ACROSS MARKETS AND BORDERS

Enterprise, Trade and Leadership with Purpose and Integrity

PART III | CORE BUSINESS FUNCTIONS AND RESPONSIBLE STRATEGY

CHAPTER 13

FAITH, ETHICS, CITIZENSHIP AND CORPORATE GOVERNANCE

Moral Reasoning, Human Dignity and Responsible Enterprise

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Moral Reasoning, Human Dignity and Responsible Enterprise

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Abstract

Business power is never merely economic. Firms allocate work, capital, information, opportunity, risk and voice, and their decisions can strengthen or weaken the institutions on which markets and communities depend. This chapter develops the moral, civic and corporate-governance architecture required to govern that power responsibly. It integrates Christian moral anthropology, human dignity, conscience, citizenship, rights and duties; international and African human-rights frameworks; state-building, reconciliation and peacebuilding; corruption control and moral courage; major ethical traditions; corporate-governance theory, boards, disclosure, internal control and risk oversight; stakeholder engagement, grievance, compliance and whistleblowing. Rwanda provides a substantive African setting for examining enterprise after conflict, while Steinhoff and Volkswagen demonstrate how manufactured reality and failed challenge can impose long-lived costs on investors, workers and the public. The chapter treats Christian ethics as disciplined moral reasoning rather than decoration, engages serious alternative frameworks fairly, and concludes with a practical protocol for evidence-based, lawful and morally responsible enterprise.

Keywords: Christian business ethics; corporate governance; citizenship; human dignity; business and human rights; corruption; peacebuilding; boards; whistleblowing; responsible enterprise

Learning Outcomes

Table 13.1. Learning outcomes for Chapter 13.

No.	Learning outcome
1	Explain why a theory of the human person precedes responsible business ethics, and distinguish inherent human dignity from market value, legal status, productivity and stakeholder power.
2	Distinguish citizenship, corporate citizenship, rights, duties, identity, civic responsibility and public legitimacy, and explain why corporations possess delegated legal powers without becoming moral equivalents of human persons.
3	Interpret the Universal Declaration of Human Rights, the African Charter on Human and Peoples' Rights, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises as distinct but interacting sources of responsibility.
4	Analyze how business can strengthen or weaken state-building, institutional trust, historical memory, reconciliation and social cohesion, with particular attention to Rwanda and other post-conflict or divided societies.
5	Apply conflict-sensitive analysis, stakeholder mapping, negotiation, mediation and heightened human-rights due diligence to business activity in fragile, conflict-affected or politically divided settings.
6	Diagnose corruption risks and design proportionate anti-bribery and integrity systems that combine tone, incentives, due diligence, controls, reporting, investigation, remediation and accountable leadership.
7	Compare Scripture-informed Christian moral reasoning, natural-law and virtue approaches, deontology, consequentialism, justice, rights, care and stakeholder ethics, identifying the contribution and limitation of each.
8	Construct a reasoned ethical judgment that distinguishes facts from assumptions, law from morality, duties from consequences, persons from aggregates, and legitimate profit from morally impermissible value capture.
9	Compare agency, stewardship, stakeholder, resource-dependence and team-production perspectives on corporate governance and explain why no single theory exhausts the purposes of governance.
10	Evaluate ownership, boards, independence, disclosure, internal controls, audit, risk oversight, executive incentives and accountability using evidence rather than formal compliance alone.
11	Design stakeholder-engagement, grievance and remedy systems that protect voice, procedural fairness and corporate legitimacy without reducing governance to stakeholder maximalism or public-relations symbolism.
12	Evaluate whistleblowing, compliance and investigation systems through accessibility, independence, confidentiality, anti-retaliation, due process, learning and remediation.
13	Assess corporate political engagement, taxation, freedom of conscience, subsidiarity, sovereignty and transnational standards without assuming either state or corporate authority is morally unlimited.
14	Recognize recurring ethical dilemmas in accounting, marketing, technology, supply chains, employment, finance and international trade and route technical questions back to their specialist chapters while applying the common governance architecture developed here.
15	Apply Christian moral principles of truth, neighbour-love, justice, stewardship, service, responsible authority and accountability while engaging alternative ethical traditions with intellectual fairness.
16	Use the Responsible Enterprise Governance and Moral Accountability (REGMA) Protocol to formulate, challenge, document, implement and review a difficult business decision.

Concept Map and Chapter Roadmap

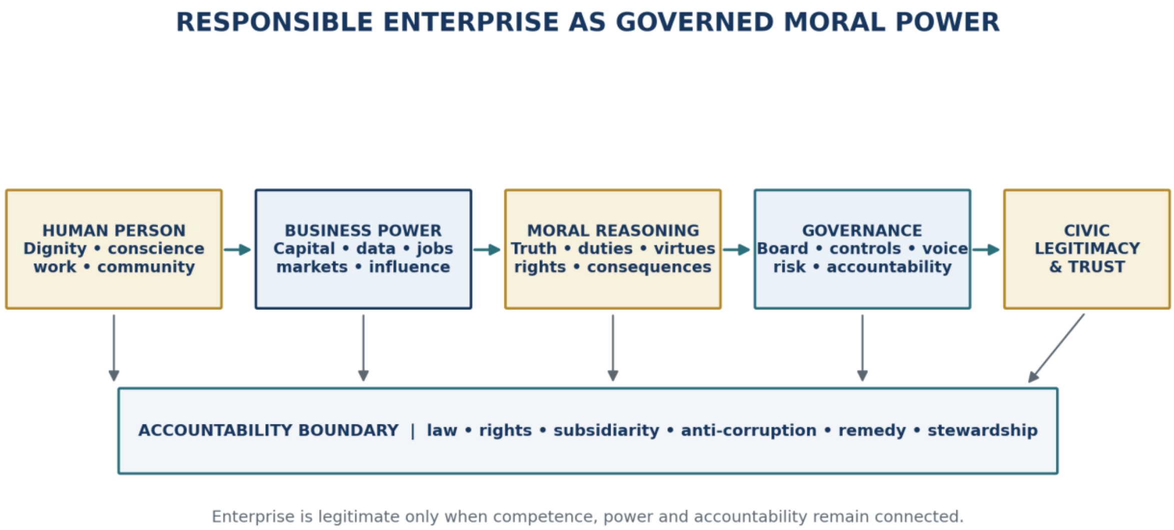

Figure 13.1. Responsible enterprise as governed moral power.
Source/Note: Author's synthesis. The model integrates moral anthropology, civic responsibility, human rights, organizational ethics and corporate-governance perspectives.

The approved purpose of Chapter 13 is to integrate Christian moral reasoning, civic responsibility, human dignity, peacebuilding, business ethics, governance and accountability so that morality shapes the exercise of business power rather than appearing as an optional appendix. The immediate hand-off from Chapter 12 is therefore one of authority. Strategy determines where the enterprise will compete, what it will own, which stakeholders it will affect and how it will deploy scarce resources; Chapter 13 asks what makes that exercise of power legitimate, accountable and worthy of trust.

The chapter proceeds from moral foundations to institutional architecture. Sections 13.1–13.4 establish moral anthropology, citizenship, rights, duties and business responsibility for human rights. Sections 13.5–13.6 examine state-building, historical memory, reconciliation, conflict sensitivity and peacebuilding. Sections 13.7–13.10 develop integrity, anti-corruption, ethical leadership, major moral frameworks and a Scripture-informed method of judgment. Sections 13.11–13.14 move into corporate-governance theories, boards, disclosure, internal control, risk oversight, stakeholder engagement, grievance, whistleblowing and compliance. Sections 13.15–13.16 address conscience, subsidiarity, public influence and recurring cross-functional dilemmas. Sections 13.17–13.18 test the architecture against Steinhoff and Volkswagen. The final sections integrate faith and moral reasoning, provide the REGMA professional toolkit, identify common errors and hand the reader to Chapter 14.

> **SCOPE BOUNDARY |** Chapter 13 owns the book-wide foundations of responsibility, business ethics, citizenship and corporate governance. It uses leadership and power concepts from Chapter 6, accounting and control evidence from Chapter 9, marketing ethics from Chapter 10, supply-chain responsibility from Chapter 11 and strategy from Chapter 12 without reteaching their technical disciplines. Sustainability-specific strategy, climate, circularity and ESG implementation belong to Chapter 21. International trade economics belongs to Chapter 14, multinational governance to Chapter 15, international finance and investment to Chapters 17–18, trade law and commercial diplomacy to Chapter 19, and technology strategy to Chapter 20.

Opening Case: Rwanda, Enterprise and the Civic Work of Reconciliation

The 1994 Genocide against the Tutsi was not only a catastrophic loss of life. It shattered relationships, institutions, property, livelihoods, confidence and the ordinary expectations that make social and economic cooperation possible. Any serious account of post-conflict reconstruction must therefore ask a question wider than how quickly output recovered: how can a society rebuild trustworthy relationships among persons, firms, public institutions and communities after violence has made identity itself a source of fear? Business enters this question because employment, exchange, credit, procurement, mobility and everyday cooperation repeatedly place people in relationships that can either reproduce division or cultivate ordinary forms of interdependence.

Boudreaux (2007) argued that commercial institutions in post-genocide Rwanda could contribute to reconciliation by expanding opportunities for mutually beneficial cooperation and by reducing the economic relevance of ethnic identity in everyday exchange. The claim is plausible but should not be romanticized. Markets do not automatically create peace. Joseph et al. (2021), studying local business in conflict-affected settings, show that firms can contribute to peace through employment, inclusion, problem-solving and institutional engagement, but they can also reinforce exclusion, patronage, resource competition or grievance. The causal direction depends on the design of business relationships and the surrounding political and social institutions.

Rwanda's institutions responsible for national unity and civic engagement continue to measure perceptions of unity and reconciliation. The Rwanda National Unity Barometer 2025 reported very high aggregate levels of perceived unity and reconciliation and strong agreement that savings and lending groups can bring people of different backgrounds together (Ministry of National Unity and Civic Engagement [MINUBUMWE], 2025). These results are relevant public indicators, not independent proof that reconciliation is complete or that every group experiences institutions identically. Survey design, social desirability, question wording and political context all matter. Qualitative scholarship likewise warns against treating a national identity project as a simple, uncontested social fact. Blackie and Hitchcott (2018), for example, show how the "Ndi Umunyarwanda" initiative can be understood through the difficult relationship among memory, belonging and reconciliation rather than as a purely administrative campaign.

The business implications are concrete. A firm chooses who is hired and promoted, which suppliers gain access to contracts, how grievances are heard, what language is used to describe groups, whether political pressure is resisted, and whether historical vulnerability becomes a basis for exploitation. A bank can expand access while still discriminating through opaque rules. A construction company can create employment while purchasing land through coercive relationships. A hotel can contribute to local livelihoods while maintaining a workplace in which employees cannot speak safely. A procurement officer can either normalize impartial criteria or reproduce patronage. Corporate citizenship is therefore practiced in ordinary systems before it is announced in public campaigns.

Table 13.2. Rwanda as a setting for analyzing business, citizenship and reconciliation.

Evidence or institutional signal	What it can support	What it cannot establish	Business question
Post-1994 reconstruction and institutional rebuilding	Shows that markets and firms operate within a historically reconstructed civic order.	Does not prove that economic growth automatically produces reconciliation.	Which business practices create trustworthy cross-group cooperation rather than merely transactions?
Boudreaux (2007)	Develops the case that commercial cooperation can reduce the salience of destructive group boundaries.	Does not establish that every market exchange is peace-promoting or just.	What institutional conditions make mutually beneficial exchange socially constructive?
Joseph et al. (2021)	Shows that local business can influence peace positively or negatively depending on context.	Does not provide a universal checklist for all fragile settings.	Could hiring, sourcing, security or political relationships intensify grievance?
Unity Barometer 2025	Provides official national perception indicators concerning unity and reconciliation.	Does not independently verify lived experience for every community or causal effects of specific policies.	What additional evidence should a firm seek before treating national averages as local reality?
Blackie & Hitchcott (2018)	Provides qualitative insight into identity, memory and reconciliation debates.	Does not permit statistical generalization to the entire population.	How should business respect shared civic identity while remaining attentive to memory, trauma and plural experience?

Source/Note: Boudreaux (2007); Blackie and Hitchcott (2018); Joseph et al. (2021); MINUBUMWE (2025).

MANAGERIAL INSIGHT | A company contributes to citizenship less by adopting patriotic language than by governing ordinary power justly. Recruitment, promotion, procurement, contracting, pricing, data use, security, grievance and community relationships are civic practices because they repeatedly teach people what authority, fairness and belonging look like in daily life.

The opening case gives this chapter its central problem: How should enterprises exercise economic and organizational power so that lawful profit, strategic capability and institutional scale remain accountable to truth, human dignity, justice, peace, responsible freedom and the common good?

13.1 Why Faith, Ethics, Citizenship and Corporate Governance Matter

Chapter 12 ended by showing that strategy is a disciplined commitment of resources and power. The more successful a strategy becomes, the more consequential its moral architecture becomes. A large employer influences household security, a dominant platform can shape access to markets, a bank can include or exclude customers from credit, a multinational can shift bargaining power across jurisdictions, and a board can decide whether inconvenient evidence reaches the people who must act on it. Business ethics is therefore not mainly about private opinions concerning "good behavior." It is the disciplined study and practice of how legitimate economic purposes should be pursued when actions affect persons, institutions and communities under conditions of unequal power, uncertainty and moral disagreement.

Corporate governance addresses a related but distinct problem: how authority over an organization is allocated, constrained, informed, monitored and made answerable. Governance becomes necessary because the persons who supply capital, make decisions, bear risks, perform work and experience consequences are not identical. Information is asymmetric. Incentives diverge. Senior leaders can control the flow of evidence about their own performance. Formal rules can exist while challenge is culturally unsafe. A technically sophisticated board can still fail if it is captured by management, misled by poor information or unwilling to confront a profitable but wrongful practice.

Citizenship introduces the public dimension. Firms depend on legal order, physical infrastructure, monetary systems, education, courts, social trust and the willingness of communities to cooperate. They are not sovereign states, yet they can possess resources and influence that exceed those of many local institutions. The question is not whether business should "solve society," which can become paternalistic, but how enterprise should discharge the obligations that arise from its privileges, dependencies, impacts and participation in political and civic life. That includes paying lawfully owed taxes, resisting corruption, respecting rights, maintaining honest records, honoring contracts, avoiding capture of public institutions and using political influence transparently.

Faith deepens rather than replaces these disciplines. Christian moral reasoning begins from claims about God, creation, human worth, sin, responsibility, authority and neighbor-love. It therefore resists two reductions. The first is economism: the view that market willingness to pay or aggregate efficiency supplies a complete measure of value. The second is legalism: the view that whatever is lawful is thereby morally legitimate. A Christian professional should obey legitimate law, but moral responsibility can be stricter than minimum compliance. Conversely, moral seriousness does not authorize careless factual claims. Scripture cannot be invoked to bypass evidence, technical competence, due process or the legitimate jurisdiction of law and professional standards.

EVIDENCE CHECK | Ethical language can conceal weak analysis. "Stakeholder," "sustainable," "values-based," "inclusive" and "responsible" are not conclusions. Each is a claim that must be specified: responsible to whom, for what, under which duties, with what evidence, at whose cost, through which governance mechanism, and with what remedy if the claim proves false?

13.2 Moral Anthropology: The Human Person Before the Corporation

Every ethical system contains, explicitly or implicitly, an account of what a human being is and why that being matters. This is moral anthropology. In business, the question is easy to obscure because people appear in technical categories: employee, consumer, borrower, insured person, data subject, shareholder, supplier, contractor or beneficiary. Those categories are operationally useful, but none exhausts the person. A worker is not reducible to labor input; a customer is not a conversion probability; a borrower is not a risk score; and a citizen is not a target segment for corporate or political persuasion.

Christian moral anthropology grounds human worth in creation rather than performance. Genesis 1:26-27 presents human beings as made in the image of God. Whatever theological disagreements surround the full meaning of the imago Dei, the business implication is decisive: dignity is not earned by productivity, wealth, education, ethnicity, citizenship, market demand or managerial rank. The mandate to cultivate and keep creation in Genesis 2:15 places work inside stewardship, not domination. Human agency matters because persons are responsible moral actors, yet their freedom is bounded by the equal dignity of neighbors and by accountability to God.

This foundation has analytical consequences. First, persons cannot be treated only as means to organizational ends. Employment contracts permit managerial direction but do not transfer ownership of the employee's conscience or body. Consumer choice deserves respect, but voluntary purchase does not render every product or persuasion technique morally acceptable, especially where addiction, deception or severe information asymmetry is involved. Data may be economically valuable, but the person from whom data are derived retains claims concerning privacy, accuracy, purpose and recourse. In each case, dignity constrains the acceptable means through which value can be created and captured.

Second, Christian ethics joins dignity with responsibility. The command to love God and neighbor in Matthew 22:37-40 does not mean sentimental agreement; it establishes the neighbor as morally relevant to one's use of power. Luke 12:48 links greater entrustment with greater accountability, a principle with obvious implications for directors, executives, professionals and owners. 1 Corinthians 4:2 frames stewardship in terms of faithfulness. Authority is therefore neither morally suspect by definition nor self-justifying. It is a trust whose legitimacy depends partly on the purpose for which it is exercised and the manner in which persons subject to it are treated.

Third, conscience matters. Conscience is not identical to preference or impulse. It is the faculty of moral judgment through which persons perceive obligations and answer for actions. Christian thought recognizes conscience while also recognizing that conscience can be misinformed and therefore requires formation by truth. In plural workplaces, this yields a demanding balance: organizations should not coerce employees into ideological affirmation unrelated to legitimate job requirements, yet employees cannot invoke conscience as a blanket exemption from duties that protect other persons from material harm or unlawful discrimination. Governance must distinguish disagreement from misconduct rather than collapsing the two.

The biblical witness to conscience in Romans 2:14-15 and the apostolic insistence that human authority is not absolute in Acts 5:29 prevent responsible citizenship from becoming political idolatry. At the same time, Romans 13:1-7 teaches respect for legitimate public authority and obligations such as taxes. The mature position is neither anarchic individualism nor unconditional institutional obedience. It is responsible freedom under differentiated authorities, tested by truth and moral duty.

Table 13.3. Human dignity as a boundary on common business abstractions.

Business abstraction	Legitimate analytical use	Moral danger if treated as the whole person	Governance safeguard
Employee as "human capital"	Helps analyze skills, capability, deployment and investment in learning.	The employee becomes a cost or asset category whose bodily safety, family obligations, conscience or voice disappear from analysis.	Worker safety, fair process, voice, due process, capability development and job-relevant decision criteria.
Customer as "lifetime value"	Supports disciplined assessment of acquisition, retention and contribution economics.	The customer is treated as a stream of extractable cash, encouraging dark patterns, addictive design or exploitative pricing.	Truthful terms, consent, vulnerability review, accessible cancellation, complaint and remedy.
Borrower as risk score	Supports consistent estimation of credit risk.	Data-poor or atypical persons can be excluded by a proxy that is mistaken for moral deservingness.	Validation, explainability, proportional data use, human review and error correction.
Citizen as stakeholder	Makes public impacts and institutional dependencies visible.	Political voice is reduced to a corporate engagement category or public relations objective.	Transparent public-policy engagement, separation of persuasion from coercion and respect for public decision processes.
Supplier as cost center	Supports sourcing and total-cost analysis.	Purchasing power can be used to transfer unreasonable risk or force unsafe labor conditions downstream.	Fair contracting, due diligence, payment discipline, grievance and shared responsibility for critical risks.

Source/Note: Author's synthesis; see Chapters 5, 7, 10 and 11 for the technical systems referenced.

13.3 Citizenship, Rights, Duties and the Civic Role of Business

Citizenship describes a structured relationship of membership, rights, duties and participation within a political community. It belongs primarily to natural persons. Corporations can possess legal personality and rights, can sue and be sued, own property and enter contracts, but "corporate citizenship" is analogical. It is useful when it highlights the civic consequences of business conduct; it becomes misleading if it grants the corporation the moral status of a person or implies that private managers possess a democratic mandate to determine public values.

Matten and Crane (2005) sharpened this debate by arguing that corporations can, in some contexts, administer or influence citizenship rights where state institutions are weak or where privatization shifts functions such as welfare, security or access into private hands. The insight is descriptively valuable, especially in infrastructure, digital platforms, finance and extractive industries. Normatively, however, corporate capacity does not automatically confer legitimate political authority. The more a firm substitutes for or shapes public functions, the more carefully questions of accountability, access, non-discrimination, transparency, contestability and public law must be examined.

Rights and duties are reciprocal but not symmetrical in every relationship. A human right creates strong claims against certain forms of treatment. A business duty may arise because the firm caused harm, contributed to it, is directly linked to it, contracted to assume responsibility, controls a risk, or benefits from institutional privileges. Conversely, the fact that a stakeholder has an interest does not create an unlimited right to dictate corporate decisions. Ethical governance requires specifying the source and strength of the claim rather than treating every preference as morally equivalent.

The Universal Declaration of Human Rights (United Nations, 1948) articulates civil, political, economic, social and cultural rights in universal terms. The African Charter on Human and Peoples' Rights (Organization of African Unity, 1981) is distinctive in combining individual and peoples' rights with explicit duties, including duties toward family, society and the state. Articles 27–29 place social solidarity, the common good, preservation of positive cultural values and responsibilities toward national community alongside rights. This does not authorize states to erase individual freedom in the name of community. It does remind business ethics that persons are relational beings whose decisions affect households, communities and institutions.

Table 13.4. Rights, duties and corporate citizenship: distinctions that prevent conceptual confusion.

Concept	Primary holder or bearer	Core question	Business implication
Human right	Every human person by virtue of humanity	What treatment or condition must not be denied merely because the person lacks power?	Respect rights across operations and business relationships; prevent and remedy adverse impacts.
Legal right	A person or entity under applicable law	What claim is enforceable within a particular jurisdiction?	Map jurisdiction-specific rights and remedies; do not confuse legal absence with moral permission.
Duty	Person, officeholder, firm or state depending on the obligation	What must the duty-bearer do or refrain from doing, and why?	Clarify whether duties arise from law, role, contract, causation, control, promise or moral principle.

Concept	Primary holder or bearer	Core question	Business implication
Citizenship	Primarily natural persons within a political community	What rights, duties and participation accompany membership?	Respect civic institutions and avoid substituting private power for public legitimacy.
Corporate citizenship	Analogical description of firm participation in civic life	How does the firm use its institutional privileges and public influence?	Pay taxes lawfully owed, resist corruption, engage policy transparently and protect institutional integrity.
Stakeholder interest	Any party materially affected by or able to affect the firm	Whose interests or rights are relevant to the decision?	Identify affected parties, but rank claims by rights, duties, severity, legitimacy and decision context rather than headcount alone.

Source/Note: United Nations (1948); Organization of African Unity (1981); Matten and Crane (2005); author's synthesis.

POLICY LENS | Responsible citizenship does not require a corporation to adopt every government, multilateral or activist agenda. Nor does sovereignty grant public authorities a moral blank cheque. Evaluate public-policy demands by lawful jurisdiction, rights, subsidiarity, evidence, institutional competence, proportionality, distributional effects, freedom of conscience and the common good.

13.4 Human Rights and Business Responsibility

Business and human rights became a distinct governance field because traditional corporate law and voluntary philanthropy did not adequately answer a recurring problem: firms can affect rights even when they are not states, and those effects can occur through subsidiaries, contractors, financiers, suppliers, security providers or customers. The UN Guiding Principles on Business and Human Rights (UNGPs) provide the most influential contemporary architecture. Endorsed by the UN Human Rights Council in 2011, they rest on three pillars: the state duty to protect human rights, the corporate responsibility to respect human rights, and access to remedy for people harmed (Office of the United Nations High Commissioner for Human Rights [OHCHR], 2011).

The corporate responsibility to respect is not equivalent to a duty to maximize all desirable social outcomes. It requires businesses to avoid infringing human rights and to address adverse impacts with which they are involved. The degree of involvement matters. Where a firm causes an adverse impact, it should cease or prevent the conduct and provide or cooperate in remedy. Where it contributes to harm, it should stop or prevent its contribution and use leverage to mitigate remaining impact. Where an impact is directly linked to operations, products or services through a business relationship, the appropriate response depends on leverage, severity, the importance of the relationship and the consequences of disengagement. This graduated logic is more precise than simply saying "the company is responsible for its value chain."

Human-rights due diligence (HRDD) is the practical process through which the enterprise identifies and assesses actual and potential impacts, integrates findings, acts to prevent or mitigate harm, tracks effectiveness and communicates how impacts are addressed. It should be proportionate to severity and likelihood, but severity has priority where potential harm is grave. Effective HRDD is therefore iterative and connected to decision rights. A risk register that identifies forced labor, severe safety hazards or community displacement but does not alter procurement, contracting or investment decisions is documentation without governance.

The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, updated in 2023, extend due-diligence expectations across human rights, employment, environment, bribery, consumer interests, disclosure, science and technology, competition and taxation (OECD, 2023a). They are government-backed recommendations rather than a universal corporate statute. Their value lies in creating a coherent reference for risk-based responsible business conduct and National Contact Point processes. Their existence does not remove the need to identify the applicable law in each jurisdiction or to assess whether a particular transnational standard has been incorporated into binding legal obligations.

The legal landscape is also changing in some jurisdictions. The European Union's Corporate Sustainability Due Diligence Directive, Directive (EU) 2024/1760, was materially amended in February 2026 by Directive (EU) 2026/470. Under the amended scope, an EU company is generally covered where it has more than 5,000 employees on average and more than €1.5 billion in net worldwide turnover; a third-country company can be covered where it generates more than €1.5 billion in net turnover in the Union, with separate thresholds for specified franchising or licensing models. Member States are to apply the due-diligence measures from 26 July 2029 under the revised timetable (European Parliament & Council of the European Union, 2026). This development illustrates a durable governance point: some responsible-business expectations are migrating from voluntary standards toward binding law, but the duties remain jurisdiction-specific and should never be treated as a universal legal code.

African analysis should also begin with African legal and institutional sources rather than treating the continent only as a site where external standards are implemented. The African Charter protects rights to dignity, property, work, health, education, culture and development and recognizes peoples' rights alongside duties. Domestic constitutions, labor law, land law, data-protection law, companies legislation and sectoral regulation determine concrete legal responsibilities. The responsible enterprise therefore works with a layered map: universal human rights, African regional commitments, national law, contractual duties, sector rules, company policy and moral obligations. When these conflict, governance must make the conflict explicit rather than hiding behind whichever source is most convenient.

Table 13.5. Human-rights responsibility from impact to remedy.

Governance stage	Core question	Evidence required	Decision implication
Map rights and people	Which persons or groups could be affected, including people without contractual power?	Process maps, workforce and supplier data, land and community context, product-use evidence, grievance records.	Define whose rights require protection before ranking business objectives.
Assess severity and likelihood	How grave, widespread and remediable could the harm be?	Scale, scope and irremediability evidence; credible local and expert input.	Prioritize severe risk even when probability or financial materiality appears low.
Classify involvement	Does the firm cause, contribute to, or remain directly linked to the impact?	Causal pathway, contractual control, incentives, leverage and relationship evidence.	Match response to involvement rather than applying identical obligations to every link.
Integrate and act	Who can alter the decision, contract, product, process or relationship?	Decision rights, budgets, procurement terms, product controls and escalation routes.	Move human-rights findings into commercial decisions.
Track effectiveness	Did the response reduce harm rather than merely complete an action plan?	Outcome indicators, audits, worker/community feedback, recurrence and complaints.	Revise controls when evidence shows ineffectiveness.
Remedy and learn	What restoration, compensation, correction, apology or institutional change is appropriate?	Victim-centered evidence, legal remedies, grievance outcomes and root-cause analysis.	Treat remedy as accountability and learning, not reputational containment.

Source/Note: OHCHR (2011); OECD (2023a).

CRITICAL DISTINCTION | Due diligence is not a certificate of innocence. It is a disciplined process for discovering, preventing, mitigating, tracking and communicating risk. A company can perform extensive due diligence and still cause harm; the moral and governance test is whether evidence changes decisions, whether severe risks are escalated, and whether affected people can obtain remedy.

13.5 State-Building, National Identity, Historical Memory and Reconciliation

State-building is the long process through which public authority acquires sufficient legitimacy, capability and institutional reach to provide order, administer law, protect rights, collect revenue and organize common goods. Business does not replace the state in this work, yet enterprise can materially affect the conditions under which state institutions succeed. Firms create taxable activity, employment and infrastructure demand; they also generate records, contracts and disputes that test whether administrative and judicial institutions function predictably. When companies normalize bribery, patronage, illicit financial flows or selective rule enforcement, they can weaken the same institutions on which long-run investment depends.

National identity adds a more delicate dimension. Every state needs some account of political membership and shared responsibility. After mass violence, however, language about national unity interacts with memories of victimhood, guilt, displacement, rescue, resistance and survival. Responsible business should not instrumentalize historical memory for branding or assume that silence is always reconciliation. It should create workplaces in which lawful national identity, professional cooperation and equal dignity do not require employees to deny truthful history or submit to ethnic, racial, religious or political humiliation.

Reconciliation is therefore more demanding than the absence of open conflict. At minimum, it involves the rebuilding of relationships and institutions sufficiently trustworthy for people to cooperate without expecting domination or revenge. In organizational life, this can require transparent recruitment, non-discriminatory promotion, impartial discipline, credible grievance, attention to trauma, refusal of hate speech and fair access to supplier opportunities. It can also require careful handling of memorial periods, symbols and narratives that carry different emotional weight across communities.

Christian reasoning places truth before cheap peace. Proverbs 12:22 condemns falsehood, while Ephesians 4:25 connects truth-telling with life together. Reconciliation that depends on manufactured history is fragile because it asks victims and institutions to build trust on a false account. Yet truth is not a license for vengeance or humiliating speech. Romans 12:18 directs believers, as far as it depends on them, to live at peace with everyone, while Romans 12:21 rejects being conquered by evil. Corporate peacebuilding therefore requires truthful memory, lawful accountability and practices that reduce future domination rather than public relations that merely lower visible disagreement.

The Rwanda case is especially instructive because it demonstrates both the necessity and the difficulty of rebuilding civic trust after genocide. Economic recovery, administrative capacity and shared institutions matter, but they should not be converted into a single causal story in which growth automatically proves reconciliation. A responsible textbook stance distinguishes institutional achievement from the empirical question of how different citizens experience memory, belonging and voice. For managers, the lesson is methodological: national indicators are context, not substitutes for local diagnosis.

> **AFRICAN CONTEXT |** Post-conflict enterprise should be assessed through at least four lenses at once: economic inclusion, institutional integrity, social relationships and historical truth. A business can score well on one and badly on another. Employment growth does not excuse discriminatory hiring; community investment does not excuse corrupt licensing; national unity language does not excuse silencing legitimate grievance.

13.6 Conflict, Negotiation, Mediation, Peacebuilding and Responsible Business

Conflict is not synonymous with violence. It arises whenever parties perceive incompatible interests, identities, values, rights or claims to scarce resources. Some conflict is productive because it reveals error, prevents groupthink and allows competing interests to be negotiated. The ethical and managerial problem is not how to eliminate disagreement but how to prevent disagreement from becoming coercive, dehumanizing or violent and how to structure institutions through which legitimate claims can be heard and resolved.

Business becomes conflict-sensitive when it systematically asks how the operating context affects the firm and how the firm, in turn, affects the conflict. This two-way analysis is essential in fragile and conflict-affected settings. A mine may unintentionally finance armed actors through security or transport relationships. A bank may enable sanctions evasion or politically connected asset stripping. A telecommunications operator may face demands to shut networks or disclose user data during unrest. A food distributor may become critical infrastructure when displacement disrupts normal markets. In each case, ordinary commercial decisions acquire heightened human consequences.

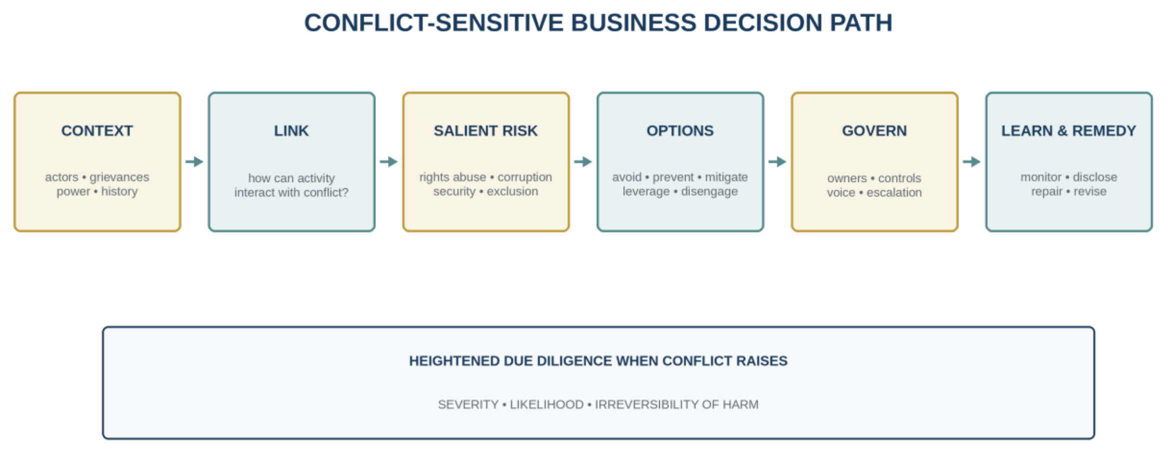

Figure 13.2. Conflict-sensitive business decision path.
Source/Note: Author's synthesis, informed by peacebuilding and human-rights due-diligence approaches. Conflict sensitivity requires analysis of both how context affects the business and how business choices affect conflict dynamics.

The first practical task is conflict analysis. Managers need to identify actors, interests, grievances, capacities, relationships, triggers and the political economy of resources. The second task is impact-pathway analysis: how might hiring, procurement, land acquisition, pricing, security, taxes, transport, data access or political relationships shift benefits and burdens among those actors? The third task is option design. It may be possible to redesign the project, change supplier or security arrangements, sequence investments differently, increase local consultation, establish independent monitoring, share infrastructure, create transparent benefit mechanisms or suspend activity where severe harm cannot be prevented.

Negotiation in such contexts requires more than bargaining technique. Chapter 6 introduced interests, alternatives, reservation points and procedural fairness; Chapter 13 adds the moral and governance problem of asymmetry. A community can "agree" to a land transaction while facing a company with legal counsel, government access, financial resources and control over technical information. Formal consent under such conditions may be legally valid yet ethically thin. Responsible negotiation improves information access, time for deliberation, representation, documentation and recourse. It also refuses threats or inducements that exploit vulnerability.

Mediation can help when parties need a trusted process for exploring interests and possible settlement without surrendering decision authority to the mediator. Its quality depends on independence, competence, safety and the ability of less powerful parties to participate meaningfully. In human-rights contexts, mediation should not be used to privatize serious criminal conduct, suppress lawful reporting or trade away non-waivable rights. Process flexibility does not remove substantive boundaries.

Peacebuilding describes longer-term efforts to transform the conditions that make violence more likely. Businesses can contribute through fair employment, inclusive sourcing, reliable essential services, lawful tax payment, anti-corruption, support for local problem-solving and refusal to finance coercive actors. They can also intensify conflict through discriminatory resource allocation, opaque political payments, environmentally damaging extraction, abusive security, sudden layoffs or pricing that becomes politically salient during scarcity. Joseph et al. (2021) therefore provide an important corrective to slogans about "business for peace": the effect of business on peace is contingent on what the business actually does and on the institutions within which it acts.

Table 13.6. Conflict-sensitive business questions by decision domain.

Decision domain	Conflict-sensitive question	Warning signal	Possible governance response
Hiring	Do employment patterns map onto conflict identities or exclusion grievances?	One group dominates access to jobs without job-relevant explanation.	Transparent criteria, outreach, monitored selection, grievance and local capability development.
Procurement	Who gains rents and who loses access when suppliers are selected?	Politically connected intermediary with opaque beneficial ownership.	Beneficial-ownership checks, competition, conflict-of-interest controls and independent approval.
Land and community relations	Is consent informed, timely and free from coercive dependency?	Negotiation occurs after irreversible commitments or through local elites alone.	Early engagement, independent advice, documented alternatives, grievance and remedy.
Security	Could force, surveillance or access control exacerbate abuse?	Security provider has credible allegations of violence or political affiliation.	Human-rights screening, rules for use of force, training, monitoring and termination rights.
Payments and taxes	Could funds materially support armed, corrupt or abusive actors?	Unusual cash request, off-book levy or payment to non-state checkpoint.	Escalation, legal review, alternative routing, documentation and, where necessary, suspension.
Exit or suspension	Could abrupt withdrawal intensify unemployment, scarcity or retaliation?	Exit decision treats local dependence as irrelevant sunk cost.	Responsible-exit plan, notice, worker/community mitigation and preservation of evidence.

Source/Note: Author's synthesis; Joseph et al. (2021); OHCHR (2011).

ETHICAL DILEMMA | A firm operating during violent unrest is told by an armed checkpoint that a small cash payment will allow trucks carrying essential medicines to pass. Refusing may delay life-saving goods; paying may finance coercive actors and normalize extortion. There is no honest solution in which every risk disappears. The professional task is to verify the facts, map legal prohibitions, identify feasible alternatives, assess immediate human consequences, escalate to accountable decision-makers, document the rationale and avoid converting an emergency exception into routine practice.

13.7 Integrity, Truthfulness, Corruption and Anti-Corruption Systems

Integrity is the quality of acting in a manner that remains coherent with truth, legitimate commitments and moral duties when incentives make deviation attractive. In organizations, integrity is not merely personal honesty. It is also an institutional property: whether systems make truthful conduct feasible, whether records reveal rather than conceal reality, whether conflicts of interest are surfaced, whether power can be challenged and whether misconduct creates consequences proportionate to role and harm.

Corruption is commonly defined as abuse of entrusted power for private gain, but business analysis should specify the mechanism rather than rely on the label alone. Bribery exchanges value for improper influence. Embezzlement diverts entrusted assets. Kickbacks return part of a transaction's value to the decision-maker. Trading in influence monetizes access. Favoritism and nepotism can override legitimate criteria. Bid-rigging corrupts competition. Facilitation payments seek routine public action through unofficial payment. Conflicts of interest become corrupting when private interests secretly distort fiduciary or public duties. The mechanisms differ and therefore require different controls.

Scripture treats corruption as a problem of justice and truth, not merely inefficient administration. Exodus 23:8 and Deuteronomy 16:19 warn that bribes distort judgment. Leviticus 19:35-36 requires honest measures, and Proverbs 11:1 condemns dishonest scales. These texts place commercial integrity inside the ordinary moral life of weights, judgments and entrusted authority. The biblical concern is not only that corruption raises transaction cost, but that it turns power away from impartial justice toward hidden advantage.

The African Union Convention on Preventing and Combating Corruption, adopted in 2003 and in force since 2006, addresses both public and private dimensions of corruption and calls for preventive measures, criminalization and international cooperation (African Union, 2003). Its significance for business is analytical as well as legal: corruption cannot be reduced to a stereotype about "weak institutions" in particular regions. Bribery often involves cross-border networks, professional advisers, financial intermediaries, beneficial-ownership opacity and multinational incentives. The appropriate unit of analysis is the transaction and power structure, not a cultural generalization.

Corruption indices require equal care. Transparency International’s Corruption Perceptions Index (CPI) aggregates expert and business perceptions of public-sector corruption. Rwanda scored 58 out of 100 and ranked 41st of 182 countries in the 2025 CPI (Transparency International, 2026). The index is useful for broad comparative context, but it is not a count of corrupt acts, a firm-level risk score or proof that one transaction is clean. Country indices should trigger questions, not replace transaction-specific due diligence.

A credible anti-corruption system combines culture with controls. ISO 37001:2025, the second edition of the anti-bribery management systems standard, includes anti-bribery policy, oversight, risk assessment, due diligence, financial and non-financial controls, training, reporting, investigation and improvement (International Organization for Standardization [ISO], 2025). Certification can provide evidence that a defined management system exists, but it cannot prove that no bribery occurs. A corrupt organization can learn to perform compliance rituals. The deeper test is whether the system changes incentives, detects anomalies, protects challenge and imposes consequences on commercially valuable people.

Table 13.7. Anti-corruption controls as a layered system.

Control layer	Purpose	Typical mechanisms	Characteristic failure
Governance and tone	Define non-negotiable boundaries and accountable ownership.	Board oversight, code, senior accountability, conflict declarations, remuneration consequences.	Senior revenue producers are informally exempt from rules.
Risk assessment	Identify where role, geography, transaction and incentive create exposure.	Risk mapping, scenario analysis, periodic refresh and transaction thresholds.	Generic country labels substitute for actual process analysis.
Third-party due diligence	Understand intermediaries who can create liability or hidden influence.	Beneficial ownership, qualifications, reputation, purpose, compensation and contract rights.	Due diligence becomes a database check disconnected from why the intermediary is needed.
Transaction controls	Make improper payments difficult and visible.	Segregation of duties, approval limits, invoice controls, gifts/hospitality registers, cash restrictions.	Controls are bypassed through urgency, split invoices or off-system payments.
Speak-up and investigation	Surface misconduct when controls fail.	Anonymous channels where lawful, non-retaliation, triage, independent investigation, evidence preservation.	Hotline exists but reporters expect retaliation or managerial interference.
Remediation and learning	Correct harm and reduce recurrence.	Discipline, control redesign, contract termination, restitution, root-cause review and trend analysis.	Individual punishment occurs while incentives and control defects remain unchanged.

Source/Note: African Union (2003); ISO (2025); U.S. Department of Justice (2024); author’s synthesis.

PRACTICE TOOL | Before approving a high-risk intermediary, write a one-sentence business necessity: “We need this party because …” Then ask whether the compensation, capabilities and requested access are proportionate to that necessity. Vague answers such as “relationships,” “market knowledge” or “things move faster” require deeper scrutiny, especially where public officials, licensing or procurement are involved.

13.8 Moral Courage, Ethical Leadership and Organizational Culture

Chapter 6 developed leadership, power, culture and organizational behavior in full. The concern here is narrower: how leadership and culture affect ethical conduct under pressure. Ethical leadership research commonly distinguishes the leader as a moral person from the leader as a moral manager. The first concerns traits and conduct such as honesty, fairness and care; the second concerns communication, reinforcement, role modeling and accountability. Brown and Treviño (2006) helped consolidate this research domain by describing ethical leadership as normatively appropriate conduct promoted through communication, reinforcement and decision-making.

Meta-analytic evidence generally finds ethical leadership associated with favorable employee attitudes and behavior, including job satisfaction, commitment, citizenship behavior and lower counterproductive conduct, although effect sizes vary and causal inference remains limited by common-method and cross-sectional designs in much of the literature (Bedi et al., 2016; Ng & Feldman, 2015). These findings justify attention to leadership but do not prove that a charismatic “ethical leader” can compensate for defective systems. A manager who speaks about integrity while rewarding impossible sales targets may create a stronger misconduct signal through incentives than through speeches.

Kaptein (2011) conceptualizes ethical culture through organizational virtues such as clarity, congruency, feasibility, supportability, transparency, discussability and sanctionability. This approach is useful because it converts “culture” from an atmosphere into testable organizational conditions. Do employees know what is expected? Can they meet commercial targets without violating the standard? Can concerns be discussed? Are consequences predictable? Do leaders follow the rules they impose on others? Ethical culture becomes visible in the answer to these questions.

Moral courage is the willingness to incur meaningful personal or organizational cost in order to act on a justified moral judgment. It may involve challenging a chief executive, refusing a bribe, correcting a misleading disclosure, delaying launch because safety evidence is incomplete, protecting a whistleblower or admitting that a favored acquisition rests on manipulated assumptions. Courage is not impulsiveness. Its professional form combines evidence, prudence, appropriate escalation and willingness to accept consequences that cannot be ethically avoided.

Christian leadership reframes authority through service. In Mark 10:42-45 Jesus contrasts domineering rule with greatness expressed through service. The point is not that leaders surrender decision authority; organizations still require judgments, boundaries and accountability. It is that authority is morally disordered when it becomes self-exaltation or exploitation. James 3:1 likewise connects greater teaching authority with stricter judgment. Seniority should therefore increase, not dilute, accountability.

Ethical climate research also suggests that formal and informal systems interact. Employees infer what really matters from promotion decisions, resource allocation, exceptions and the treatment of people who raise concerns. Peng and Kim (2020) show through meta-analytic work that ethical leadership can influence normative conduct through multiple pathways, including social learning and exchange. The implication is practical: organizations form behavior through repeated signals. A code of conduct is one signal among many.

MANAGERIAL INSIGHT | The most revealing ethics test is often the exception. What happens when the highest-performing salesperson violates policy, when the chief executive bypasses procurement, when a strategic customer requests misleading documentation, or when a politically connected intermediary fails due diligence? Culture is disclosed by whose misconduct the organization is willing to excuse.

13.9 Christian Ethics and Major Moral Frameworks

Professionals encounter moral disagreement, and a university textbook should not pretend that one philosophical vocabulary resolves every dispute without argument. Ethical frameworks are disciplined ways of identifying morally relevant features of a decision. Their value is diagnostic as much as prescriptive: each highlights questions that a decision-maker might otherwise ignore. Their limitation is that abstract frameworks can be manipulated when facts are incomplete, duties are contested or consequences are selectively counted.

The traditions considered here include classical virtue ethics associated with Aristotle (1999), deontological reasoning associated with Kant (1785/2012), consequentialist reasoning exemplified by Mill (1863/2001), justice theory represented by Rawls (1971), care ethics developed prominently by Gilligan (1982), stakeholder theory (Freeman, 1984), natural-law traditions and explicitly Scripture-informed Christian moral reasoning. They are not reducible to one-line formulas, and each contains internal debates. The comparison below therefore identifies working emphases rather than exhaustive philosophical systems.

Table 13.8. Major moral frameworks for business judgment.

Framework	Primary moral question	Distinctive contribution	Characteristic danger if used alone
Scripture-informed Christian ethics	What is faithful to God's revealed moral order and to love of God and neighbor?	Integrates dignity, truth, justice, stewardship, virtue, duties, consequences and accountability before God.	Proof-texting, sectarian assertion or bypassing evidence and professional competence.
Natural law and virtue ethics	What goods belong to human flourishing, and what kind of person or community does this action cultivate?	Connects action with character, practical wisdom, human purposes and moral formation.	Vague appeals to "virtue" without resolving institutional duties or plural disagreement.
Deontology	What duties, rules or principles must be honored irrespective of convenient outcomes?	Protects persons from being sacrificed to aggregate benefit and clarifies non-negotiable obligations.	Rule formalism that ignores conflicts among duties, context or foreseeable harm.
Consequentialism	Which option produces the best overall consequences for affected parties?	Forces attention to outcomes, trade-offs, externalities and opportunity cost.	Aggregating welfare in ways that justify deception, coercion or sacrifice of minorities.
Justice	Are benefits, burdens, opportunities and procedures distributed fairly?	Highlights structural inequality, procedural fairness and the position of less advantaged parties.	Disagreement about the correct principle of distribution or overextension into every business difference.
Rights	Whose protected claims set boundaries on available actions?	Creates strong safeguards for autonomy, bodily integrity, expression, property, privacy and due process.	Rights inflation or failure to specify conflicts and corresponding duty-bearers.
Care ethics	What relationships, dependencies and vulnerabilities require attentive response?	Corrects abstract moral reasoning that ignores dependence, context and relational responsibility.	Partiality or paternalism if care substitutes for fairness, agency and consistent standards.

Framework	Primary moral question	Distinctive contribution	Characteristic danger if used alone
Stakeholder ethics	Whose legitimate interests are affected by the enterprise and how should they enter governance?	Widening attention beyond shareholders to workers, customers, suppliers, communities and others.	Treating every stakeholder preference as equal or obscuring decision rights and fiduciary duties.

Source/Note: Aristotle (1999); Freeman (1984); Gilligan (1982); Kant (1785/2012); Mill (1863/2001); Rawls (1971); author's synthesis.

Christian moral reasoning overlaps with several of these traditions without collapsing into any one of them. It cares about consequences because neighbor-love is concerned with actual harm and benefit. It recognizes duties because truthfulness, justice and fidelity are not optional whenever deception appears useful. It cares about character because repeated practices form persons. It cares about rights and dignity because human beings bear God-given worth. It cares about community because persons are relational and obligations extend beyond contract. Its distinctiveness lies in locating these concerns within creation, fall, redemption, divine command and final accountability rather than in a self-sufficient moral calculus.

For professional reasoning, framework pluralism can be methodologically useful even where the decision-maker ultimately grounds morality in a Christian worldview. A proposed layoff, for example, should be tested through consequences for workers and organizational survival, duties arising from contracts and promises, fairness of process and selection, rights and lawful protections, the character of leadership, relational obligations to long-serving employees and the organization's stewardship responsibilities. Agreement across several lenses increases confidence; disagreement identifies where deeper moral judgment is required.

13.10 A Scripture-Informed Architecture for Moral Judgment

Moral reasoning in business should be structured enough to resist convenience but flexible enough to recognize context. Figure 13.3 presents a sequence that begins with reality rather than preference. The order is important. A decision-maker cannot reason morally about facts that have been manipulated. Nor can consequences legitimize conduct that violates clear moral boundaries. The process therefore moves from truth and persons to duties, consequences, alternatives, accountable authority, action and remedy.

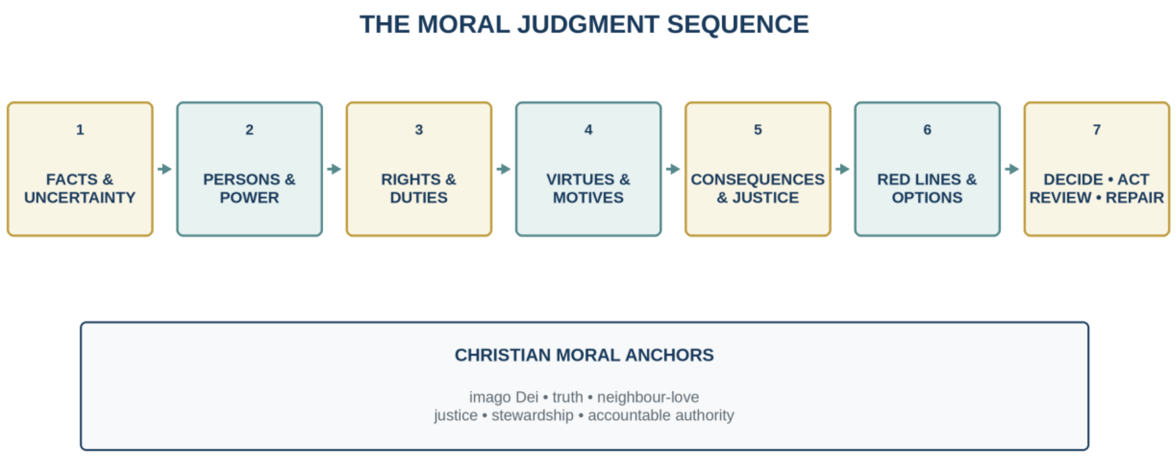

Figure 13.3. The moral judgment sequence: from truthful reality to accountable action.
Source/Note: Author's synthesis. Scripture-informed judgment integrates truth, human dignity, duties, consequences, justice, stewardship, authority and remedy rather than reducing ethics to a single calculation.

Truthfulness is the first gate. Proverbs 11:1 and Proverbs 12:22 make false measures and lying moral concerns before they become accounting or marketing problems. A board cannot govern what management refuses to measure honestly. An investor cannot consent meaningfully to a security offering whose risks are concealed. An employee cannot exercise responsible agency when retaliation suppresses relevant facts. Truth therefore has procedural importance: evidence must be available to the people who bear decision responsibility.

Human dignity and neighbor-love provide the second gate. Matthew 22:37-40 prevents "value creation" from becoming a euphemism for benefit extracted through hidden harm. The neighbor may be a customer, competitor, worker, taxpayer, minority shareholder, supplier, future claimant or community member who never signed a contract with the firm. Moral relevance is not identical to contractual privity.

Justice and impartiality provide a third gate. James 2:1-9 condemns partiality based on status, while James 5:4 condemns withholding wages. The professional implication is not that every difference in pay, pricing or treatment is unjust. Differences may reflect role, risk, cost or performance. The question is whether the differentiating criterion is legitimate, proportionate and honestly applied, and whether those with less bargaining power are made to carry burdens merely because they can be forced to do so.

Stewardship provides the fourth gate. 1 Timothy 6:17-19 warns those with wealth against arrogance and locates wealth within responsibility, while 1 Corinthians 4:2 emphasizes faithfulness in entrusted roles. Directors and executives are stewards of authority, capital, information and organizational capability. Stewardship does not prohibit profit; it rejects the idea that ownership creates unlimited moral permission.

Authority and conscience provide the fifth gate. Romans 13:1-7 supports respect for lawful public authority, including fiscal obligations. Yet Acts 5:29 places ultimate obedience to God above human command. This tension is essential for professionals confronting orders to falsify records, pay bribes, discriminate unlawfully or suppress safety evidence. Role authority creates duties, but it cannot transform wrongdoing into obedience.

Finally, moral judgment must include consequences, alternatives and remedy. Christian ethics is not indifferent to outcomes. A manager who invokes a duty while refusing to consider foreseeable harm has not shown prudence. Yet consequences are evaluated within moral boundaries rather than used to erase them. Alternatives matter because many apparent ethical dilemmas are produced by artificially narrow framing. The responsible decision-maker asks whether the objective can be achieved through a different sequence, contract, product design, disclosure, governance structure or exit option.

> **FAITH AND VOCATION |** Christian vocation in business is not demonstrated by adding religious language to a decision already made for commercial reasons. It is demonstrated when truth changes the forecast, dignity changes the design, justice changes the distribution of burden, conscience changes the boundary of obedience, stewardship changes the use of power, and repentance changes the response when the organization has done wrong.

13.11 Corporate Governance: Why Authority Must Be Structured

Corporate governance is the system through which organizational authority is directed, constrained, informed and held accountable. The familiar focus on shareholders, boards and executives is important but incomplete. Governance also concerns who may authorize major commitments, whose interests directors must consider under applicable law, how conflicts are controlled, what information reaches decision-makers, how risk is challenged, how minority interests are protected, how executives are rewarded and removed, and how the organization responds when formal authority is used wrongfully.

Governance structures vary across legal systems, ownership forms and sectors. A listed corporation with dispersed shareholders faces different problems from a family-controlled company, state-owned enterprise, cooperative, nonprofit, church-related institution or venture-backed startup. The correct governance question is therefore not “Does the organization have an independent board?” in the abstract. It is “What forms of concentration, information asymmetry, dependency and conflict exist here, and which governance arrangements can make legitimate authority answerable under these conditions?”

Agency theory gives the classic economic answer. Jensen and Meckling (1976) model the firm as a nexus of contractual relationships in which principals and agents can have divergent interests and information. Governance mechanisms such as monitoring, incentive alignment and disclosure can reduce agency costs. Shleifer and Vishny (1997) similarly emphasize the mechanisms through which suppliers of finance seek assurance that they will receive returns on their investment, a powerful capital-provider perspective that nonetheless does not exhaust the corporation’s wider legal and moral responsibilities. The framework explains why managers may pursue private benefits, empire building or short-term targets inconsistent with owners’ interests. Its limitation is that human motivation is richer than opportunism and that the corporation affects parties whose claims are not fully captured by shareholder contracts.

Stewardship theory offers a different behavioral assumption. Davis et al. (1997) argue that managers may identify with organizational purposes and seek collective rather than narrowly self-interested outcomes. This perspective explains why trust, intrinsic motivation and discretion can be productive. Its danger is naïveté. A governance system designed as if senior leaders are always trustworthy can fail catastrophically when power, status or financial incentives become corrupting.

Stakeholder theory widens the set of relationships considered morally and strategically relevant (Freeman, 1984). It corrects models that treat workers, customers, suppliers and communities merely as constraints on shareholder value. Yet stakeholder language does not automatically solve governance. When interests conflict, directors still need decision rules, legal duties and accountability. A board that claims to serve “all stakeholders” can become less accountable if no constituency can tell whether trade-offs were justified.

Resource-dependence perspectives emphasize the board’s role in connecting the organization to information, legitimacy, networks and critical resources. Team-production and related perspectives view the corporation as a cooperative enterprise in which multiple contributors make firm-specific investments and governance helps protect joint value creation. These theories remind readers that boards do more than monitor management; they also counsel, connect, authorize and preserve the institutional conditions under which productive cooperation can continue.

Table 13.9. Major corporate-governance theories and their practical implications.

Perspective	Core problem	Governance emphasis	What it explains well	Limitation
Agency theory	Managers or controlling owners may pursue private interests under information asymmetry.	Monitoring, incentives, independence, disclosure, ownership and control rights.	Self-dealing, empire building, tunneling, weak monitoring and incentive problems.	Can over-assume opportunism and understate relational, moral and non-shareholder obligations.
Stewardship theory	Over-control can suppress responsible managerial discretion and intrinsic commitment.	Trust, empowered executives, role clarity, relational governance and purpose.	Contexts in which managers identify with organizational mission and long-term success.	Can underweight abuse of power, conflicts and need for independent challenge.
Stakeholder theory	Corporate decisions affect multiple legitimate constituencies, not only capital providers.	Stakeholder voice, impact analysis, board attention to wider responsibilities.	Externalities, human relationships and legitimacy beyond shareholder returns.	Does not by itself resolve conflicting claims or specify final decision rights.
Resource dependence	Boards help the firm access information, legitimacy, networks and resources.	Board composition, expertise, boundary-spanning and external relationships.	Why directors can add value beyond monitoring.	Connections can become capture or conflicts of interest if independence is weak.
Team-production / cooperative perspectives	Joint value depends on multiple parties making specialized commitments.	Fair allocation of governance protection and preservation of collaborative surplus.	Why long-term cooperation and firm-specific investment need institutional protection.	Hard to translate into a single universal board mandate across legal systems.

Source/Note: Davis et al. (1997); Freeman (1984); Jensen and Meckling (1976); author's synthesis.

Empirical evidence on governance arrangements should be interpreted cautiously. Dalton et al. (1998), in a meta-analysis of board composition, leadership structure and financial performance, found relationships more modest than strong governance rhetoric often implies. Post and Byron (2015) found that greater female board representation was associated on average with stronger accounting returns and, under some institutional conditions, market performance, but such associations do not mean demographic composition mechanically causes superior governance. Board effectiveness depends on expertise, independence of judgment, information quality, process, power and context. Diversity can broaden perspectives and legitimacy; it should not be reduced to arithmetic detached from how the board actually works.

Figure 13.4. Corporate governance as an accountability architecture.
Source/Note: Author's synthesis. Governance connects ownership, boards, management, assurance, stakeholders and public institutions through decision rights, information, challenge, control, disclosure and remedy.

13.12 Boards, Ownership, Disclosure, Internal Control and Risk Oversight

A board sits at the center of many corporate-governance systems because it is entrusted with ultimate oversight of strategy, senior management, risk, controls, reporting and major corporate acts. Its legal duties vary by jurisdiction, but a defensible board architecture usually requires clear authority, sufficient information, relevant expertise, independence of judgment, structured challenge, management accountability and mechanisms for dealing with conflicts. The board should neither become a ceremonial audience for management nor attempt to manage daily operations.

The G20/OECD Principles of Corporate Governance 2023 organize internationally influential expectations around the governance framework, shareholder rights and equitable treatment, institutional investors and intermediaries, disclosure and transparency, board responsibilities, and sustainability and resilience (OECD, 2023b). The Principles are not a single global corporate law. Their importance lies in a comparative reference architecture that jurisdictions can adapt. Critical evaluation remains necessary because ownership structures, legal enforcement, capital markets and political institutions differ substantially.

South Africa's King reports have been particularly influential in African governance practice. The Institute of Directors in South Africa released King V in October 2025, superseding King IV and applying to financial years beginning on or after 1 January 2026 (Institute of Directors in South Africa [IoDSA], 2025). King V continues an outcomes-oriented approach and emphasizes ethical culture, good performance, effective control and legitimacy through a principles-based governance system. It is a code, not proof of ethical performance. The value of "apply and explain" style governance depends on the quality of the explanation and the willingness of boards, investors and regulators to challenge boilerplate.

Rwanda's governance architecture likewise combines general company law with sector-specific regulation. Law No. 007/2021 of 5 February 2021 governing companies establishes the legal framework for companies and was amended in 2023 (Republic of Rwanda, 2021, 2023). Regulated sectors add more detailed requirements. For example, National Bank of Rwanda Regulation No. 84/2024 addresses corporate governance, risk management and internal controls for insurers (National Bank of Rwanda [NBR], 2024). The professional lesson is that governance cannot be copied from a generic global checklist; applicable corporate, securities, banking, insurance, labor, data, competition and sector rules must be identified precisely.

Ownership structure changes the governance problem. In dispersed-ownership systems, the classical concern is managerial agency: executives control assets owned by many investors who individually lack monitoring power. In concentrated-ownership systems, controlling shareholders may monitor management effectively but can create risks for minority investors through related-party transactions, preferential access or tunneling. State ownership introduces political objectives and public accountability. Family ownership can support patient capital and long horizons but can also blur family, management and corporate interests. No ownership form is inherently immune from governance failure.

Board independence should therefore be understood as independence of judgment rather than as a demographic label alone. Formal independence criteria can reduce obvious conflicts, but a director may be legally independent and socially dependent on the chair, chief executive, controlling family or appointing authority. Conversely, an executive director can contribute essential operational knowledge while still being subject to robust challenge by non-executives. Effective design balances information and independence rather than pretending they are substitutes.

13.12.1 Board Committees, Information Rights and Structured Challenge

Board committees deepen attention where complexity, conflicts or technical specialization would otherwise overload the full board. The G20/OECD Principles identify the audit committee, or an equivalent body, as especially important for disclosure, internal controls and audit-related matters, while remuneration, nomination and risk committees may be appropriate depending on the organization's size, structure, complexity and risk profile (OECD, 2023b). Committee architecture should therefore be proportionate rather than ceremonial. A small private enterprise may need fewer formal committees than a listed bank, yet both require clear responsibility for financial integrity, conflicts, executive incentives, succession and material risk.

An effective committee requires a written mandate, relevant competence, sufficient independence of judgment, timely access to unfiltered information, authority to meet control and assurance functions without executive management present, and the ability to obtain external expertise where necessary. Committee specialization does not transfer ultimate accountability away from the board. Fragmentation becomes dangerous when directors assume that "audit owns reporting," "risk owns risk" or "compliance owns ethics." Committees investigate, prepare and challenge; the governing body must still integrate the evidence and make or oversee the decision for which it remains accountable.

African governance practice illustrates the same principle through sector-specific design. Rwanda's Regulation No. 84/2024 for insurers provides for board-level audit, risk, nomination and remuneration, and ethics and compliance committee arrangements, among other governance requirements (NBR, 2024). Such architecture is appropriately more prescriptive in a regulated financial sector because policyholders depend on solvency, trustworthy reporting and risk control. The transferable lesson is not that every organization should copy an insurer's committee chart, but that governance structures should be matched to the severity, complexity and asymmetry of the risks they must oversee.

Disclosure is equally central because governance depends on truthful information. Financial statements, risk disclosures, remuneration reports, related-party transactions and material-event reporting reduce information asymmetry only when the underlying measurement is reliable and material facts are not buried in volume. More disclosure is not always better: excessive immaterial detail can obscure what matters. Transparency is therefore not maximal publication but decision-useful truthfulness to the parties entitled to know.

13.12.2 Internal Control, Internal Audit and Integrated Assurance

Internal control is often taught as a technical accounting system, but its moral purpose is broader. Controls protect entrusted assets, improve the reliability of reporting, support lawful operations and make abuse more difficult to conceal. Segregation of duties, authorization, reconciliation, access controls, exception reporting and audit trails are forms of institutionalized prudence. They assume neither that every employee is dishonest nor that good intentions are sufficient. They recognize human fallibility and design the organization so that important actions are visible and reviewable.

The COSO Internal Control: Integrated Framework, refreshed in 2013, organizes internal control through five mutually reinforcing components: the control environment, risk assessment, control activities, information and communication, and monitoring activities (Committee of Sponsoring Organizations of the Treadway Commission [COSO], 2013). The components matter as a system. Strong reconciliations cannot compensate for a control environment in which senior executives can override policy without consequence; excellent policies cannot compensate for information channels that suppress adverse evidence; and monitoring that finds recurring deficiencies but never changes processes is surveillance without learning.

Assurance architecture then asks who tells the board whether these systems actually work. The Institute of Internal Auditors' refreshed Three Lines Model, published in July 2026, distinguishes first-line management, which owns and manages risk and operates controls; second-line specialist roles, which provide expertise, support, monitoring and challenge; and internal audit as the independent third line providing objective assurance on governance, risk management, compliance and control processes (Institute of Internal Auditors [IIA], 2026). Coordination is necessary because duplicated assurance wastes resources while gaps create false confidence. Independence is equally necessary because assurance loses credibility when reviewers are required to validate decisions they designed or are prevented from escalating uncomfortable findings.

External audit provides a different form of assurance, principally over financial reporting and other engagements defined by law or contract. It does not replace internal audit, compliance, risk management or board oversight. The audit committee should therefore understand the assurance map: what material risks are covered, by whom, using which evidence, with what level of independence, and where no credible assurance exists. Mature governance is not the accumulation of assurance providers; it is a coherent information architecture through which material contrary evidence reaches the governing body in time to affect decisions.

13.12.3 Executive Incentives, Risk Appetite and Remuneration Governance

Risk oversight should likewise distinguish risk-taking from recklessness. Enterprise creates value by accepting uncertainty, but some exposures threaten solvency, human life, legal legitimacy or institutional survival. Boards need a credible view of risk appetite, risk capacity, principal risks, emerging threats, control effectiveness, scenario vulnerability and management assumptions. Cybersecurity, AI, geopolitical exposure, climate-related transition and physical risks, fraud, product safety and third-party concentration can require specialized expertise, but the board remains accountable for ensuring that expertise reaches decision-making rather than merely existing somewhere in the organization.

Executive remuneration is a governance mechanism because it converts strategic priorities into personal incentives. The relevant question is not simply whether pay is high or low, but what behavior the design makes rational. Short measurement periods, one-dimensional revenue targets, steep thresholds and rewards that ignore conduct or risk can encourage managers to pull earnings forward, underinvest in maintenance, shift risk to customers or suppliers, or suppress bad news. Conversely, poorly designed non-financial targets can become subjective or invite symbolic performance. Incentive governance therefore requires clear ex ante criteria, measures linked to the organization's strategy and risk appetite, attention to the quality as well as the quantity of performance, and independent review of exceptional awards.

The G20/OECD Principles identify long-term alignment, disclosure of remuneration policy and the use of malus and clawback provisions as important governance practices in relevant settings (OECD, 2023b). Malus permits an organization to reduce or withhold unpaid awards when specified conditions arise; clawback permits recovery of compensation already paid in defined circumstances such as fraud or material financial restatement. These tools are not substitutes for sound targets or moral leadership. Their value is to reduce the asymmetry in which executives keep rewards generated by results that later prove misstated, excessively risky or inconsistent with the conditions on which the reward depended.

Remuneration committees should therefore test incentive plans through scenarios before approval. What happens if revenue rises while complaints, safety incidents or control overrides deteriorate? Can a manager receive an exceptional award while a severe conduct failure remains unresolved? Which measures can be manipulated through timing, classification or underinvestment? What discretion may the committee use, and how will that discretion itself be governed? A defensible scheme makes trade-offs visible, preserves the board's ability to respond to extreme outcomes and refuses to treat a mathematically achieved target as proof of responsible performance.

Table 13.10. Board responsibilities: from formal duty to evidence of effectiveness.

Responsibility	Weak evidence	Stronger evidence	Board question

Responsibility	Weak evidence	Stronger evidence	Board question
Strategy oversight	Annual presentation and approval minute.	Explicit challenge of assumptions, alternatives, trade-offs, risk and moral boundaries; tracked follow-up.	What would have to be false for this strategy to fail?
Executive accountability	Performance scorecard focused on financial targets.	Balanced evaluation of financial, operational, conduct and risk outcomes; consequence management.	Which behaviors are being rewarded that could undermine integrity?
Risk oversight	Heat map with static risk labels.	Risk appetite linked to decisions, scenarios, limits, incidents, control effectiveness and escalation.	Which risk can become catastrophic before normal indicators react?
Financial reporting	Audit committee receives audited statements.	Critical accounting judgments, estimates, controls, whistleblower allegations and audit adjustments debated.	Where could technically compliant reporting still mislead?
Succession	List of possible successors.	Capability, emergency succession, development evidence and concentration of key-person risk.	Which critical role has no credible replacement or handover?
Stakeholder and rights oversight	CSR presentation.	Material-impact evidence, grievance trends, severe human-rights risk and remediation reviewed.	Whose harm is currently absent from our dashboard?
Board evaluation	Annual questionnaire.	Externally or internally rigorous review of information, challenge, composition, behavior, decisions and follow-through.	When did the board last change its own process because evaluation showed weakness?

Source/Note: OECD (2023b); IoDSA (2025); author's synthesis.

GOVERNANCE TEST | A board pack can be hundreds of pages and still leave directors uninformed. Information quality depends on materiality, comparability, timeliness, provenance, uncertainty and the freedom to obtain evidence outside the management narrative. Ask not only "What did management tell us?" but "What information architecture makes contrary evidence visible?"

13.13 Corporate Social Responsibility, Stakeholder Engagement, Grievance and Legitimacy

Corporate social responsibility (CSR) is used to describe a wide range of activities, from philanthropy and community investment to labor standards, responsible sourcing, human rights, environmental management and corporate political conduct. Carroll's (1991) influential pyramid distinguished economic, legal, ethical and philanthropic responsibilities. Its pedagogical strength is that it rejects the false choice between profitability and responsibility: an enterprise must remain economically viable while also operating within legal and ethical constraints. Its limitation is that the pyramid can be read too hierarchically, as if ethics begins only after profit and law are satisfied.

A more mature view treats responsibility as embedded in the business model and governance system. Paying workers correctly is not philanthropy. Truthful product information is not charity. Protecting personal data is not a community project. Preventing bribery is not an ESG initiative. These are duties attached to ordinary enterprise. Philanthropy can be valuable, but it cannot offset severe harm created by the company's core operations. A mining company does not purchase moral legitimacy for unsafe tailings management by funding a school; a platform does not remedy deceptive design through charitable donations.

Stakeholder engagement is the disciplined process of obtaining, considering and responding to information from people or groups affected by or capable of materially affecting decisions. Engagement is not equivalent to stakeholder control. Management and boards remain responsible for decisions within their authority. The value of engagement is epistemic and relational: affected parties may possess information the firm lacks, can identify distributional effects invisible in financial models and can reveal whether formal policies operate differently in practice.

Good engagement requires purpose, representation and feedback. The organization should know why it is consulting, which groups may be missing, whether power asymmetry affects participation, what information participants need, how disagreement will be recorded and how the company will explain decisions. Consultation conducted after a decision is irreversible is usually communication, not meaningful engagement. Likewise, paying only the most organized or visible stakeholders can reward disruption rather than legitimate claim.

Grievance systems turn voice into institutional memory. The UNGPs identify effectiveness criteria for non-judicial grievance mechanisms, including legitimacy, accessibility, predictability, equitability, transparency, rights compatibility and continuous learning, with operational mechanisms also benefiting from engagement and dialogue (OHCHR, 2011). A grievance channel that exists on paper but is inaccessible to contractors, rural communities, non-literate users or people who fear retaliation cannot provide meaningful remedy.

Corporate legitimacy is the generalized perception that an organization's actions are desirable or appropriate within socially constructed systems of norms and values (Suchman, 1995). Legitimacy matters because firms need cooperation from regulators, employees, customers, investors and communities. Yet legitimacy should not be confused with popularity. A company can be popular while acting wrongfully, and a company can make an unpopular but morally required decision. Governance should seek justified legitimacy grounded in lawful and morally defensible conduct, not merely favorable sentiment.

Contemporary stakeholder capitalism, ESG and sustainability frameworks belong partly to this debate, but Chapter 21 owns their detailed strategy and implementation. Here the critical principle is narrower: transnational labels should not become substitutes for reasoning. A metric can create useful discipline, but it can also centralize agenda-setting, reward symbolic disclosure or force unlike contexts into one scoring system. Responsible governance asks whether the metric is valid, whether the underlying objective is morally legitimate, who defines it, what incentives it creates and what locally important concerns disappear from the framework.

CRITICAL DEBATE | Should directors maximize shareholder value, stakeholder welfare, long-term corporate purpose, or some combination? The apparent choice is often oversimplified. Applicable company law defines directors' duties; strategy defines how value will be created; human rights and moral duties set boundaries; stakeholder evidence improves diagnosis; and governance allocates decision rights. "Stakeholders" do not remove the need for accountable judgment.

13.14 Whistleblowing, Compliance, Investigation and Organizational Accountability

Whistleblowing occurs when a person discloses suspected wrongdoing to someone able to investigate, correct or expose it. The person may report internally, to a regulator, law-enforcement authority, professional body, elected institution, media organization or other authorized recipient depending on law and circumstance. The moral problem is difficult because employees ordinarily owe legitimate duties of loyalty and confidentiality, yet loyalty does not require complicity in deception, corruption or serious harm.

Effective speak-up systems begin before the hotline. Employees must know what concerns are reportable, which channels are available, how confidentiality will be handled, whether anonymous reporting is permitted, what happens after a report and what protection exists against retaliation. The European Union Whistleblower Directive requires covered private entities with 50 or more workers to establish internal reporting channels and protections within its scope, subject to national transposition (European Parliament & Council of the European Union, 2019). Other jurisdictions structure obligations differently. Multinational organizations therefore need a legal map rather than one undifferentiated global policy.

Retaliation risk is the central credibility test. Retaliation can be explicit dismissal, but it can also appear as stalled promotion, exclusion from meetings, poor assignments, reputation attacks, legal intimidation or subtle managerial hostility. An organization that invites employees to "speak up" while rewarding retaliators teaches silence more effectively than any poster can teach courage. Protection should therefore include monitoring of employment actions after reports, independent escalation and consequences for retaliation.

Investigation quality matters equally. Investigations should define allegation scope, preserve evidence, control conflicts, use proportionate methods, protect confidentiality as far as possible, respect due process and distinguish substantiated facts from inference. Independence is contextual: a routine policy allegation may be handled by trained internal investigators, whereas allegations involving senior leadership, board members or legal exposure may require external or board-directed investigation. The aim is not to "prove the complainant right" but to establish facts fairly enough for responsible action.

The U.S. Department of Justice's Evaluation of Corporate Compliance Programs, updated in September 2024, asks prosecutors to examine whether a compliance program is well designed, adequately resourced and empowered to function effectively, and whether it works in practice (U.S. Department of Justice [DOJ], 2024). Although the document arises from U.S. enforcement practice, its analytical questions are widely useful: Is the program risk-based? Are incentives aligned? Are third parties controlled? Does the organization learn from misconduct? Does compliance have access and authority? These questions shift attention from policy presence to institutional effectiveness.

Table 13.11. A credible speak-up and investigation system.

Design element	Minimum requirement	Evidence of maturity	Red flag
Channel access	Multiple accessible reporting routes appropriate to law and workforce.	Channels available to employees, contractors and relevant third parties; language and accessibility adapted.	Only direct-manager reporting in a high-power-distance setting.
Confidentiality and anonymity	Clear rules and secure case handling.	Need-to-know access, data controls, lawful anonymity options and consistent communication.	Reporter identity circulates informally among managers.

Design element	Minimum requirement	Evidence of maturity	Red flag
Anti-retaliation	Written prohibition and escalation.	Monitoring of post-report employment decisions and discipline for retaliation.	High attrition or career damage among reporters.
Triage	Risk-based intake process.	Severity, seniority, legal deadlines and evidence-preservation needs drive prioritization.	Commercial importance of accused person determines urgency.
Investigation	Competent, impartial fact-finding.	Conflict checks, documented methodology, source corroboration and due process.	Predetermined conclusion or investigation controlled by implicated manager.
Remediation	Action proportional to finding and root cause.	Control redesign, restitution, discipline, training and incentive review.	Case closes when individual is terminated even though system defect remains.
Board oversight	Material cases escalated appropriately.	Trend, retaliation, root cause, overdue investigations and senior allegations reviewed.	Board sees only annual hotline volume without severity or outcome context.

Source/Note: European Parliament and Council of the European Union (2019); DOJ (2024); author's synthesis.

EVIDENCE CHECK | A low number of whistleblower reports is not evidence of a healthy culture. It may mean low misconduct, or it may mean fear, distrust, inaccessible channels or poor awareness. A high number may indicate more problems, or greater trust in reporting. Hotline volume requires context, severity, substantiation, retaliation, recurrence and workforce denominator before interpretation.

13.15 Freedom of Conscience, Subsidiarity and Responsible Public Influence

Modern enterprises increasingly govern matters that touch identity, speech, belief and public policy. Codes of conduct may regulate expression; platforms moderate content; employers sponsor public causes; companies lobby governments; investors press boards on social issues; and transnational standards can shape local policy. These activities require a careful account of conscience and institutional competence because the corporation is neither a private household nor a sovereign legislature.

Freedom of conscience protects the moral agency of persons to hold and act upon deeply reasoned beliefs within the limits created by the rights of others and legitimate role requirements. In employment, the correct question is often whether a belief or expression materially interferes with the person's job, safety, lawful non-discrimination obligations or the rights of colleagues. A firm should distinguish respectful disagreement from harassment, and it should distinguish job-relevant professional standards from demands for ideological affirmation that are not necessary to perform the work.

Subsidiarity is the principle that decisions should be made by the lowest competent level consistent with the common good, while higher authority supports or intervenes where lower levels cannot adequately protect legitimate interests. The principle resists both overcentralization and abandonment. In business, it supports local managerial discretion where contextual knowledge matters, but it also justifies central controls for severe risks such as bribery, safety, sanctions, financial reporting or rights violations where local incentives can be compromised.

Subsidiarity also provides a critical lens for regional and global governance. Harmonized standards can reduce transaction cost, protect rights and support interoperability, yet they can also centralize rule-making far from affected communities, constrain legitimate policy diversity or transfer power to institutions with weak democratic accountability. Conversely, local autonomy can become a defense for corruption, discrimination or weak protection. The relevant moral question is not whether governance is "global" or "local," but which level has legitimate jurisdiction, competence, accountability and capacity to protect persons and common goods.

Corporate political engagement is legitimate when it transparently communicates evidence and interests within lawful processes. It becomes problematic when wealth purchases privileged access, obscures the source of influence, funds disinformation, threatens officials with improper retaliation or captures rules at the expense of less powerful citizens. Boards should therefore oversee major lobbying, political contributions and trade-association positions, especially when public advocacy conflicts with the company's stated values or creates human-rights risk.

Tax responsibility belongs in the same field. Firms may lawfully structure transactions efficiently, and directors need not volunteer taxes that are not legally owed. Yet aggressive structures can create ethical and legitimacy questions where legal form is engineered primarily to detach profit from substantive economic activity or to exploit institutional weakness. The OECD Guidelines include taxation among responsible-business subjects (OECD, 2023a), but the moral analysis should remain precise: distinguish unlawful evasion, lawful planning, contested interpretation and questions of distributive fairness rather than treating all tax minimization as identical.

Christian reasoning resists both corporate and state absolutism. Romans 13:1-7 recognizes legitimate authority and fiscal duty, but Acts 5:29 establishes a moral boundary on obedience. 1 Peter 2:16-17 connects freedom with service rather than license. Responsible enterprise should therefore protect space for conscientious professionalism while maintaining legitimate standards required to serve customers, colleagues and the public faithfully.

POLICY LENS | A multinational code designed at headquarters may protect employees from local abuse, but it may also import contested social or political assumptions unrelated to business necessity. A local policy may respect context, but it may also institutionalize prejudice. Apply subsidiarity with a rights floor: decentralize what can legitimately vary, centralize what is necessary to protect non-negotiable rights, safety, integrity and truthful reporting.

13.16 Ethical Dilemmas Across Business Functions: Cross-References, Not Repetition

Ethics is cumulative across this textbook. Earlier chapters already examined truth in communication, research integrity, statistical honesty, algorithmic decision-making, leadership, talent, entrepreneurship, accounting, marketing, operations and strategy. Chapter 13 does not repeat those technical disciplines. It supplies a common moral and governance architecture through which their recurring dilemmas can be escalated, challenged and made answerable. Table 13.12 therefore maps major ethical questions back to their specialist owners.

Table 13.12. Cross-functional ethical dilemmas and their technical owners.

Domain and owner	Representative ethical question	Chapter 13 governance response
Financial accounting (Chapter 9)	May management use an aggressive estimate that is technically defensible but likely to create a misleading overall impression?	Require faithful representation, independent challenge, audit committee oversight, materiality judgment and truthful disclosure.
Marketing (Chapter 10)	May a firm use scarcity cues, personalization or influencer content that increases conversion among vulnerable customers?	Test truthfulness, vulnerability, consent, rights, manipulation, evidence and grievance before optimizing conversion.
Operations and supply chains (Chapter 11)	May purchasing shift cost or safety risk to a weak supplier to achieve target margin?	Examine power asymmetry, contract fairness, worker rights, hidden harm, due diligence and shared remediation.
Strategy (Chapter 12)	May a firm use dominance to foreclose competitors through conduct that is legally uncertain but commercially effective?	Separate competitive advantage from abuse of power; use legal review, justice, long-term institutional effects and board accountability.
International economics (Chapter 14)	Should a government or firm support liberalization when aggregate gains coexist with concentrated adjustment losses?	Keep distribution, subsidiarity, local capability and affected communities visible without prejudging the economic analysis.
Multinational strategy (Chapter 15)	How should headquarters respond when local practice conflicts with rights, anti-corruption standards or conscience?	Apply rights floors, subsidiarity, leverage, governance escalation and responsible exit where necessary.
International finance (Chapter 17)	May a bank execute a profitable payment whose legal status is uncertain and whose beneficiaries are opaque?	Require sanctions/AML/legal analysis, beneficial ownership, purpose, escalation and refusal where integrity cannot be established.
Investment and venture capital (Chapter 18)	Can investors pressure founders into growth targets that predictably encourage misleading metrics or customer harm?	Align incentives, protect governance independence, document assumptions and preserve moral red lines in financing terms.
Trade law and diplomacy (Chapter 19)	When does corporate advocacy become improper political pressure or regulatory capture?	Require transparency, lawful process, evidence, public-interest analysis and board oversight of material influence.
Digital transformation (Chapter 20)	May an AI system automate decisions when performance is strong but affected persons cannot challenge errors?	Require human accountability, rights analysis, contestability, data governance, security and remedy.
Sustainability and responsible trade (Chapter 21)	Should ESG or climate frameworks be adopted when metrics are weak or conflict with local priorities?	Evaluate evidence, sovereignty, subsidiarity, trade-offs and human flourishing rather than treating labels as moral verdicts.

Source/Note: Author’s synthesis. Technical methods belong to the chapters indicated; Chapter 13 supplies the cross-cutting moral and governance architecture.

This cross-reference discipline prevents a common textbook weakness: ethics sections that restate technical content in moral language. A governance response should instead ask who is accountable, what evidence is needed, which rights or duties constrain options, what independent challenge exists, how incentives shape conduct, whether the decision is reversible, how affected persons can complain and what remedy is available if the organization is wrong.

13.17 African Case: Steinhoff and the Governance Cost of Manufactured Reality

Steinhoff International became one of the most consequential corporate-governance failures associated with an African-listed group. In December 2017, the company disclosed accounting irregularities and its share price collapsed. Subsequent legal proceedings, investigations and restructuring revealed that the problem was not a single accounting estimate but a long-running pattern of transactions and reporting that manufactured an appearance of economic reality inconsistent with the underlying business.

South African court records provide unusually useful governance evidence because they connect the accounting failure to public consequences. In Ibex RSA Holdco Ltd v Tiso Blackstar Group (Pty) Ltd, the Supreme Court of Appeal described a share-price fall of more than 98% after the scandal and referred to losses exceeding R200 billion borne by investors and pension funds. The judgment also noted the Government Employees Pension Fund's substantial exposure and treated public access to the PricewaterhouseCoopers investigation report as a matter of strong public interest (Ibex RSA Holdco Ltd v Tiso Blackstar Group (Pty) Ltd, 2024). Earlier litigation in Trevo Capital Ltd v Steinhoff International Holdings (Pty) Ltd described the alleged accounting fraud as approximately €6.5 billion in irregular transactions and fictitious or misleading arrangements (Trevo Capital Ltd v Steinhoff International Holdings (Pty) Ltd, 2021). Judicial statements should be read in their procedural context, but they make the scale of institutional harm visible.

The governance lesson is not simply "fraud is wrong." Fraud of this scale raises the harder question of how falsehood survives inside a large organization with boards, finance teams, auditors, banks, advisers and professional managers. Complex group structures can create legitimate tax, financing or operating purposes, but complexity also creates information asymmetry. Related-party or third-party transactions can be commercially valid, but opaque counterparties and unusual economic substance should trigger challenge. Rapid acquisition growth can create value, but it can also generate pressure to sustain valuation narratives and hide underperformance.

The case also shows why the financial consequences of governance failure extend beyond shareholders. Pension beneficiaries, lenders, employees, suppliers, customers, taxpayers and communities can bear losses when an enterprise's reported reality collapses. Some consequences are direct, such as investment loss; others arise through layoffs, legal costs, damaged trust, distracted management and opportunity cost. Moral analysis therefore resists the idea that financial reporting fraud is a private matter between management and investors.

Table 13.13. Steinhoff: governance signals and the questions they raise.

Signal	Case evidence	Governance question	Preventive or detective response
Extreme value destruction	Court records describe a share-price collapse exceeding 98% and investor/pension losses above R200 billion.	How did the board monitor the sustainability and evidential basis of reported value?	Independent financial challenge, skeptical review of earnings quality, leverage, acquisition logic and cash conversion.
Complex transactions	Litigation and investigations described irregular and fictitious transactions across entities and counterparties.	Who understood economic substance rather than merely legal form?	Related-party scrutiny, beneficial ownership, transaction-substance review, confirmations and audit trails.
Information asymmetry	The scandal required external investigation to reconstruct what had occurred.	Which executives controlled information reaching directors, auditors and investors?	Direct board access to internal audit, compliance, finance and whistleblowing; executive sessions without management.
Professional gatekeepers	Auditors, advisers and financial institutions operated around the group over many years.	Were warning signals fragmented across institutions that each saw only part of the system?	Cross-functional risk aggregation, challenge of unusual transactions, escalation and professional skepticism.
Public consequence	Pension funds and broad investors suffered major losses.	Should disclosure and investigation be treated as private corporate information after systemic harm?	Transparent accountability, lawful disclosure, preservation of evidence and public-interest consideration.

Source/Note: Ibex RSA Holdco Ltd v Tiso Blackstar Group (Pty) Ltd (2024); Trevo Capital Ltd v Steinhoff International Holdings (Pty) Ltd (2021).

GOVERNANCE LESSON | The decisive governance question is not whether a fraud policy existed. It is what the organization made difficult to fake. Cash confirmations, counterparty verification, related-party transparency, independent challenge, whistleblower protection, audit access and board skepticism create friction against manufactured reality. Where the chief executive or a dominant inner circle can control the narrative, governance architecture has already weakened.

Steinhoff is an African corporate case, but it should not be used to reinforce a regional deficit narrative. The mechanisms it reveals, including dominant leadership, complex structures, weak challenge, incentive pressure and professional gatekeeper failure, are global. That point becomes clear in the comparative Volkswagen case.

13.18 Comparative Global Case: Volkswagen and the Long Tail of Ethical Failure

Volkswagen's diesel-emissions scandal shows how a technically capable global company can produce a morally and legally defective solution when organizational pressure distorts the problem being solved. In September 2015, U.S. authorities announced that certain Volkswagen diesel vehicles used software designed to detect emissions testing and alter vehicle behavior during the test. Volkswagen later acknowledged that the issue affected approximately 11 million vehicles using the EA189 engine worldwide (Volkswagen AG, 2026). The misconduct transformed an engineering and market-performance problem into a global governance crisis.

The case is especially instructive because the organization possessed deep technical expertise. The failure was therefore not ignorance of engineering. It concerned the boundary conditions under which technical problem-solving occurred: performance targets, emissions rules, managerial expectations, internal challenge and willingness to disclose unfavorable reality. When an organization asks engineers to achieve incompatible targets without permitting an honest answer that the targets cannot all be met, pressure can migrate into manipulation. Ethical governance must therefore protect the option to say, "The requirement is infeasible under the current design."

The financial and legal tail has lasted for more than a decade. Volkswagen's 2025 annual reporting, published in 2026, continued to disclose diesel-related provisions, contingent liabilities and investor litigation. The report disclosed approximately €0.4 billion in diesel-related provisions at year-end 2025, around €4.0 billion of contingent liabilities, and approximately €3.8 billion in claims asserted by investors in Germany; it also reported criminal convictions in 2025 that remained subject to appeal (Volkswagen AG, 2026). These amounts are not the total historical cost of the scandal, but they demonstrate how an ethical failure can persist through litigation, capital allocation, management attention and reputation long after the original conduct stops.

Volkswagen also illustrates why "compliance" and "engineering" cannot be separated organizationally. A rule may appear to belong to a legal department, yet the product design determines whether compliance is real. Conversely, engineers may understand technical constraints but not the full legal or consumer implications of a workaround. Effective governance creates cross-functional translation: legal requirements become design constraints, technical limits reach executives, commercial incentives are tested against law and customer promises, and unresolved conflicts are escalated before products reach market.

Table 13.14. Steinhoff and Volkswagen: different industries, recurring governance mechanisms.

Governance mechanism	Steinhoff	Volkswagen	General lesson
Truthful representation	Reported financial reality became unreliable through irregular transactions.	Testing behavior and real-world emissions diverged through defeat-device logic.	Governance fails when formal outputs are engineered to pass a test rather than represent underlying reality.
Target pressure	Growth, valuation and financial-performance narratives created incentives to preserve reported success.	Performance, regulatory and product requirements created pressure for an apparently technical solution.	Targets should be accompanied by explicit moral and legal boundaries and permission to report infeasibility.
Information flow	Complex transactions and concentrated knowledge weakened external and board understanding.	Technical knowledge and managerial decision processes did not prevent unlawful product behavior.	Material contrary evidence must have routes that bypass the persons whose incentives are threatened by it.
Gatekeepers	Boards, auditors, advisers and financial institutions had different visibility into the group.	Engineering, compliance, legal, management and regulators each occupied different parts of the system.	Risk must be integrated across functional silos.
Long-tail consequence	Investor, pension, legal and restructuring losses extended years beyond disclosure.	Provisions, litigation and investor claims remained material in 2025.	Ethical failure creates option-destroying liabilities that can outlive the original executives and strategy.

Source/Note: Ibex RSA Holdco Ltd v Tiso Blackstar Group (Pty) Ltd (2024); Volkswagen AG (2026); author's synthesis.

EVIDENCE CHECK | Large scandals are susceptible to hindsight bias. After collapse, warning signs appear obvious. A rigorous governance review asks which signals were actually available at the time, who saw them, what alternative explanations existed, what authority the observer possessed, and whether escalation systems protected challenge. The purpose is to learn institutional design, not to invent retrospective certainty.

13.19 Faith, Ethics and Moral Reasoning: Governing Power as Stewardship

This chapter's explicitly Christian framework does not claim that only Christians can act ethically, nor does it imply that biblical language substitutes for corporate law, professional standards or empirical evidence. Its claim is more fundamental: business power is morally accountable because persons and resources are not self-created possessions of the corporation. Authority, capital, talent, technology, reputation and institutional privilege are entrusted capacities whose use should be evaluated in relation to truth, human dignity, justice, service and final accountability.

The Christian understanding of stewardship begins with ownership properly located. Psalm 24:1 declares that the earth and all it contains belong to the Lord. Corporate ownership therefore creates real legal rights but not metaphysical sovereignty. The manager's freedom to deploy assets is bounded by duties to persons, contracts, law and moral order. This perspective supports legitimate property and enterprise while rejecting the idea that "our asset" means "anything profitable we can do with it is morally ours to decide."

Truthfulness is similarly non-negotiable. Ephesians 4:25 and Proverbs 12:22 make truthful speech a condition of trustworthy community. In business, truthful governance includes accounting, product claims, safety reports, research, board papers, forecasts and political representations. Strategic ambiguity may sometimes protect legitimate confidentiality, but intentional deception that induces another party to act on a false material belief violates the moral basis of exchange.

Justice constrains the use of bargaining power. Micah 6:8 connects justice, faithful love and humility, while James 5:4 gives special moral attention to withheld wages. The principle does not abolish hierarchy, price negotiation or performance differentiation. It does require that stronger parties refuse to exploit vulnerability merely because the weaker party lacks alternatives. Justice is especially relevant in labor, supplier, community and consumer relationships where formal consent can coexist with severe asymmetry.

Neighbor-love adds positive obligation. Luke 10:25-37 refuses a narrow definition of the neighbor based on social proximity. For business, the "neighbor" can include a contract worker several tiers down a supply chain, a customer whose data are monetized, a community affected by pollution, a future pension beneficiary or a competitor harmed by dishonest conduct. This does not mean the company must solve every social need. It means moral relevance is not confined to those who can retaliate commercially.

Service reorders authority. Mark 10:42-45 rejects domineering leadership and presents service as the model of greatness. Corporate governance should therefore ask whether executive power enables others to perform legitimate work and exercise responsible agency or whether it exists mainly to protect status. Servant authority can still make difficult decisions, including discipline, closure or restructuring. The moral test lies in purpose, truth, justice, process and treatment of persons, not in avoiding all pain.

Finally, accountability creates moral seriousness. 2 Corinthians 5:10 locates human action within final judgment. In professional life, this should produce neither fear-driven paralysis nor public religious performance. It should cultivate the habit of making decisions that one is prepared to explain truthfully before God, affected persons, legitimate authorities and competent peers. That posture is the opposite of plausible deniability.

Alternative ethical traditions can converge with many of these judgments for different reasons. A Kantian may reject deceptive reporting because it fails a duty of truthfulness and treats the audience as a means. A consequentialist may emphasize the large harms generated by fraud. A Rawlsian justice perspective may attend to burdens imposed on vulnerable pensioners or workers. Care ethics may focus on relationships and dependency. Stakeholder theory may broaden the set of affected parties considered. Fair engagement does not require pretending that all frameworks are identical; it allows professionals to understand where arguments converge, where foundations differ and where disagreements remain substantive.

FAITH AND VOCATION | Faithfulness in enterprise is not measured by whether every stakeholder praises the decision. Some responsible choices will be commercially costly or publicly unpopular. The Christian professional's obligation is to pursue truth, justice, service and stewardship with competence, humility and courage, while remaining open to correction when facts or reasoning are shown to be wrong.

13.20 Professional Toolkit: The REGMA Protocol

The Responsible Enterprise Governance and Moral Accountability (REGMA) Protocol converts the chapter into a repeatable decision process. It is designed for decisions that are commercially consequential, morally contested, legally complex or capable of severe harm. REGMA does not automate ethics. Its purpose is to make assumptions, duties, power and accountability visible enough for disciplined human judgment.

Table 13.15. The Responsible Enterprise Governance and Moral Accountability (REGMA) Protocol.

Stage	Required work	Evidence or question	Output
1. Define reality	State the decision and separate verified facts, estimates, allegations and unknowns.	What do we know, how do we know it, and what would change the conclusion?	Decision statement and evidence map.
2. Identify persons and power	Map affected people, rights, dependencies, vulnerabilities and influence.	Who bears consequences without meaningful bargaining power?	Stakeholder and power map.
3. Establish law and institutional duties	Identify applicable law, regulation, contracts, fiduciary duties and professional standards.	Which obligations are binding, which are guidance, and which jurisdictions govern?	Legal and institutional constraint map.

Stage	Required work	Evidence or question	Output
4. Test moral duties and red lines	Identify actions that would violate truth, dignity, justice, rights, conscience or entrusted role.	What remains wrong even if profitable or unlikely to be detected?	Non-negotiable moral boundaries.
5. Examine motives, incentives and culture	Assess how targets, reward, status, fear and conflicts could distort judgment.	Who benefits from a preferred conclusion and who can challenge it?	Conflict and incentive assessment.
6. Analyze consequences and justice	Estimate benefits, harms, uncertainty, distribution, reversibility and long-term institutional effects.	Who gains, who pays, what is irreversible and what harm is severe?	Consequence and justice analysis.
7. Generate real alternatives	Reframe the problem beyond accept/reject, including sequencing, safeguards, redesign, delay, suspension or exit.	Can the legitimate objective be achieved through less harmful means?	Option set.
8. Assign governance and challenge	Place decision at the correct authority level and obtain independent review proportionate to risk.	Who may authorize, who must be consulted, and who can veto or escalate?	Decision-rights and challenge plan.
9. Decide, document and disclose appropriately	Record rationale, assumptions, dissent, conditions and communication obligations.	Could the reasoning withstand competent scrutiny without hiding material facts?	Decision record and communication plan.
10. Monitor, remedy and learn	Track actual effects, trigger review, protect reporters and remediate harm.	What evidence will show the decision is failing morally or operationally?	Monitoring, escalation, remedy and learning plan.

Source/Note: Author’s synthesis, integrating the chapter’s human-rights, governance, compliance and Christian moral-reasoning frameworks.

REGMA is deliberately more demanding than a legal-signoff checklist. Legal review is indispensable, but a decision can be lawful and still exploit vulnerability, conceal material truth or create unjustifiable harm. The protocol is also more disciplined than intuitive ethics. Moral intuition can identify a problem quickly, yet complex decisions require evidence, alternative generation, jurisdictional analysis and explicit governance. The final decision remains the responsibility of persons, not the template.

PRACTICE TOOL | For high-consequence decisions, require a short REGMA memorandum before final approval. Keep it concise enough to be read by the actual decision-maker, but explicit enough to preserve facts, dissent, legal and moral boundaries, monitoring triggers and named accountability. A long memo nobody reads is not stronger governance than a clear two-page decision record.

13.21 Common Misconceptions, Analytical Errors and Professional Pitfalls

Ethics and governance fail repeatedly through conceptual shortcuts. The first is legal equivalence: “If legal approved it, the decision is ethical.” Legal review answers questions of law, enforceability and regulatory exposure; moral reasoning asks whether the action is truthful, just and consistent with duties that may exceed minimum law. The inverse error is equally serious: moral certainty without legal competence. A manager cannot responsibly ignore legal rights, procedures or jurisdiction merely because the preferred outcome feels ethical.

The second error is intention equivalence: “We meant well, therefore governance was sound.” Governance exists precisely because good intentions can coexist with bias, error, hubris and incentives. A mission-driven organization can falsify impact data; a public-benefit project can violate land rights; a religious institution can retaliate against whistleblowers. Purpose should raise the standard of accountability, not create immunity from it.

The third is stakeholder maximalism: “Every stakeholder preference deserves equal weight.” Interests differ in legitimacy and strength. A worker’s right to bodily safety is not morally equivalent to an investor’s preference for a particular dividend date. A local politician’s desire for patronage does not become a legitimate stakeholder claim. Governance must distinguish rights, duties, material interests, preferences, affectedness and decision authority.

The fourth is demographic arithmetic: “A diverse board is automatically an effective board.” Diversity can improve perspective, legitimacy and access to knowledge, and empirical evidence supports attention to composition. But a board can be demographically diverse and behaviorally conformist, or homogeneous in visible attributes and still contain genuine intellectual independence. Composition must be connected to expertise, inclusion, challenge and decision process.

The fifth is metric innocence: “Low hotline volume, high training completion or an ESG score proves ethical performance.” Metrics are proxies. They can be gamed, can reflect reporting culture rather than underlying behavior and can omit severe risks. Training completion measures attendance, not moral courage. A compliance dashboard should therefore combine leading and lagging indicators, qualitative evidence and escalation of severe exceptions.

The sixth is country-score substitution: “A corruption or governance index tells us whether this transaction is safe.” Country measures are contextual signals. Transaction-level risk depends on counterparties, beneficial ownership, intermediaries, public-official touchpoints, compensation, purpose, controls and red flags. A high-scoring country can contain corrupt transactions; a lower-scoring country can contain organizations with excellent integrity systems.

The seventh is certification equivalence: “Because a company is certified or follows a respected code, it is ethical.” Standards and certifications can strengthen systems and comparability, but they are evidence about defined processes under defined audit conditions. They do not remove management responsibility, guarantee outcomes or resolve moral disagreement. Treat certification as one layer of assurance, not a moral verdict.

The eighth is peace-through-commerce determinism: “Trade and jobs automatically produce peace.” Economic interdependence can create incentives for cooperation, but business can also finance coercion, intensify inequality or distribute benefits in ways that deepen grievance. Conflict sensitivity is needed precisely because the sign of the effect is not guaranteed.

The ninth is confidentiality equivalence: “Confidential information should never be disclosed.” Legitimate confidentiality protects privacy, trade secrets, legal privilege and investigation integrity. It does not justify concealing fraud, severe safety risks or facts that law requires to be reported. Professionals need clear escalation and protected reporting mechanisms rather than a simplistic choice between secrecy and public disclosure.

The tenth is Christian-label immunity: “A Christian organization or leader can be presumed morally trustworthy.” Scripture teaches the opposite kind of seriousness. Religious identity does not remove human fallibility, temptation or need for controls. Christian claims should increase the demand for truth, humility, repentance and accountability. Institutional faithfulness is evidenced through conduct and governance, not branding.

13.22 Chapter Synthesis

Chapter 13 has developed the moral and governance architecture for the power accumulated across the preceding business disciplines. The chapter began with the person: human dignity is inherent and cannot be reduced to productivity, wealth, legal category or data profile. It then situated persons within citizenship, rights, duties and institutions, showing that corporate citizenship is a limited analogy rather than a democratic mandate. Human-rights frameworks clarified how firms should identify, prevent, mitigate and remedy adverse impacts without confusing due diligence with innocence.

The chapter then moved through the civic conditions of enterprise. State-building, historical memory and reconciliation demonstrate that markets depend on institutional and relational trust. Rwanda shows why business can contribute to cooperation and rebuilding while still requiring careful evidence and sensitivity to memory and power. Conflict-sensitive enterprise extends this logic into fragile settings: commercial decisions can either reduce or intensify grievance, and responsible firms must analyze the two-way interaction between business and conflict.

Integrity and anti-corruption analysis showed that ethical organizations are built through culture and control together. Moral courage matters, but courage is easier to exercise where information can travel, retaliation is punished and high performers are not exempt from rules. Major ethical frameworks then demonstrated that consequences, duties, justice, rights, virtue, care and stakeholder relationships each reveal important features of a decision. Scripture-informed Christian reasoning integrates these concerns within a worldview of creation, stewardship, neighbor-love, responsible authority and accountability to God.

Corporate governance translated moral responsibility into institutional form. Agency, stewardship and stakeholder perspectives explain different governance problems; boards require information, independence of judgment, expertise and disciplined challenge; controls preserve truth; disclosure reduces asymmetry; risk oversight protects against catastrophic exposure; and grievance, whistleblowing and compliance create routes through which concealed reality can reach accountable authority. Steinhoff and Volkswagen demonstrate the cost when organizational systems reward appearance over truth.

The overarching conclusion is simple but demanding: responsible enterprise requires both competent power and governed power. Weak companies cannot serve customers or sustain work; powerful companies without moral and institutional constraints can create severe harm. The professional task is therefore not to choose between performance and ethics but to design enterprise in which legitimate performance is created through truthful, lawful, just and accountable means. REGMA provides one practical method for doing so when the answer is not obvious.

13.22.1 Hand-off to Chapter 14: From Governed Enterprise to International Economic Systems

Chapter 13 completes Part III by asking how business power should be governed within society. Chapter 14 changes the level of analysis from the enterprise to the international economic system. It examines why nations trade, how comparative advantage and newer trade theories explain exchange, how tariffs and other policies redistribute gains and losses, how exchange rates and open-economy macroeconomics shape firms, and how regional integration affects sovereignty, policy autonomy and African transformation. The moral architecture developed here remains active: aggregate gains do not erase concentrated harms, legal trade does not automatically imply just trade, and regional institutions should be evaluated through evidence, subsidiarity, sovereignty, local productive capacity and human flourishing.

TRANSITION | Chapter 12 taught how enterprises acquire and deploy strategic power. Chapter 13 has shown how that power should be governed. Chapter 14 now asks how firms and states interact within international economic structures that create opportunity while redistributing bargaining power, adjustment costs and policy autonomy across borders.

Key Terms

Table 13.16. Key terms and working definitions.

Term	Working definition
Moral anthropology	An account of what a human person is, what gives persons worth and agency, and what obligations follow from that account.
Human dignity	Inherent worth belonging to every human person and not reducible to productivity, wealth, status or usefulness to an organization.
Conscience	The faculty of moral judgment through which persons perceive and answer for obligations; conscience requires formation by truth and does not equal preference.
Citizenship	A relationship of political membership involving rights, duties, identity and participation within a political community.
Corporate citizenship	An analogical description of a firm's civic participation and responsibilities; it does not give corporations the moral status or democratic mandate of natural persons.
Human-rights due diligence	An ongoing process to identify, assess, prevent, mitigate, track and communicate actual and potential adverse human-rights impacts.
Remedy	Action that restores, compensates, corrects or otherwise addresses harm and its consequences for affected persons.
Conflict sensitivity	Analysis of how conflict context affects the business and how business decisions may affect conflict dynamics.
Peacebuilding	Long-term efforts to transform relationships and institutional conditions that make violent conflict more likely.
Integrity	Coherence between truth, legitimate commitments, moral duties and conduct, especially under pressure or incentive to deviate.
Corruption	Abuse of entrusted power for improper private or organizational gain, including bribery, embezzlement, kickbacks, influence trading and related mechanisms.
Moral courage	Willingness to act on a justified moral judgment despite meaningful personal or organizational cost, using prudent and accountable means.
Corporate governance	The system through which organizational authority is directed, constrained, informed, monitored and held accountable.
Agency problem	Conflict arising when an agent can pursue interests that diverge from those of a principal under imperfect monitoring or information.
Stewardship	Responsible care and faithful administration of authority, resources and relationships that are entrusted rather than morally absolute possessions.
Board independence	Capacity for directors to exercise objective, informed judgment free from relationships or pressures that improperly compromise challenge.
Internal control	Policies, responsibilities and procedures designed to support reliable reporting, lawful operations, safeguarding of assets and accountable decision-making.
Stakeholder engagement	Structured process for obtaining and responding to information from parties materially affected by or capable of materially affecting a decision.
Corporate legitimacy	Generalized perception that an organization's actions are appropriate within relevant systems of norms and values; legitimacy is not identical to popularity.
Whistleblowing	Disclosure of suspected wrongdoing to a person or institution capable of investigation, correction or lawful exposure.
Subsidiarity	Principle that decisions should be made at the lowest competent level consistent with protection of legitimate rights and the common good, with higher levels supporting or intervening where necessary.
REGMA Protocol	The Responsible Enterprise Governance and Moral Accountability Protocol developed in this chapter for disciplined, evidence-based ethical and governance decisions.

Concept-Check Questions

1. Why does moral anthropology matter for business decisions that appear to be purely technical?
2. How does inherent human dignity differ from stakeholder power or market value?
3. Why is corporate citizenship an analogy rather than a literal equivalence with individual citizenship?
4. What are the three pillars of the UN Guiding Principles on Business and Human Rights?
5. How do "cause," "contribute to" and "directly linked" differ in human-rights responsibility?
6. Why can economic activity contribute to peace in one setting and intensify conflict in another?

7. Why should a corruption-perception index not be used as a transaction-level risk score?
8. How do culture and internal controls interact in an integrity system?
9. What distinctive question does consequentialist ethics ask, and what is its main danger if used alone?
10. How does stewardship theory differ from agency theory in its assumptions about managers?
11. Why is formal board independence not the same as independence of judgment?
12. What makes a grievance mechanism effective rather than merely available?
13. Why can low whistleblower volume be ambiguous evidence?
14. How does subsidiarity differ from decentralization without limits?
15. What recurring governance mechanism connects the Steinhoff and Volkswagen cases?
16. What are the ten stages of the REGMA Protocol?

Higher-Order Analytical and Critical-Thinking Questions

1. A profitable platform can lawfully design default settings that make cancellation difficult. Analyze the decision through Christian moral reasoning, deontology, consequentialism, rights, justice and stakeholder perspectives. Where do the frameworks converge and diverge?
2. "A company's only citizenship duty is to obey the law and pay taxes." Develop the strongest argument for this position and then the strongest critique. Distinguish legal, moral and political claims.
3. Compare a shareholder-centered board and a stakeholder-oriented board confronting the same plant-closure decision. What information and duties should be common to both, and where might their reasoning differ legitimately?
4. An African government asks a major employer to publicly endorse a contested national political campaign. Analyze the request through sovereignty, responsible citizenship, conscience, employee dignity, political neutrality and institutional legitimacy.
5. When can a company's continued presence in a conflict-affected country be more responsible than withdrawal, and when can "staying engaged" become complicity? Develop decision criteria rather than a general slogan.
6. Why might a highly ethical chief executive still preside over a weak ethical organization? Use evidence about incentives, information architecture, board governance and culture to answer.
7. Assess the proposition that mandatory ESG reporting necessarily improves corporate accountability. Identify potential benefits, measurement problems, power shifts, unintended incentives and the boundary with Chapter 21.
8. Using the Steinhoff and Volkswagen cases, explain how "passing the test" can become the enemy of truthful representation. Apply the insight to AI model validation, sustainability disclosure or university quality assurance.

Applied Case: Akagera Health Technologies and the Price of "Getting the Deal Done"

Akagera Health Technologies (AHT) is a fictional Rwanda-based health-technology company that has developed a temperature-monitoring platform for vaccine and pharmaceutical distribution. After successful domestic pilots, AHT is negotiating regional expansion into two neighboring markets. The opportunity is strategically important: a public procurement framework could make the platform the preferred monitoring solution for several years. The company has strong technical evidence that its devices reduce temperature excursions, but it does not yet have robust evidence that the platform reduces mortality or treatment failure.

A local "market access consultant" offers to facilitate ministerial relationships and asks for a 9% success fee payable to a recently formed company. When compliance requests beneficial-ownership information, the consultant replies that disclosure would "offend senior partners" and insists that relationship-based business is normal. At the same time, a regional distributor proposed by the sales team has credible media allegations of coercive debt-collection practices against small clinics. No court finding has been made, and the distributor denies wrongdoing.

The product team learns that one target country has weak enforcement of privacy rules and proposes reusing location and clinic-performance data for a machine-learning feature without seeking additional consent. The legal team says the data use is probably permissible under the existing contract. A private-equity investor presses management to claim that AHT "saves lives" because the phrase improves investor and government response, even though the company has measured process reliability rather than mortality. Finally, after an employee raises concerns in an internal chat, a senior executive tells the team to "clean up informal messages before due diligence so outsiders do not misunderstand normal market practices."

The chief executive argues that the company has one chance to scale before competitors arrive. "If we over-lawyer this," she says, "we will lose the contract, the jobs and the chance to improve cold-chain quality across the region." The statement contains genuine stakes. Delay can destroy opportunity. Yet urgency also creates the conditions in which governance is most necessary.

Table 13.17. Applying REGMA to the Akagera Health Technologies case.

REGMA stage	Case application
1. Define reality	Separate proven temperature-control outcomes from unmeasured mortality effects; verify consultant ownership, distributor allegations, data rights and procurement rules.
2. Identify persons and power	Map patients, clinics, employees, public officials, taxpayers, distributors, data subjects, investors and competitors; identify actors unable to bargain meaningfully.
3. Establish law and duties	Review anti-bribery, procurement, data-protection, employment, records-preservation and contractual obligations in each jurisdiction.
4. Test moral red lines	Reject false life-saving claims, destruction of potentially relevant records and concealed improper payments even if commercial benefit is large.
5. Examine incentives	Success fee, investor pressure, expansion targets and executive urgency create bias toward optimistic interpretation and weak challenge.
6. Consequences and justice	Assess opportunity cost of delay alongside corruption risk, patient harm, privacy, unfair competition, clinic vulnerability and institutional damage.
7. Generate alternatives	Use transparent market-entry advisers, restructure compensation, obtain independent distributor due diligence, narrow data use, run outcome studies and preserve records.
8. Assign governance	Escalate consultant and evidence-preservation issues to appropriate board/audit or ethics oversight; require independent legal/compliance review.
9. Decide and document	Record why each third party, claim and data use is approved or rejected; document dissent and conditions.
10. Monitor and remedy	Track distributor conduct, data complaints, public-procurement interactions, model use, whistleblower treatment and post-entry human-rights impacts.

Source/Note: Fictional case created for teaching. Any resemblance to an actual company is coincidental.

1. Which facts in the case are verified, alleged, inferred or still unknown? Why does that classification matter ethically?
2. Is the 9% success fee itself improper? Identify the additional facts that would determine whether the arrangement is legitimate, high-risk or unacceptable.
3. Should AHT use the regional distributor while allegations remain unproven? Develop a due-diligence and interim-risk response proportionate to the evidence.
4. Analyze the proposed mortality claim. What evidence would be required before “saves lives” becomes scientifically and ethically defensible?
5. What should happen after the instruction to delete or “clean up” messages? Identify governance, evidence-preservation and whistleblower implications.
6. Using REGMA, prepare a recommendation to the board that preserves legitimate expansion opportunity without normalizing corruption, deception or privacy abuse.

Faith-Informed Ethical Dilemma: Conscience, Belonging and Mandatory Corporate Speech

A multinational company adopts a global employee-belonging policy intended to prevent discrimination and create respectful workplaces. The policy requires every employee, including those in countries with different cultural and religious traditions, to sign an annual statement affirming a detailed set of social and moral propositions unrelated to the technical requirements of most roles. Employees who refuse may remain respectful and fully comply with non-discrimination rules, but they are classified as “values misaligned” and become ineligible for promotion.

A Christian employee objects to two propositions on conscience grounds but states clearly that every colleague must be treated with equal dignity, safety, courtesy and fairness. A secular employee also refuses, arguing that an employer should regulate conduct rather than compel private belief. Another group of employees argues that affirmation is necessary because neutrality can conceal hostility and make minority colleagues feel unsafe. Local managers ask headquarters for guidance.

> **ETHICAL DILEMMA |** The governance problem is not solved by choosing between “inclusion” and “religious freedom” as slogans. Distinguish mandatory professional conduct from compelled belief; dignity from ideological agreement; lawful non-discrimination from viewpoint conformity; headquarters consistency from subsidiarity; employee safety from subjective comfort; and conscience accommodation from exemption from legitimate job duties.

1. Which parts of the policy concern conduct, and which require affirmation of belief? Why is the distinction morally and legally important?
2. Apply human dignity, conscience, neighbor-love, rights, care ethics and organizational justice to the case. What obligations does the company have toward both dissenters and colleagues who fear discrimination?

3. How should subsidiarity shape a global policy across jurisdictions without allowing local offices to tolerate genuine harassment or discrimination?
4. Design a revised policy that protects respectful conduct and equal opportunity while minimizing compelled speech unrelated to role requirements.

Data and Evidence Exercise: When an "Ethics Score" Conceals More Than It Reveals

A regional group wants the board to compare the ethics and compliance performance of three subsidiaries. Management proposes a single "Ethics Score" based mainly on training completion and hotline volume. The following fictional data are presented. Treat them as operational indicators, not as direct measures of virtue or misconduct.

Table 13.18. Fictional subsidiary ethics and compliance indicators.

Indicator	Subsidiary A	Subsidiary B	Subsidiary C
Employees	1,800	720	340
Hotline reports	9	18	2
Anonymous reports	2	13	0
Median days to close a case	41	19	73
Substantiated cases	5	6	1
Confirmed retaliation cases	0	1	0
Annual training completion	99%	93%	100%
High-risk third parties with overdue due diligence	7%	2%	11%
Customer complaints per 10,000 customers	14	7	25
Control exceptions open more than 90 days	3	1	8

Source/Note: Fictional teaching dataset. Values are deliberately constructed to illustrate measurement ambiguity.

1. Normalize hotline reports per 100 employees. How does the ranking change, and why does normalization still not tell you which subsidiary is "most ethical"?
2. Calculate the substantiation rate for each subsidiary. Identify at least three reasons why comparing rates mechanically could mislead.
3. What interpretations could explain Subsidiary B's high anonymous-report share? State evidence that would help distinguish a healthy speak-up culture from a fear-driven culture.
4. Subsidiary C has 100% training completion but the slowest case closure, highest overdue third-party due diligence and most aged control exceptions. What does this say about using training as a headline ethics metric?
5. Design a board dashboard that separates culture, detection, response, third-party risk, customer conduct and control effectiveness. Identify at least two leading and two lagging indicators.
6. Which metrics in the table are most vulnerable to gaming? Explain how management could improve the score without improving actual ethical performance.
7. Write a 150-word evidence note to the board that communicates uncertainty without becoming indecisive. State what can and cannot be inferred from the dataset.

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Annotated Further Reading

African Commission on Human and Peoples' Rights: African Charter on Human and Peoples' Rights. Read Articles 1–29 as a regional moral and legal framework that places rights, peoples' claims and duties in one instrument. It is especially valuable for avoiding the habit of treating African business ethics as an imported extension of European or North American standards.

OHCHR (2011): Guiding Principles on Business and Human Rights. The foundational practical architecture for the state duty to protect, corporate responsibility to respect and access to remedy. Read the commentary to the principles, not only summaries, because it explains cause, contribution, direct linkage, leverage and due diligence.

OECD (2023a): Guidelines for Multinational Enterprises on Responsible Business Conduct. A broad, government-backed reference that integrates human rights, labor, bribery, consumers, disclosure, technology, competition, taxation and due diligence. Use it comparatively rather than as a substitute for national law.

OECD (2023b): G20/OECD Principles of Corporate Governance 2023. A concise international benchmark for governance frameworks, shareholder rights, disclosure, boards and resilience. Particularly useful for comparing jurisdictional systems while remembering that the Principles are non-binding.

IoDSA (2025): King V Report on Corporate Governance for South Africa. The latest evolution of one of Africa's most influential principles-based governance codes. Useful for studying outcomes-oriented governance, disclosure and ethical culture in an African institutional context.

Brown and Treviño (2006): Ethical leadership: A review and future directions. A seminal review that clarifies ethical leadership as both personal conduct and active management of norms. Pair it with later meta-analyses rather than treating the review as final causal evidence.

Jensen and Meckling (1976) with Davis et al. (1997). Read these together. Agency theory explains conflicts, monitoring and incentives; stewardship theory shows why trust and intrinsic motivation can also matter. The contrast is more useful than adopting either as a complete account of human behavior.

Boudreaux (2007) and Joseph et al. (2021). These works provide a productive African-rooted dialogue about business and peace. The first emphasizes commerce and reconciliation in Rwanda; the second shows why business effects on peace are contingent rather than automatic.