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# Investigation of Ethical and Cultural Considerations Incidental to the Development of Corporate Governance Structures and Systems

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**Abstract**
The survival of any modern business is possible when knowledge and practice of ethical considerations are merged with cultural tendencies. This combination has over the years been treated as a not too relevant factor in the scheme of corporate endeavors. However, as competition become tougher and all players scramble for their respective market shares, the relevance of ethical compliances and cultural intelligence cannot be over emphasized. The implication of this situation is that corporate governance organizations are faced with very many challenges and as such must develop models of governance measures that can be the basis for their operations and also the focal point of assessment of their corporate performances. Thus, whether those achievements translate to the satisfaction of the corporate objectives or not, these governance models and their enabling legal instruments and structures are designed to provide the organization with the light and direction for greater success. This study therefore unraveled the underlying relevance of ethical behaviors and cultural intelligence, which could serve as the means of social and economic stability of the environment where the organization has an immediate impact. Relatedly, ethical and culturally based policy initiatives for corporations, enable them to maintain constant productivity profile to the extent of developing ability to project or forecast into the future, with significant accuracy.

**Keywords:** Operational Conditions, Industrialization, Commercialization, Internationalization of Domesticated Policies, Ethical Complexities, Cultural Dynamism

## 1. Introduction

As Corporations evolve or reinvent themselves in pursuit of their objectives, they get to a point where they must develop structures and systems that will support societal aspirations and the common good of all. These structures and systems are sometimes viewed in some part as the corporate social responsibility of those organizations or corporations and they help to stabilize the operational conditions of these entities. However, at the heart of the operations or activities of these organizations is a more proactive measure of corporate performance geared towards corporate harmony within the objective templates and goals of these organizations.

The foregoing attest to the legitimacy of the measuring tools of corporate governance within the confines of fundamental conditions for success. These conditions are best described as ethical and cultural considerations. They are so referred in the sense that they deal with ethical conditions of social governance and they also deal with two types of cultures, namely, corporate culture and environmental culture. It should be noted that by environmental culture, we refer to the inherent ideological and non-ideological practices of the vicinity of the corporation that influence its decisions or objectives. As shall be seen in a case study for this investigation, the impacts of environmental culture on the success of an organization is very significant.

This paper focuses on the conditions that enhance the development of the corporate governance ideology and practice. The paper will also delve into the basis for differences in performance outcomes within same rules of practice; put differently, the paper will resolve the reasons behind different output for same range of inputs. Thus, the paper shall consider the ethical and cultural variables that reshape the nature and context under which *corporate governance is deployed as a tool of modern industrialization, commercialization and internationalization of domesticated policies and business practices*. It will also examine the basis for structural numerics that define organizational behavior within the ambits of cultural complexities that drive industrial change. Further, the nexus between relevant cultural issues and the approach of inter-disciplinary measures that enhance corporate performance would be x-rayed.

The role of regulatory regimes of public policy driving institutions on corporate outfits and how these outfit rely on their internal control mechanisms for optimal output is of major concern to corporate stakeholders and policy formulators. This paper shall examine how identified ethical and cultural considerations are instrumental to the increase of developmental opportunities for organizations with streamlined corporate governance structures. How are the performance measurement criteria determined or established? What are the practical basis for setting such performance criteria and how are such objectives actualized within the limits of the organizations corporate goals? These questions and more shall form the kernel of this study and shall also set agenda for uncovering more ethical and cultural components that guarantee the development and optimization of corporate governance initiatives.

Further, it should be observed that organizations that rely on tight or tough governance control policies also deploy material resources that are either sufficient to sustain their policy standards or inadequate to promote their objectives. Thus, whichever apply, modern corporations deploy institutional governance practices that absorb a bit of all known business profit and image making optimization components. This balance is necessary if corporate objectives would be realizable at least within the realm of average success.

The foregoing notwithstanding, the basis for ethically sound or approved organizational culture is significantly dependent on the corporate values of that organization, just as it is reliant on its image projecting capability. This view is also true of its culturally permitting programs, and in this respect employees are made to subscribe to the organization's cultural practices. Studies have shown that this strategy is not specifically successful at all times and places as the following sections indicate.

## 2. Positive Identification Criteria for Ethical and Cultural Complexities

Modern corporations and their contemporaries are designed to respond to changing operational and administrative circumstances. This attendant dynamism relies majorly on the view the that survival capabilities of organizations are key concerns of the economic variables that were considered during the establishment of such organizations (Pratt and Zeckhauser, 1985) [9]. Although this view has over the years been upheld by researchers, suffice to state that apart from economic considerations, ethical and cultural norms are crucial factors that must be invited into the discussion in respect of components that promote sound and undefeatable corporate governance programs. This observation is supported in the work of Gieke (1950) [5]. Hence, as old as Gieke's study, it could be seen that ethical and cultural dynamism has been at the heart of corporate governance development and achievements; and as such, has taken a deep root in the consciousness of upward minded business operators. Although this contemporary study appears primordial, its finding is ever new on the basis of its assertion that a corporation, being a social entity, has problems and challenges that go beyond its immediate private constituency into public trust issues. This means that private and public corporations are consciously or unconsciously exposed to both social and ethical complexities that influences the concept of corporate governance which they may have subscribed to.

In the foregoing regard social and ethical complexities defines and establishes a range of attributes incidental to corporate governance. Firstly, it deals with a situation where systems can be identified and utilized in combination of many associated conditions and thought processes that results optimal performance characterizations. The implication of this view is that a proper combination of the various identifiable conditions and requirements has a way of guaranteeing the needed success. This means that corporate governance is a combination of many attributes from different backgrounds, but harmoniously articulated under a corporate policy framework that results better performance. These attributes could be positively identified as fundamental criteria that are necessary for the development and advancement of a corporate entity and has a measurable productivity index.

Secondly, the identified criteria must be flexible and reviewable. This means that the criteria must not be cast in stone. This is because, a system that combines many aspects in order to bring about improvement must be flexible and capable of internal change, when the need presents. This point was more obvious after the series of bankruptcies of the 21st century and the corporate financial debacles within the 2007-2010 financial reporting window. Studies of these events came to the conclusion that regulations that are designed to suit the era must be capable of constant reviews as the need arises. These studies concluded that such regulations must also contain components that improves on the quality of supervision of the corporations by the regulators. The endpoint being that, were regulations reviewable within reasonable limits and timeframe, some of those financial pitfalls could have been avoided.

Further, ethical and cultural considerations draw attention to the fact that most proposed ideas towards resolving corporate governance issues are regional and as such, are based on secluded cultural practices. These models are inapplicable because they lack universality of purpose. On the second hand, such models are not in tune with modernity and significantly limited in content and usability. The conclusion of these views is that corporate governance practices that are based on theories that are not universal could be counterproductive at certain regions and circumstances

As the GE case study in Aswathappa (2015, p. 435) [1] suggest, the business expansion drive propelled the acquisition of a medical equipment manufacturing plant located in France for which American based GE introduced an American styled corporate culture that is operational in the United States. This introduction was in order to integrate the medical manufacturing unit into the mainstream policy direction of GE administration in the United States. The imported corporate culture was opposed to by the French employees because such a culture was not aligned with their traditional cultural norms. The implication of this, is that for modern corporate governance initiatives to succeed, cultural norms of individuals and stakeholders within the area of operation of the organization should form part of the basis for policy assessment and design in respect of applicable corporate cultures that could be adopted by the organization.

Thus, positive identification criteria are those minimum considerations that depends on the nature and practice of policy formulation. These considerations may be varied in forms and contents but inevitably form the basis of systemic operationalization attributable to the policy initiation and implementation process.

Consequently, the criteria under review is comparative to policy design within the context of organizational culture and related ethical considerations. Thus, corporate governance in this sense speaks of internal ethical and cultural normatives that determine, shape and sustain corporate behaviors. The implication of this averment lies in the understanding of ethical and cultural relativities that are unconsciously imported into corporate governance practices. In this regard, Rachels (1978) [6] observed that different cultures portend different moral codes. Thus, in respect of this assertion, Rachels draw attention to a story line in the work of *Herodutus* titled “History”. In this illustration mention was made of Darius one of the Kings of ancient Persia, who was involved in various journeys that exposed him to many cultures and cultural practices. He visited the Callatians, an Indian tribe that customarily ate the bodies of their dead fathers. The Greeks practiced cremation, which they felt was the absolute means of giving befitting rest to the departed.

In order to teach this lesson of, “diverse people, different cultures”, King Darius in one of his court proceedings asked some Greeks who were present, what it will take them to eat the bodies of their dead fathers. They were shocked and informed the King that no amount of money could make them eat the body of their dead fathers. In the presence of the Greeks, King Darius called for the testimony of some Callatians who were also around the vicinity of the court and asked them what it could take to make them burn or cremate the bodies of their dead fathers. The Callatians were horrified and pleaded with the King not to even mention such a dreadful thing. The conclusive lesson of this story is that, different cultures operate by different codes and ethical conducts and the business manager must understand and apply this principle in his assessment of issues during formulation of corporate policies that should drive the organization’s programs.

What then is the relevance of this story to corporate governance? The importance of this story draws attention to the basis of corporate policies in organizations. What this means is that the cultural behavior of policy stakeholders is crucial to an organization, in the sense that such stakeholders may be beclouded by their native cultural practices which will in turn shape their views and reasoning. Characteristically, corporate policies are sometimes the products of these cultural foundations, or a refinement of cultural habits of key policy initiators. To this extent, a core positive identification criterion that sustain ethical conducts of policy makers bear relevance to their applicable connections and ties- cultural foundations and corporate governance policies.

In support of the foregoing argument Rachels (1978) [6] again, gave an example of the cultural practices of the Eskimos, where he noted that the men by their culture marry many wives and when they have male guests, they give out one of their wives to the guests as a sign of hospitality. In the same vein a stronger or dominant male can demand the wife of other men and they have no choice than release their wives for the pleasure of such dominant figures, and women were free to leave their husbands and stay with other men of their choice, especially where their husband prefer to let them have their way in the matter. Further, Rachels observed that the Eskimos have little regard for human life, for instance parents can choose to kill their female children at birth and there won’t be any community consequence or social stigma in respect of that decision and action. This also account for why the Eskimos will choose to abandon their sick and aged parents in the cold snow to die when they find that their aged parents are no longer capable of contributing to the needs of the family.

Flowing from the foregoing practices of the Eskimos, imagine that a business owner in another country is an Eskimo, who learnt and also inherited these cultural traits from his native home. Also, imagine that he is the principal policy maker or initiator; and his line of business deals with social benefit issues. Then one could come to the conclusion, that because the business is to operate outside the ethnic enclave of the Eskimo business owner, there are consequential traits or interferences of cultural biases that would be noticed on a closer look at the nature and context of formulated corporate policies. The general thought in this regard is that, while the people of a particular culture subscribe to a regime of codified behaviours, other persons in remote lands view these differently. When these extremes come together, then a common ground is required which may take a little of both traits, on the basis that right or wrong differ from culture to culture. These complexities thus produce the need for cultural intelligence in the design of policy guidelines for corporate governance.

In view of the foregoing, this dimension of corporate management and resource control is directly connected to an organization’s corporate governance policy initiatives, especially within the *purview of agency theory and stakeholder perspectives* or model that borders on institutional philosophical and behavioural characterizations. This implies that an integration of corporate identity and operational autonomy creates a governance culture, that is supported by normative ethics and cultural stability as incidental to; (i) measurement of institutional performance (Voight, 2013) [11]; (ii) proactive assessment of institutional change (Bush, 1987) [3], in addition to details of (iii) organizational expansion and self-replication or reproduction (Dolfsma *et al*, 2017) [4]. The essence of this organizational performance assessment that relies on ethical governance and cultural heritage is to increase organizational efficiency.

## 3. Statutory Functions Related to Corporate Governance Institutions

This study observed that an organization’s corporate governance measures are related to its institutional and statutory framework; and these frameworks are policy-derivative instruments that enhances the organization’s objectives. These institutional instruments of engagement are relative to performance of statutory responsibilities that are incumbent on the corporate governance institutions. Thus, these statutory functions are conditional on the primary dictates of the founding instruments and its subsidiary policy initiatives and directives. In this regard, corporate governance institutions are not expected to exceed the statutory and mandatory rules and roles of their establishment.

The forgoing means that an organization’s corporate governance policy framework must confine itself within the applicable limits of their statutory empowerment. Further, human interaction is a necessary component of this policy framework and as such codified by the nature of corporate constraints that have been imposed through policy directives

(North, 1994) [8]. It was observed that this picture of organizational constraints flows from policy instruments that seek to enhance the corporation's performance but indirectly results a demolition of the progressive efforts of efficiency and effectiveness attributable to organizational growth (Meyer and Rowan, 1977) [7]. The overall effect of the situation is that of adaptability of the organization to its surrounding challenges and complexities in terms of structural configurations that may not be supported by the statutory basis of their establishment. In this vein, such organizations may fail to actualize the core statutory functions that they are established to pursue. Further, as a means of sustaining their corporate drive towards environmental inclusivity, some corporate governance organizations allow themselves to be influenced by their immediate surroundings through some perceived ceremonial value creating systems that over the years has ability to erode the gains of their institutional progress.

In addition, the issue of *structural inter-dependences* between the corporate organization and its key stakeholders over the years become a progressively articulated business idea that could be used to drive a process of productivity. The overall result of this development is an imposition of orderliness and other corporate methods of achieving compliance with policy directions. Consciously, this orderly arrangement of resources could be harnessed to increase efficiency and high productivity (Meyer and Rowan, 1977) [7]. It should further be noted that when stakeholders' interdependency is possibly articulated into an organizational practice, it has the capability to transform multi-unit operations into reasonably efficient and productive system with adequate legal mandate that legitimizes their continuous practice without any form of organizational failure. It is therefore instructive to mention that due to the legitimacy conferred on the organization, social expectations also increase; thus enabling corporate ventures to build capacities for their societal survival. They achieve this by earning societal trust, which in turn results the endowment of public confidence that impacts institutional relevance and societal credits. The overall outcome of this core benefit is extended cooperation, consequential assurances, enhanced corporate performance and efficient productivity. This also increase the chances of the institution's success that extensively results the survival of the organization.

Further, of concern is the relative independence of organizational board members, their established board committees and their consequential impacts on the image of the organization. The attributable benefits of these impacts are only significant on the basis of the freedom of operation incidental to these organs of the corporation. It should further be noted that the impacts of these organs on the financial stability, social achievement and market shares of the organization remains a considerable area for further investigation. In advancing this view, Meyer and Rowan (1977) [7] opined that part of the social functions of the managers of organizations is to attach values and relevance to regulatory authorities and their operational procedure without due consideration to the benefits derivable from such a recognition or attribution of relevance. Although this point is relative, suffice to state that the validity of recognition accorded the regulatory bodies is not only statutory but usually instrumental to the sustenance of positive organizational governance.

Additionally, the statutory powers of the board as a matter of ethics creates the opportunity for self-governance, implying that the board is empowered to impose sanctions and punishments on defaulting members of staff or managers, when the need arises. It is also within the administrative power of the board to assert internal controls on all the organs of the corporation, including establishing procedures for all other aspects of the organization. The board is also saddled with the responsibility for employment and promotion of their policies, capital investments, collaborations and partnerships, etc. These functions are sustained by the board's strict adherence to ethical and cultural considerations and dictates that are incumbent on that organization. Further, as observed by this study, these functions of the board, further legitimizes the organization and its products or service lines.

In the foregoing regard board members are perceived as corporate or public undertakers or goodwill guarantors on behalf of the corporation to its regulators, creditors and other stakeholders. Thus, a well-articulated corporate board will be in a better position to facilitate the credit lines and access to financial resources and also give measures of confidence to its staff and the members of public whose activities are connected or linked to the organization. Consequent on these developments, this study is of the opinion that the actual essence of corporate boards is image stability and reputation.

The views expressed above for administrative boards also rub off on the statutory functions of executive board of directors whose roles are not so much of policy making by articulating the resources that are necessary for the execution of policies made by the top administrative boards of the corporation. While the administrative boards are policy components of the organization they also retain the position of owners of the business. This means that the statutory functions of the executive boards is to actualize the policy statement of the corporation owners.

In respect to this view, it has been argued that this executive cadre of the organization are structurally a vulnerable component in the sense that at certain circumstances, their services are merely supervisory and as such may not contribute so much in the profitability of the organization. This position is accommodated in Jensen (1993) [10] averments and more particularly one of his opined reasons for the weakness of executive directors being the fact that their attitudes are geared towards a "board culture" whose preference is for corporate "politeness" instead of building on the principles of honesty and integrity. This is observable in its approach to issues. Consequent on this position, it is instructional to state that this argument is to the core reality of the fact that the major focus of administrative boards is to ratify the decisions that executive directors (management) may have made in the course of the business (Axworthy, 1988) [2]. Axworthy further argued that if an organization decides to ignore or eliminate the executive directors; their relevance or contributions are negligible and may not have significant consequence on the overall profit or actualization of the objectives of the organization (p. 42). This study however believe that Axworthy's opinion should be treated within the context of relativity. This means that it may only be applicable under circumstances when operational personnel of the organization are well trained to the point where they require no supervision to produce the needed results.

The foregoing argument that supports the postulations or assertions of Meyer and Rowan (1977), also hold that established structures that produce the intended results are characteristically different from the structures that accentuates the corporation's measures of corporate governance.

**4. Criteria and Considerations for Resourceful and Effective Ethical and Cultural Regimes**

The study drew inference from the findings of Aswathappa (2015) [1] in respect of cultural and ethical connotations of corporate governance in industrial organizations. These critical connotations are as follows:

1. Ethical and culturally inclined organizations maintain a leadership style that inculcate the idea that all employees are all leaders in their various arms of the organization's service. They hold or project that as leaders, all employees are required to exhibit deep commitment to deliver the benefits of leadership.
2. Organizations that are operated on the basis of foresight and corporate vision to use and combine available resources as to achieve corporate objectives, while optimizing capacity that enhance organizational productivity and strategies within the context of efficient resource utilization.
3. Organizations that are hugely ethical in their approach also maintain a culture of individual accountability geared towards actualization of corporate goals, improved processes and systems which in turn optimize their collective effectiveness.
4. Employees of ethical and cultural oriented corporations are taught to project themselves as owners of those ventures, thereby treating the corporation assets and facilities with the type of care that an owner shows to his investment. They are made to keep the organization's objectives in their daily focus while ensuring to remove any barriers to organizational success.
5. Ethical and cultural centered organizations inculcate the virtue of integrity on its employee, which compels them to do the right thing all the time in honest, straightforward and transparent manner.
6. Corporations that subscribe to ethical and cultural norms operate within the ambits of the law, thus upholding the right values and principles in their areas of core competences.
7. Modern organizations that are founded on ethical and cultural premises are data-driven and responsibly honest with data and data related information. They understand the corporate risk involved in the use of wrong data for business decision making.
8. Organizations that are ethical and culturally driven have determine and action-based policy statements that drive their operations and make them perform their best at any given time.
9. Ethical and culturally driven corporations strive at all times to maintain a position at the cutting edge of the most available technologies and practices which ensure that steps are taken to improve on the status quo.
10. Corporations within this policy arena rely on corporate trust among employee and their employer and also strive to gain the trust of the public who consume their products and services.
11. Such organizations depend on team work and has penchant for inter-dependence. They have confidence in their individual and collective capabilities and work intensions, with the core value that people achieve better results when they work on the basis of trust.
12. Ethical and culturally dependent organizations utilize the virtue of mutual respect and this virtue places value on individuals while respecting their contributions to organizational growth; and in the same vein place value on differences that promote change and progress.
13. Ethical and cultural compliant corporations create opportunities for ventures that inspire people towards actualization of their expectations and surpassing their challenges within permitted standards of application.
14. Organizations that subscribe to corporate policy that are incidental to ethical and cultural tendencies train their employees to know that the objectives of the corporation are same as those of the employee. This makes them adopt the pragmatic policy that ensures the employee grow as the company grow.
15. Ethical and cultural compliant organizations believe and project the attitude that embarking on what is good for the business with integrity of purpose will result mutual success for both employee and the organization.

**5. Conclusion**

The study has underscored the importance of ethical and cultural considerations in issues of corporate governance. This implies that the fundamental tools for success are significantly dependent on the conditions set out in support of ethical and cultural regimes of corporate governance ideology and practice.

Consequent on the foregoing ethical and cultural considerations have been noted to serve as a tool for corporate governance, especially when the roles of regulating agencies are brought into the picture. The importance of these regulatory framework cannot be over-emphasized as their sanctions are relevant for compliance purposes. This implies that organizations must take steps to ensure the initiation and implementation of policies that bear relevance to compliance with industry norms or regulatory requirements.

In addition to the foregoing, the study discussed issues that will positively identify ethical and cultural complexities within the context of corporate governance, and in relation to public trust in the private organization's programs. The study observed that these programs must be flexible in approach but firm in projected results. This feat is achievable where the aggregated cultural beliefs of individual employees are made part of the cultural norm of the organization.

Further, as the case study of King Darius asserts, different people possess different cultures. Therefore, corporate governance entails that individual cultures of the environment of the organization should produce a sense of cultural intelligence that can guide the organization and its people in their choice of practice. The GE case study that was discussed above, also supports this assertion.

As mentioned earlier, corporate governance is tightly linked to resource allocation, distribution and control. This position is supported by the fact that corporate governance is all about resource accountability. This means that resources that are to be expended in course of an activity must be accounted for. Thus, without accountability and responsible management of resources, corporate governance would be a mere rhetoric.

Additionally, institutional performance is a cardinal objective of corporate governance and as such must be protected under the value of normative ethics and cultural stability.

The study also delved into the fundamental functions of corporate governance institutions within the confines of institutional policy derivatives, with structural inter-dependences that are enhanced by ethical and cultural conditions. When deployed these creates organizational harmony and orderliness in operation. The end point is efficiency in the deployment of resources and higher efficiency in the production of goods and services, in order to actualize social expectations, without repudiating the confidence of members of the public.

At the heart of the foregoing are the board members who are either of the top echelon of policy making called administrative directors or corporation owners these are the core stakeholders. At the operational or executive cadre, leaders are called executive directors or senior managers and sector supervisors. The characteristics of these organs of a corporation were viewed within the meaning of their functions and relevance. It was found that while the administrative directors are necessary for policy frameworks and design of operational procedures, the middle cadre executive directors are dispensable in circumstances where key operators of the organization are adequately trained with no need for supervision.

Consequently, the study has projected that sound ethical and cultural attitudes are necessary for modern times business success, because they concentrate on key variables and parameters that stands as pillars upon which corporate governance institutions are based.

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