corporate governance programmes in Africa include: the need for collective action as described in this paper; the need to establish the norm of reciprocity, recognition of the collective as the legitimate authority (based on principles of mutual accountability and peer review) and a system of shared values and beliefs underpinning the work in Africa; the need to incorporate voice, power and respect systems into a corporate governance system for Africa in order to enhance acceptability, applicability, effectiveness and sustainability.

#### 4. Approach to corporate governance in Africa

This paper began on the note that corporate governance refers to the governance arrangements in place to ensure that formal rules, principles and processes are complied with which are established to assure that corporate entities meet acceptable standards of ethical and professional conduct in their activities. What then are the arrangements in place in Africa?

First and foremost, each country in Africa has its own Legal and Regulatory arrangements for use with a Bureaucratic Mechanism of Control. See (Ouchi, 1979) for a complete description of the Market, Bureaucratic and Clan Mechanisms of Control. Out of 54 countries in Africa, only 29 have stock exchanges and could theoretically deploy a market for corporate control. The historical context analysis was in favour of a Clan Mechanism of Control in Africa rather than the Market or Bureaucracy based schemes favoured by the West and for historical/cultural reasons are ineffective in Africa. How then has Africa responded to this need?

The response has been to create the African Peer Review Mechanism or APRM. Please note that all information provided below on the mechanism has been culled from (APRM, 2003).

The African Peer Review Mechanism (APRM) is a mutually agreed instrument voluntarily acceded to by the Member States of the African Union (AU) as an African self-monitoring mechanism. The APRM is positioned as a key driver of

African renaissance and rebirth, and is a centre-piece of the NEPAD process for the socio-economic development of Africa. Its mandate is to ensure that the policies and practices of participating countries conform to the agreed values in the following four focus areas: democracy and political governance; economic governance; corporate governance; and socio-economic development.

The APR process entails periodic reviews of the policies and practices of participating countries to ascertain progress being made towards achieving the mutually agreed goals and compliance in the four thematic areas. National ownership and leadership by the participating country are said to be essential factors for the effectiveness of the APRM. The process is designed to be open and participatory. According to its own marketing material, the APRM is guided by the principles of transparency, accountability, technical competence, credibility and is free from manipulation. The review process is not meant to exclude or punish countries. There is no conditionality attached to the membership.

According to (APRM, 2015), Key Corporate Governance Objectives of the APRM are as follows:

- i) Provide an enabling environment and effective regulatory framework for economic activities.
- ii) Ensure that corporations act as good corporate citizens with regards to human rights, social responsibility and environmental sustainability.
- iii) Promote the adoption of codes of good business ethics (e.g. Cadbury and King Codes) in achieving the objectives of the organization.
- iv) Ensure that corporations treat all their stakeholders (shareholders, employees, communities, suppliers and customers) in a fair and just manner
- v) Provide for accountability of corporations and directors.
- vi) Standards, indicative Criteria and Examples of Indicators are also provided in the same document.

The principles of the APRM are seen as a considerable step in the right direction (Ouchi 2009, Apampa, 2008). However, despite the promise and the forward trajectory little in the way of impact on corruption has followed over the 10 plus years since the APRM was formed.

## Conclusions

From the foregoing the reader should tend towards the conclusion often reached when reviewing the problems of corporate compliance in Africa, that the setting of standards is not usually where the major challenge is as can be confirmed in the case of the APRM. The observation is that the African Union are making strides and moving in the right direction by using a collective action approach involving all the key actors that can bring about change, an approach which is very much in keeping with Ubuntu and links with collective action through the establishment of a locus of control outside of business, individual governments or civil society activists.

### Dominant ethnic groups and indigenous languages as 2016

S/N	Country	Capital	Ethnic Group (%)	Local Languages	Tele density	
					Main Lines	Mobiles
1	Algeria	Algiers	Arab Berbers 99	Arabic	3,068,000	2,756,300
2	Angola	Luanda	Ovinbundu 37, Kimbundu 25, Bakongo13	Bantu and other African languages	98,200	3,307,000
3	Benin	Port Novo	Fon & Related 39.2, Adja & Related 15.2, Yoruba & Related 12.3	Fon & Yoruba (common in the South) 6 major tribal languages in the North	110,300	1,895,000
4	Botswana	Gaborone	Tswana(Setswana) 79, Kalanga11	Setswana 78.2	136,900	1,427,000
5	Burkina Faso	Ouagadougou	Mossi 40, Other(Gurunsi, Senufo, Lobi, Bobo, Mande, Fulani) 60	African languages belonging to the Sudanic family	94,800	1,611,000
6	Burundi	Bujumbura	Hutu(Bantu) 85, Tutsi(Hamitic) 14	Hutu 85, Tutsi 14	35,000	250,000
7	Cameroon	Yaounde	Cameroon Highlanders 31, Equatorial Bantu 19, Kirdi 11, Fulani 10	24 major lanuages	130,700	453,600
8	Cape Verde	Praia	Creole(Mulatto 71, African 28	Crioulo (a blend of Portuguese and West African words	71,600	148,000
9	Central African Republic	Bangui	Baya 33, Banda 27, Mandjia 13, Sara 10	Sangho snd tribal languages	12,000	130,000
10	Chad	N'Djemena	Sara 27.7, Arab 12.3, Mayo-Kebbi 11.5	Sara (in South), more than 120 different languages and dialects	13,000	918,400
11	Comoros	Moroni	Antalote, Cafre, Makoa, Oimatsaha, Sakalava	Shikomoro (a blend of Swahili and Arabic	19,100	40,000
12	Congo Democratic Republic Of The	Kinshasa	Bantu 55, The Mangbetu-Azande 45	Lingala, Kingwana(a dialect of Kiswahili), Kikongo, Tshiluba	9,700	6,590,000
13	Congo, Republic Of	Brazzaville	Kongo 48, Sangha 20, M'bochi12, Teke 17	Lingala & Monokutuba, many local languages	15,900	1,334,000
14	Cote D'ivoire	Yamoussoukro, Abijan	Akan 42.1, Voltaiques Or Gur 17.6, Northern Mandes 16.5, Krous 11, Southern Mandes 10	60 native dialects with Dioula the most widely spoken	730,000	7,050,000

15	Djibouti	Djibouti City	Somali 60, Afar 35	Somali, Afar	10,800	45,000
16	Egypt	Cairo	Egyptian 99.6	Arabic	11,229,000	30,065,000
17	Equatorial Guinea	Malabo	Fang 85.7	Fang & Bubi 32.4	10,000	220,000
18	Eritrea	Asmara	Tigrinya 50, Tigre & Kunama 40	Afar, Tigre & Kunama, Tigrinya, other Cushitic languages	37,500	70,000
19	Ethiopia	Addis Ababa	Oromo 32.1, Amara 30.1	Amrigna 32.7, Oromigna 31.6	880,100	1,208,000
20	Gabon	Libreville	Bantu Tribes (Fang, Bapaounou, Nzebi, Obamba)	Fang, Myene, Nzebi, Bapounou/ Eschira, Banjabi	26,500	1,169,000
21	Gambia	Banjul	Madinka 42, Fula 18, Wolof 16, Jola 10	Madinka, Wolof, Fula and other indigenous Vernacular	76,400	795,900
22	Ghana	Accra	Akan 45.3, Mole-Dagbon 15.2, Ewe 11.7	Asante 14.8, Ewe 12.7, Fante 9.9	376,500	7,604,000
23	Guinea	Conakry	Peuhl 40, Malinke 30, Soussou 20 Smaller Ethnic Group 10	Each ethnic group has its own language	26,300	189,000
24	Guinea Bissau	Bissau	Balanta 30, Fula 20, Manjaca 14, Mandinga 13	Crioulo (a blend of Portuguese and West African words)	4,600	296,200
25	Kenya	Nairobi	Kikuyu 22, Luhya 14, Luo 13, Kalenjin 12, Kamba 11	numerous indigenous languages	264,800	11,440,000
26	Lesotho	Maseru	Sotho 99.7	Sesotho, Zulu, Xhosa	53,100	456,000
27	Liberia	Monrovia	Indigenous African 95 (Kpelle, Bassa, Gio, Kru Etc)	Some 20 ethnic group languages	6,900	563,000
28	Libya	Tripoli	Berber And Arab 97	Arabic	852,000	4,500,000
29	Madagascar	Antananarivo	Malayo-Indonesian, Cotiers, French, Indian, Creole, Comoran	Malagasy	133,900	2,218,000
30	Malawi	Lilongwe	Chewa, Nyanja, Tumbuka, Lomwe	Chichewa 57.2, Chinyanja 12.8, Chiyao 10	175,200	1,051,000
31	Mali	Bamako	Mande 50, Peul 17, Voltaic 12, Toureg & Moor 10	Bambara 80, numerous African languages	85,000	2,483,000



S/N	Country	Capital	Ethnic Group (%)	Local Languages	Tele density	
					Main Lines	Mobiles
32	Mauritania	Nouakchott	Mixed Moor/Black 40, Moor 30, Black 30	Pulaar, Soninke, Wolof Hassaniya	34,900	1,300,000
33	Mauritius	Port Louis	Indo-Mauritian 68, Creole 27	Creole 80.5, Bhojपुरी 12.1	357,300	936,000
34	Morocco	Rabat	Arab-Berber 99.1	Berber Dialects	2,394,000	20,029,000
35	Mozambique	Mozambique	Makhuwa, Tsonga, Lomwe, Sena, (99.66)	Emakhuwa 26.1, Xichangana 11.3	67,000	300,000
36	Namibia	Namibia	Ovamba 50, Kavangos 9	Africaans most common language	138,000	8,003,000
37	Niger	Niamey	Haoussa 55.4, Djerma Sonrai 21, Tuareg 9.3	Hausa Djerma	24,000	900,000
38	Nigeria	Abuja	Hausa/ Fulani 29, Yoruba 21, Igbo 18, Ijaw 10	Hausa/Fulani, Yoruba, Igbo	1,580,000	40,395,000
39	Rwanda	Kigali	Hutu(Bantu) 84, Tutsi(Hamitic) 15	Kinyarwanda, Kiswahili	23,100	635,100
40	Sao Tome & Principe	Sao Tome	Mestico, Angolares, Forros, Servicais, Tongas	Portuguese	23,100	635,100
41	Senegal	Dakar	Wolof 43.3, Pular 23.8, Serer 14.7	Wolof, Pulaar, Jola, Mandinka	269,100	4,123,000
42	Seychelles	Victoria	Mixed French, African, Indian, Chinese, Arab	Creole 91.8	22,700	77,300
43	Sierra Leone	Freetown	Temne 30, Mende 30, Other African Ethnic Group 30, Creole (Krio) 10	Mende (South) Temne (North), Krio	24,000	776,000
44	Somalia	Mogadishu	Somali 85, Bantu And Other Non-Somali 15	Somali	100,000	600,000
45	South Africa	Pretoria, Cape Town, Bloemfontein	Black African 79, White 9.6	Isi Zulu 23.8, Isi Xhosa 17.6, Afrikaans 13.3	4,642,000	42,300,000
46	Sudan	Khartoum	Black 52, Arab 39	Nubian, Ta Bedawie, diverse dialects of Sudanic languages	345,200	7,464,000

47	Swaziland	Loamba	African 97	SiSwati	44,000	380,000
48	Tanzania	Dar Es Salaam, Dodoma	African 99 Of Which 95 Are Bantu Consisting Of More Than 130 Tribes	Kiswahili, Kiunguja	165,013	9,358,000
49	Togo	Lome	Ewe, Mina And Kabre Constitute Main Tribe 99	Ewe, Mina (South), Kabye, Dagomba(North)	82,000	1,190,000
50	Tunisia	Tunis	Arab 98	Arabic	1,273,000	7,842,000
51	Uganda	Kampala	Baganda 16.9, Banyakole9.5	Ganda Or Luganda, Swahili Arabic	162,300	4,195,000
52	Western Sahara	El Aaiun, Bir Lehlou				
53	Zambia	Lusaka	African 98.7	Bemba, Kaonda, Lozi, Lunda Etc	91,800	2,639,000
54	Zimbabwe	Harare	Shona 82, Ndebele 14	Shona, Sindebele and numerous tribal dialects	344,500	1,226,000

Source: Online world fact book.

Setting clear standards, criteria and indicators and establishing clear rules, principles and processes forms the basis of a governance infrastructure and one which is based on a system of shared values and beliefs which incorporate principles of democratic justice consistent with African traditions.

The main challenge facing African countries is their apparent inability to operate a norm of reciprocity which (Ouchi, 1979) tells us is indispensable to effective control mechanisms. Where corruption is pervasive, systemic and endemic the ability of the APRM or indeed any scheme based on voluntary compliance and dependent on moral persuasion cannot be effective. The outlook for business in Africa looks bleak and is likely to remain uncompetitive for a considerable time into the future, perhaps indefinitely, as a result of the depth of established corruption.

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