



**AN ANALYSIS OF HOW THE FIRM OBJECTIVE DEBATE IS REFLECTED IN  
FINANCIAL TEXTBOOKS AND IN THE MVV<sup>1</sup> STATEMENTS OF JSE TOP40  
FIRMS**

By

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Minor dissertation submitted to the  
Department of Finance and Tax, Faculty of Commerce, University of Cape Town

In partial fulfilment of the requirements for the degree of

**Master of Commerce**

Specialising in

**Financial Management**

**February 2016**

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<sup>1</sup> Mission, Vision, Values.

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## Abstract

This study investigates whether the shareholder, stakeholder and customer-oriented theories on the objective of the firm are reflected in modern financial textbooks, and in the Mission, Vision, and Values statements of the JSE TOP40 firms.

The literature review discusses the shareholder, stakeholder and customer-oriented theories of the firm, among others, and shows that there is no consensus between finance researchers on the objective of the firm, with opposing views presented.

The research approach adopts qualitative analysis as the method for this study, as it is deemed to be suitable for pattern recognition in large sets of data. The data consisted of twenty financial textbooks, and the MVV statements of the JSE TOP40 firms. Both the data sets were analysed to identify the shareholder, stakeholder and customer-oriented objectives of the firm using the word frequency and coding queries in software NVivo.

The finding in respect of financial textbooks indicates that seventeen textbooks advocated for a shareholder objective, two advocated for a stakeholder, and one for a customer-oriented objective of the firm. The JSE TOP40 firms' finding indicates that seventeen pursued a stakeholder objective, twelve pursued a customer-oriented objective, and eleven pursued a shareholder objective.

The study establishes that the shareholder, stakeholder and customer-oriented theories of the firm's objective are reflected better in the MVV statements of JSE TOP40 firms, than in financial textbooks. This highlights a disconnection between financial textbooks, where the shareholder objective of the firm was found to be dominant, and the JSE TOP40 firms' findings where the debate concerning the three objectives was more evenly spread.

This study recommends that South African academic authors should update their financial textbooks to reflect more emphasis on the stakeholder and customer-oriented theories of the firm's objectives, as being pursued by the JSE TOP40 firms.

*Keywords: Shareholder theory; Stakeholder theory; Customer-oriented theory; Global Financial Crisis; King Accords.*

## Acknowledgements

I would like to express my sincere appreciation to:

- The Almighty for all the blessings bestowed upon me.
- Professor Phillip de Jager, Department of Finance and Tax, in the Faculty of Commerce at the University of Cape Town, for his supervision and guidance.
- My parents and siblings, who have supported me greatly in the various stages of the journey of life.
- The financial assistance of the National Research Foundation (NRF) towards this research is hereby acknowledged. Opinions expressed and conclusions arrived at, are my own and are not necessarily to be attributed to the NRF.
- The Postgraduate Centre and Funding Office for administering it.

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## Abbreviations

ASX	Australian Securities Exchange
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
COSATU	Congress of South African Trade Unions
CSR	Corporate Social Responsibility
GE	General Electric
GFC	Global Financial Crisis
GICS	Global Industry Classification Standard
JALSH	JSE All Share Index
JSE	Johannesburg Stock Exchange
JSE TOP40	An index of 40 largest firms on the JSE by market capitalisation
MSCI	Morgan Stanley Capital International
MVV	Mission, Vision, Values
RBS	Royal Bank of Scotland
S&P	Standard and Poor
SME	Small and Medium-sized Enterprise
UK	United Kingdom
US	United States (of America)
UBS	Union Bank of Switzerland

## 1. Introduction

*“For many years there has been a continuing debate in corporate law circles regarding the precise objective of public companies.”* – Tackling the Issue of the Corporate Objective: An Analysis of the United Kingdom’s ‘Enlightened Shareholder Value Approach’ (Keay, 2007:577).

The birth of the debate on the precise objective of firms can be traced back to the early 1930s. At that time the main participants were two US professors: Adolf Berle, who maintained that directors had duties only to its shareholders, and Edwin Dodd, who maintained that a firm had responsibilities to its customers, employees, and public in addition to its shareholders (Keay, 2007:581).

At the core of this debate were the shareholder and stakeholder views that were competing and contrary to each other (Shankman, 1999:320). It was from these two views that the “Great Debate” on the objective of a public firm was born (Chu, 2012:165). Yet Jensen (2002:300) pointed out that the debate on the objective of firms was being wrongly framed as shareholders versus stakeholders, and should instead focus on whether a firm needs to have a single shareholder objective, or multiple stakeholder objectives.

The two main drivers of the debate on the objectives of a public firm are considered to be the shareholder and stakeholder theories (Keay, 2007:577). The shareholder theory of the firm’s objectives is generally accepted to be applicable in the Anglo-Saxon countries: Australia, Canada, New Zealand, UK, and US, whereas the stakeholder theory of the firm is embraced by many countries in Europe, particularly in Germany (2007:578).

Despite voluminous literature, questions on the objective of the firm, and whose interests it should serve, remain unanswered, conclusively, from both the empirical and theoretical standpoints (Dolenc, Stubelj & Laporšek, 2012:51). Indeed, debate on the firm’s objective is far from being finished, as “scholars and courts” have been arguing for a long time over the objective of the firm, and until now have held different views (Sundaram & Inkpen, 2004a:350).

This study therefore presents an analysis of how the shareholder, stakeholder, and customer-oriented theories on the objective of the firm are reflected in financial textbooks, and in the Mission, Vision, and Values statements of JSE TOP40 firms.

The reason for analysing financial textbooks arises because it is important to assess what finance students in South African business schools are taught on the objective of the firm. These schools often recommend and use South African authored books as the primary course text, and thus the need arises to analyse whether these local edition adequately reflect the diverse opinions of the ongoing firm objective debate. Discussions on the objective of a firm often originate in the introductory chapter of financial textbooks, and in some instances are carried forward. Therefore, an assessment on which of the three theories is given more prominence throughout is vital.

After all, when these graduates transit to the corporate world, and work up to management positions in their careers, they are likely to apply this textbook knowledge. They may influence business decisions with relevance to the objective their respective firms should pursue. If graduates are equipped with wider knowledge on the various theories of the firm, it will enable them to pursue the appropriate objective for their firm. Any such appropriate objective should balance the interests of all parties that interact with the firm, and may be crucial for the firm's long-term success.

The JSE was established in 1887 and is the largest stock exchange in Africa, and also one of the top twenty stock exchanges in the world in terms of size (Majapa & Gossel, 2016:35). The significance of analysing the JSE TOP40 index was that it lists the top forty firms in terms of market capitalisation. These firms play an important part in contributing to South Africa's economy. They provide various goods and services which are consumed by millions of people on a daily basis, and also create employment in the process, making them an integral part of our lives.

This study contributes to the literature on corporate governance. It is the first of its kind in a South African context insofar as it analyses how the shareholder, stakeholder, and customer-oriented theories of the firm's objective are reflected in the MVV statements of JSE TOP40 firms, and in financial textbooks. This analysis allows for a comparison between what is taught to students in business schools on the objective of the firm, and what is actually practiced by the management of the firms listed on the JSE TOP40 index. This study is of interest to finance academics, financial textbook authors, and possibly to policy makers.

The study is structured as follows. The literature review in chapter two examines the debate between proponents of the shareholder, stakeholder, and customer-oriented theories of the firm, on which one of these theories is the appropriate choice. Other newer theories on the objective

of the firm are presented as well. The research approach described in chapter three reiterates the research question, then describes the data used in the study for financial textbooks and JSE TOP40 firms, and the method adopted for the analysis of the data. The findings are presented in chapter four and are followed in chapter five by a discussion of the findings, and the implications drawn. Finally, the conclusion highlights the findings, the key points from each chapter in support of the research question, and the limitations of the study.

## 2. Literature review

### 2.1 Background

The theories on the objective of the firm can be classified into two categories: Economic Theories and Behavioural Theories (Anderson, 1982).

The Economic Theories focus on the financial performance of firms and are further subdivided into the neoclassical model, the market value model, and the agency costs model (Anderson, 1982:16). The neoclassical model argues that the objective of the firm is profit maximisation, while the market value model argues that the objective of the firm is to maximise its present market value, while the agency costs model argues that agents (management) should maximise principals' (shareholders) welfare.

The Behavioural Theories focus on what firms ought to do, and are further subdivided into the behavioural model and the resource dependence model (Anderson, 1982:18). The behavioural model views the firm as being a coalition of members such as customers, employees, managers, regulatory agencies, shareholders, suppliers amongst others; its objective is to satisfy the individual goals of the coalition members. The resource dependence model views the firm as having critical resources that it needed to ensure continuous supply of, in order to meet the needs and desires of its coalition members.

Yet, firms are a business and legal entities, in which shareholders are represented by the number of shares they hold in the firm (Correia, Flynn, Uliana & Wormald, 2015:I-6). The shareholders of the firm, while not involved in day-to-day management, appoint the board of directors, may receive dividends, participate in the annual general meeting, and vote on major decisions to steer the firm (Correia et al., 2015:I-7). The shareholder theory of the firm states that the primary duty of a firm's manager is to enrich its shareholders, and pursue profit maximisation (Smith, 2003:85). The shareholder theory is a neoclassical model of the objective of the firm.

However, a firm does not operate in isolation. Various individuals or groups provide and receive goods and services from the firm; these parties include investors, employees, suppliers, customers, shareholders, creditors, government, and society (Metcalf, 1998:30). All such parties are considered to be the stakeholders of the firm (1998:30). The stakeholder theory of the firm states that the primary duty of a firm's manager is to balance the interests of all its

stakeholders even if this is done at the expense of shareholders (Smith, 2003:85). The stakeholder theory is a behavioural model of the objective of the firm.

A firm must produce things that people want and do so efficiently such that consumers are able to acquire its products at a good price (Fontrodona & Sison, 2006:39). It was the duty of a firm to provide goods and services that meet the real needs of the customer (2006:40). The primary concern of a business is therefore to identify and satisfy its customers' needs (O'Cass, 1996:38). The customer-oriented theory of the firm states that the purpose of a business is to identify the needs, wants and values of the target market to satisfy customers' desires more effectively than its competitors (1996:39). The customer-oriented theory is a resource dependence model of the objective of the firm.

## 2.2 The shareholder theory of the firm

During the 1950s and 1960s, US corporations experienced robust growth and dominated world markets (Clarke, 2013:18). In this era, corporate growth and brand prestige were sought as the ultimate goals by technocratic managers. Profit maximisation was shunned, and cooperation with the government was the primary corporate concern at the expense of market relations (Henwood, 1997:259). Shareholders at the time were considered to be passive and functionless, while they enjoyed the gains from the firm's growth but without any effort or understanding of business risks (Galbraith, 1967:356).

When the US entered a severe recession between 1973 and 1975, US corporations could not compete effectively with their European and Japanese counterparts in vital consumer markets (Clarke, 2013:18). Wall Street pushed for the creation of corporations whose interests were in managing multiple businesses with a pure focus on financial performance (Clarke, 2013:18). Subsequently, US corporations were faced with suppressed growth because of tighter fiscal and monetary policies; at the same time, employees faced constrained wages to raise the firm's bottom line, and therefore competition from global deregulation was felt intensely (Clarke, 2013:18). In due course, it became accepted that pursuing financial interests was the main objective for large corporations (Henwood, 1997:262).

The rapidly evolving events in the 1970s set a fertile scene for Milton Friedman, an influential economist, to put in place the modern foundation for firms to pursue profit maximisation as their corporate objective (Friedman, 1970:33); this is known as shareholder-value capitalism. In his famous article, Friedman (1970:32) disagreed with businessmen defending the free-enterprise system in which a firm has social responsibilities. The notion that businesses should

not merely concern themselves with profits but should also have a social conscience, provide employment, eliminate discrimination or avoid pollution, was unacceptable. Friedman referred to such businessmen as “unwitting puppets” who were preaching pure and unadulterated socialism, and undermining the basis of a free society (1970:32).

Friedman (1970:32) argued that only people have responsibilities, and a firm is an artificial person. Thus, a business as a whole cannot have responsibilities even in any vague sense. According to his view, any discussions on social responsibilities of business were deemed to display analytical looseness and a lack of rigor. If a firm were to be concerned with the community instead of focusing on profits, this would lead to totalitarianism. Only the shareholders, and not management, could decide what social initiatives to take part in.

A free enterprise was defined as one where the CEO had direct responsibility to its employer (Friedman, 1970:32). That type of business conducts itself according to the wishes of the owners, and generally makes as much money as possible within the law. If a business has a social responsibility, then that responsibility is only to use its resources and engage in activities to increase its profits. Nevertheless, the firm must operate in ways allowing open and free competition without resorting to deception or fraud (1970:33).

In adding support to the shareholder theory, Jensen and Meckling (1976:305) looked to develop a single financial theory of corporate governance that could merge Anglo-American policies and practices. In a paper, these writers stated (1976:312) that most organisations were legal fictions which served as a connection for contracts among individuals. Therefore, it would be seriously misleading to associate corporations with any social responsibility (1976:313). The paper proposed that the chief executive or agent should be provided appropriate incentives such as stock ownership to maximise shareholders’ or the principal’s welfare. This would ensure that the principal and the agent have aligned interests (1976:309). This approach was in agreement with Friedman’s philosophy, in which the objective of a business was to serve its shareholders. Jensen and Meckling (1976:310) provided a mechanism to ensure how this goal could be best achieved, by identifying the agency problem.

Friedman (1970) and Jensen and Meckling (1976) thus concurred in their view that a firm had no obligations to social responsibilities, and only had responsibilities towards enriching its shareholders. Friedman was later awarded a Nobel Prize in Economics, and the strong influence of his view was perhaps best reflected by Jack Welch who was once the CEO of GE.

Thus, during his two decades at GE, between 1981 and 2001, Welch changed the fortunes of GE increasing its market capitalisation from US \$13 billion to \$484 billion (Martin, 2010:61). In his speech ‘growing fast in a slow-growth economy,’ Welch outlined his beliefs on cost cutting, selling underperforming business units and aiming for profit growth rate at GE to be higher than global economic growth (Guerrera, 2009); this approach thus laid down the foundation for GE to pursue shareholder wealth maximisation.

Would it therefore be appropriate for all firms to pursue a shareholder-value objective? On the contrary: Welch openly admitted much later on “that on the face of it, pursuing shareholder value was the world’s dumbest idea” (Guerrera, 2009). The fact that shareholder theory did not acknowledge that a firm had social responsibilities made it outdated (Grossman, 2005:573), and the markets may have moved away from pure profit maximisation (2005:596). These are some of the arguments that show the shareholder theory to be one of the elements in the debate on a firm’s objective, but not the conclusive element.

### 2.3 The stakeholder theory of the firm

At the beginning of the twentieth century, the “managerialist philosophy” was adopted by large US corporates: according to this theory, a firm had duties towards customers, creditors, employees, suppliers, and the wider society (Stout, 2013:2004). This position represented the status quo until the events of the 1970s caused the focus of firms to shift away from managerialism to maximising shareholder value. This shift was attributed to the adoption of Jensen and Meckling’s agency cost model by firms, and the rise of free-market economics preached by Friedman (2013:2004-2005).

In the early 1980s, Edward Freeman, a philosopher and professor at a leading business school in the US, formulated the stakeholder theory of the firm, for which he is generally credited (Schilling, 2000:225). Freeman and Reed (1983:89) described the stakeholder theory as a simple one in which the responsibility of the firm is to other groups in addition to shareholders. These groups were designated as stakeholders of the firm (1983:89).

The development of this stakeholder theory of the firm was attributed to the need for a strategic management doctrine in the late 1970s (Freeman & Reed, 1983:90). It had become clear that there was a need for a doctrine that could account for non-traditional business problems arising from government, trade groups, overseas competitors, dissatisfied shareholders, the employee rights lobby, consumer rights, environment pollution, tariffs, regulations and equal opportunity. In 1977, this led the Applied Research Center at The Wharton School to assemble

the “stakeholder project” (1983:91). The aim of this project was to develop a theory of management which executives could use to formulate and implement a corporate strategy in turbulent environments (1983:91).

Two decades later, Freeman (2004:229) stated that he conceived the stakeholder theory in the second half of the 1970s during his time at Stanford Research Institute. There, in conjunction with James Emhoff, he began working on the stakeholder concept for an executive education programme for Bell System, now AT&T. The work culminated in developing a one-week training module that included two papers, several cases and a stakeholder simulation that would be useful to managers.

The origins of the stakeholder theory, as understood today, date back much earlier than the work done at The Wharton School or by Freeman at the Stanford Research Institute. Thus, in 1918, the foundation of the stakeholder theory was laid out by Mary Parker Follet. In her publication in *The New State*, Follet stated the structure, management and the function of a business should be connected to the world around it and dependent on it (Schilling, 2000:224). She defined the new paradigm for organisations to pursue as being cooperation rather than competition. This would lead organisations, individuals and society to achieve greater effectiveness, more satisfied lives, and greater welfare (2000:224). The General Electric Company (now GE) had already identified the four main groups that it needed to deal with: shareholders, employees, customers, and the general public (Dodd, 1932:1156).

In due course, various definitions of the term ‘stakeholders’ were developed and these include: (1) “groups and individuals, who can affect, or are affected by, the achievement of an organization’s mission” (Freeman, 1984:52); (2) “groups of constituents who have a legitimate claim on the firm through the existence of an exchange relationship” (Hill and Jones, 1992:133); (3) “involved in explicit or implicit contracts with the firm” (Donaldson and Preston, 1995:80); (4) “groups and individuals who benefit from or are harmed by, and whose rights are violated or respected by, corporate actions” (Freeman, 2001:41); and (5) “those groups or individuals with whom an organization interacts or has interdependencies” (Carroll & Buchholtz, 2014:8).

The stakeholders in the firm were then classified into two broad groups: either primary or secondary (Mitchell, Agle & Wood, 1997:853). Pairs were defined, such as “owners and non-owners, resource providers and dependants, risk-takers or influencers, actors and those acted upon” (1997:854). Managers perceived any or all of the following attributes to be salient for

stakeholder identification: (1) the power a stakeholder has to influence the firm; (2) the legitimacy of the relationship between the stakeholder and the firm; and, (3) how urgent is the stakeholders claim in the firm (1997:854).

Donaldson and Preston (1995:66-67) break down and then describe the stakeholder theory in terms of four distinct yet mutually supportive aspects: descriptive/empirical, instrumental, normative and managerial. (1) The descriptive aspect presents the firm as a collection of cooperative and competitive interests having intrinsic value. That provides a framework for any empirical testing. (2) The instrumental aspect founds the framework for examining the link between stakeholder management practices and the achievement of performance goals set by the firm. The suggestion here is that firms adopting the stakeholder approach to a business have relatively successful performance figures, all other things being equal. (3) The normative aspect involves accepting that stakeholders have a legitimate interest in the corporate activity of the firm and that these interests are of intrinsic value. (4) The managerial aspect constitutes what stakeholder management is, and recommends the attitudes, structure and practices of the firm.

There is a substantial amount of discussion in the literature concerning the normative aspect of the stakeholder theory and how firms relate to their stakeholders and what managers ought to do. In contrast there are relatively few studies of the instrumental and descriptive/empirical aspects of the stakeholder theory (Berman, Wicks, Kotha & Jones, 1999:488). Using key stakeholders relationships including employees, environment, customers, community and diversity, Berman et al. (1999:489-490) used regression models to examine any link between managing stakeholder relationships, the firm strategy and its financial performance. Their empirical study involved the top 100 firms on the Fortune 500, for the period 1991 to 1996, and established that all these five stakeholder relationships had both direct and indirect effects on the firms' performance (1999:500). In particular, employees and customers had a significant impact on financial performance of the firms investigated in the study (1999:501).

An important strength of the stakeholder theory was that it was able to address three interconnected business problems related to value creation, business ethics and the managerial mind set (Parmar, Freeman, Harrison et al., 2010:405). The stakeholder theory was a set of ideas or a framework, which can be thought as being a genre of management theory rather than being seen as a specific theory with a single purpose (Parmar et al., 2010:406). The diverse nature of the perspectives of the various stakeholders allows it to function in range of settings

serving different purposes, being widely applied in disciplines such as environmental policy, ethics, healthcare, law and public administration (2010:406).

Further endorsement for the stakeholder theory of a firm came from marketing guru Philip Kotler, who acknowledged that firms could not operate singularly, as self-capable units, without having dedicated partners. This was because firms were becoming increasingly dependent on their employees, suppliers, distributors and advertising agencies (Kotler, 2005:119).

The stakeholder theory presents itself as a moral argument to the effect that a firm had duties to others (Langtry, 1994:431; Gibson, 2000:248). One of the unresolved challenges it faces is a conceptual confusion over the extensive array of definitions of the term 'stakeholders,' leading some finance researchers to reject it altogether (Miles, 2012:285). This demonstrates that the stakeholder theory is an important element in a firm's objective debate, but is not the conclusive element.

#### 2.4 The customer-oriented theory of the firm

The turbulent times of the 1970s gave rise to another perspective on the objective of the firm. Management guru Peter Drucker disagreed with the shareholder-value views of the time, and he challenged and argued against the profit maximisation objective of a firm (Drucker, 1974:46). He argued that a business entity cannot be defined or explained by profitability, and that the profit seeking nature of society was one of the most dangerous diseases in an industrial society (1974:46).

This set the scene for Drucker (1974:47) to state that a firm had only one objective which was "to create a customer." Only the customer of the firm was willing to pay for goods or services which converted economic resources into wealth, and materials into goods. Hence, the customer was the foundation of the business, keeping it in existence and by doing so, determined what a business was (1974:47).

Drucker (1974:59) argued further that a business could not be defined by its name, buildings, or its articles of incorporation. On the contrary: a business was defined as an entity that exists to satisfy the wants of a customer whenever goods or services are purchased. The question of what a business is, could only be answered from the customers' view point. Whatever the customer believed or wanted at any given time must be accepted by management as their objective (1974:59). The entire work force from engineers, salesmen to accountants should consciously make an effort to get answers from customers, rather than reading their minds.

Any serious attempt by a business to define what it was, needed to start with the customers, their realities, situation, behaviour, expectations and what they value (1974:60).

However, not only Drucker shared the customer-oriented sentiment on the objective of a firm. Bell and Emory (1971:38) pointed out that earlier marketing textbooks noted that the primary function of a business was to satisfy customer needs. These texts also claimed that the success of any business could be measured by how well it served its customers, and if any operation were not in the interests of its customers, then it was not justifiable regardless of the profit it generated (1971:38). This doctrine was referred to as the marketing concept and its three pillars were: (1) consumer concern – consumer satisfaction to be the focus for all decisions; (2) integrated operations – consumer and social problems take precedence over all operations; and (3) profit reward – this is the residual result of ensuring consumer satisfaction for the business (1971:39).

According to the marketing concept, the aim of the firm was to use all its efforts to satisfy the customer (McCarthy & Perreault Jr, 1984:35). Houston (1986:81-82) described this marketing concept as being identical to the customer-oriented approach. However the term ‘marketing concept’ did not refer to advertising, promoting or selling. Instead it referred to “a willingness to recognise and understand [the] consumer’s needs and wants,” and to examine how the marketing mix could be applied to satisfy these needs and wants (1986:86).

A customer-oriented firm was one that believed in putting the interests of the customer first in order to develop a venture profitable in the long term while also considering the interests of its owners, management, and employees (Deshpandé, Farley & Webster Jr, 1993:27). In a study of Japanese firms on the Nikkei stock exchange, Deshpandé et al. (1993:30) established that there was a positive correlation between customer-orientation and business performance.

Slater (1997:164) defines a customer-value based theory of the firm in which the organisation’s culture embraced customer values thereby leading to superior performance returns. Therefore, the objective of a firm was not to maximise profits or reduce transaction costs; on the contrary, firms existed to satisfy the needs of the buyers by providing them with goods and services which they could not provide themselves (1997:164). A firm could achieve superior performance as a result of providing superior customer value. This was evident from the examples of IBM and Compaq who were outstanding performers at one time; however their performance and market share eroded in the late 1980s and 1990s. Their performance only

improved when they developed a better understanding of their customers and delivered greater value to them (1997:164).

The theory of the customer-oriented objective of a firm fills a gap in this debate. Satisfied customers generate long-term value for the business (Denning, 2012:14). After all, satisfied customers have more knowledge about the firm than shareholders, and have a longer-term commitment to the firm (Fox & Lorsch, 2012:57). The benefits arising from satisfied customers are passed on to shareholders and other stakeholders.

## 2.5 Other theories on the objective of the firm

The three theories on the objective of a firm, discussed above, all had their own individual shortcomings and they reflected totally diverging views. This situation gave an incentive to finance researchers to develop other theories on the objective of the firm, adding to the debate.

Sternberg (1999:9) acknowledged that the stakeholder theory was being widely offered as a corrective to poor business ethics and corporate governance, but at the same time he sought to prove that the most popular usage of the stakeholder concept was hostile to the responsible conduct of business. He challenged the notion that organisations must be held accountable for all their stakeholders and should balance competing stakeholder interests (1999:10). He described the distinctive stakeholder doctrine as “fundamentally misguided,” claiming that it could not bring about improvements and was not capable of providing better corporate governance, business conduct, or performance (1999:10). The stakeholder theory undermined support for social and business responsibility, and was not compatible with business objectives (1999:10).

Sternberg (1999:10) proposed a better model for business ethics and social responsibility, termed the ethical decision model. This model acknowledged the distinct roles of shareholders and the nature of the business, and looked to treat all stakeholders ethically. It provided a clear criterion for business to be ethically responsible while respecting the individual liberty and rights of business owners. According to Sternberg (1999:10) social responsibility was not a responsibility ‘to’ stakeholders as indicated by Freeman, but a responsibility ‘of’ stakeholders. The ethical decision model can improve business performance as it gives the firm a greater awareness of what important activities to pursue (1999:41).

After having identified and established the agency theory two decades earlier, and being a strong advocate of shareholder-value maximisation, Jensen (2002:235) proposed enlightened value maximization as the new corporate objective for firms to pursue. This was an effort to

merge stakeholder theory as the base, and shareholder-value maximisation in the long term. In other words, Jensen (2002:235) proposed the retention of value seeking as the sole objective, while incorporating stakeholder views as well. This was a shareholder theory of a business that incorporated business ethics. This theory disregarded Friedman's initial statement that a business had no social responsibility, which was the foundation on which the shareholder-value primacy was based.

To support his new theory, Jensen (2002:236) stated that the value maximisation proposition was backed by more than two hundred years of research in the disciplines of economics and finance. In contrast, the popular and contending stakeholder theory had its roots in sociology, organisational behaviour, politics of special interests and managerial self-interests (2002:236). Jensen argued that the stakeholder theory was logically incomplete as a specification for the firm's objective, and this was not accidental because it served the private interests of those who promoted it, including directors on corporate boards, managers as well as corporate outsiders (2002:236).

Adopting the stakeholder theory as the firm objective politicises the business (Jensen, 2002:237). Since managers are empowered to use the firm's resources as they see fit, they become handicapped when trying to survive in the competitive corporate environment. Research conducted during two centuries showed that businesses which maximised the firm's value also maximised social welfare (Jensen, 2002:239).

Influenced by Jensen's enlightened value maximization theory of a firm, Pichet (2011:354) proposed the enlightened shareholder theory of a firm. This theory aimed to differentiate between interests of the firm, and its shareholders, and was addressed to the board members. According to Pichet (2011:354), the pure stakeholder theory was fragile, as it did not provide an adequate definition of the stakeholder concept, while the pure shareholder theory had its limitations.

It was virtually impossible to identify just who were stakeholders, with "almost too many to be counted," and with stakeholders having conflicting and opposing interests to each other (Pichet, 2011:356). There were limitations to the pure shareholder theory: one of these was the possibility of conflict arising between firm and shareholder interests, which the Board Members of the firm could face (2011:358). As a specific example, shareholders were interested in the short-term financial performance (2011:359) while in contrast, firms were

seeking long-term profitability and sustainable development to satisfy customers, employees and suppliers (2011:359).

The enlightened shareholder value theory, however, integrated shareholder reasoning, useful elements from stakeholder theory and cognitive theory (Pichet, 2011:360). The enlightened shareholder mechanism was one in which the firm: (1) had internal mechanisms that ensured its shareholders were informed of the firm's proper functioning; (2) enabled shareholders to control the firm through the Annual General Meeting and powers they delegate to Board of Directors; and, (3) the firm's corporate strategy has long-term interests for the firm and is compliant with the existing laws (2011:361).

The enlightened shareholder value theory gained further prominence when it was enshrined in the provisions of the United Kingdom's Companies Act 2006 under section 172 (Williams, 2012:360). This section imposed on directors a duty to promote the firm's success for the benefits of all its members (2012:360). The provision in the Act required boards of directors to respect the following principles while executing their duties: (1) assess the consequences of long-term decisions they make; (2) note the interests of its employees; (3) foster business relationships with its suppliers, customer and other parties; (4) assess the impact of the firm's operations on the environment and community; (5) ensure a desire for the firm to maintain a reputation for high standards of business conduct; and (6), act fairly towards members of the firm (2012:361).

The ethical decision model, enlightened value maximization, and enlightened shareholder theory are some of the newer and competing theories proposed by finance researchers. These were developed because the existing theories on the firm's objective showed shortcomings that are being challenged. The development of these newer theories is an indication that the firm objective debate is evolving, active and continuing.

## 2.6 Criticism of the shareholder and stakeholder theories

Much of the corporate governance debate on the objective of a firm has continued to focus on the shareholder and stakeholder theories with advocates on both sides (Keay, 2007:577). Both these theories have been criticised for a long time over a number of issues (2007:585,611).

Shareholder theorists claimed that stockowners were entitled to certain rights and privileges which managers do not have, and held this fiduciary relationship to be sacred and special (Freeman, 2001:38). This assumption of managerial capitalism made by shareholder theorists was challenged by Freeman (2001:39), and replaced with the notion that managers bear

fiduciary duties to all stakeholder groups, and not just shareholders. Stakeholder groups included customers, community, employees, management, and shareholders. Those groups were not to be treated as a means to an end, as they have a stake in the firm, and must participate in determining its future direction (2001:39).

Managerial capitalism dictated that since shareholders had no control despite ownership, their interests should be pursued vigorously (Freeman, 2001:39). However, changes in the law of corporations imposed constraints on the pursuit of shareholder interests and now required the claims of stakeholder groups to be taken into consideration (2001:40). The pursuit of managerial capitalism had led firms to develop anti-competitive behaviour, and in a number of industries had led to the formation of oligopolies and abuse of market power, which in turn led to regulation of management activities (Freeman, 2001:41).

Disagreeing with Freeman, Hendry (2001:159) noted that the stakeholder concept had exerted a great influence on academic thinking while the normative stakeholder theory appeared to be “in a state disarray and confusion.” Despite being a dominating theme in business and corporate governance in the 1990s (2001:159), stakeholder theory proponents had undermined themselves as they could not engage proponents of the rival shareholder theory effectively. They either pitched their sights too high or too low (2001:160).

Hendry (2001:160) then identified three questions and three different levels of claims of the stakeholder theory that undermined its position and sacrificed its credibility. The questions that the stakeholder theory did not sufficiently address were: (1) responsibilities in an ideal just society; (2) desirable changes to the laws and institutions; and, (3) responsibilities of managers within the existing law framework.

Admitting that stakeholder literature addressed these questions to a limited degree, Hendry (2001:164) called for different kinds of answers and argued as follows. Firstly, in an ideal and just society based on Marxist theory there would not be joint stock firms. Value creation should not just be in stakeholders’ interest but in the interests of the society as a whole. Secondly, in an ideal society, modifications can be suggested to the law to deal with existing realities. Therefore, one should debate how much of the laws of corporations were to be accepted as they stand, what was open to change and how best the changes can be effected. Thirdly, stakeholder theorists have not been careful in their criticism of shareholder theory on the manager’s responsibilities, thus weakening their case.

Marcoux (2003:1) questioned the stakeholder theorists' view that the fiduciary duties of management towards shareholders held no special moral status. By using a three-point argument Marcoux (2003:1) seeks to demonstrate that the manager-shareholders fiduciary relationship does indeed have a special moral status and that the stakeholder theory was morally inadequate in dismissing this. Marcoux argued as follows: (1) some elements of the relationship require fiduciary duties and, (2) that relationship possesses features that make fiduciary duties necessary for it to work (managers of the firm held in trust and have no conflict of interests with shareholder expectations) then, (3) stakeholder theory is morally lacking and is constrained by denying this fiduciary relationship.

According to Marcoux (2003:2), the manager-stakeholder duties are not fiduciary duties owed morally, whereas the manager-shareholder duties are fiduciary duties owed morally. Stakeholder theorists fail to recognise that shareholders are owed fiduciary duties, and instead treat all stakeholder interests equally, despite shareholders having a legitimate claim upon managers.

The reason why managers cannot be in a fiduciary relationship to all stakeholders is because it is conceptually impossible to place the interests of any one of the stakeholders, including shareholders, ahead of all the others (Marcoux, 2003:4). It is also practically impossible to serve, simultaneously, the interests of each of the stakeholders because of conflicting interests (2003:4). Managers have access to more information than shareholders, and more control, and this exposes shareholders to acute vulnerabilities and puts them at a disadvantage (2003:16). This makes it more important for managers to have a moral fiduciary relationship to the shareholders, and not just because of a matter of public policy (2003:16). Stakeholder theorists may deny the existence of any fiduciary duties to shareholders, yet some relationships are morally deep and independent of any social wellbeing that they may bring. The vulnerable manager-shareholder relationship is one of those (2003:19).

The stakeholder movement and the ideology of shareholder-value maximisation have coexisted uneasily with each other for as long as the modern corporate has existed; however, the increase in prominence of the stakeholder view in organisational studies has been relatively recent (Sundaram & Inkpen, 2004a:352). The shareholder's objective in relation to the firm was expressed as early as 1919, when the Michigan State Supreme Court in "Dodge vs. Ford Motor Company" ruled in favour of the minority shareholders; the Dodge brothers. The court ruled

that the function of the business was primarily for the profits of its shareholders, and stopped Ford from reinvesting its retained earnings (2004a:351).

Sundaram and Inkpen, (2004a:354-356) put forward several arguments as to why stakeholder management was not a valid model for corporate governance. They argued that stakeholder management distorted entrepreneurial risk taking incentives (2004a:354). Thus, by managing all its stakeholders, the firm was at risk of missing out on investing in new opportunities to grow its business, such entering new markets, producing new products, and developing new cutting-edge technologies to remain innovative and give it a competitive edge (2004a:354).

Their second argument was that if a firm pursues more than one objective, apart from shareholder-value maximisation, this would create a potential for confusion and uncertainty in decision making (Sundaram & Inkpen, 2004a:354). Since there were several classes of stakeholder groups whose objectives may be in conflict with each other, the question of which stakeholder groups really mattered remained unanswered (2004a:354). It was “wishful thinking” for management to create a complex hierarchy of stakeholder groups and then address these groups’ multiple objectives according to each group’s perceived importance (2004a:354).

Their third argument was that stakeholder groups can become shareholders if they want to, but the reverse was not easy (Sundaram & Inkpen, 2004a:355). Stakeholder groups are concerned about potential abuses that may arise from pursuing shareholder-value maximisation, yet there was nothing to stop them from becoming shareholders (2004a:355). Bondholders are also stakeholders in the firm and may decide to buy the shares, fund managers managing the retirement pension for the local community may invest in the firm’s equity, and even employees are given share-ownership option plans (2004a:355).

Finally, from a legal perspective, shareholders have implicit contracts with the firm entitling them to a residual claim on cash flows, whereas stakeholders have explicit contracts with the firm (Sundaram & Inkpen, 2004a:355). These contractual interests of various stakeholder groups such as customers, communities, employees and suppliers are protected by contract law and by regulations, with no recourse for shareholders (2004a:355). The gap in the legal system does not protect shareholders’ contractual interests and so the board members are required by law to have fiduciary duties to shareholders (2004a:356).

Sundaram and Inkpen (2004a:359) voiced scepticism concerning the argument that the stakeholder approach leads firms to behave better or gain competitive advantage. While

acknowledging that stakeholders should not be ignored, shareholder-value management leads firms to make decisions that improve outcomes for multiple stakeholders. If management pursues fiduciary duties towards shareholders, then the moral and legal duties to stakeholders will also be fulfilled (2004a:359).

In defence of the stakeholder theory, Freeman, Wicks and Parmar (2004:364) pointed out that firms such as AES, eBay, Google, and J&J developed and ran their businesses, consistently, using the stakeholder approach to “create outstanding business.” Yet none of these firms had adopted profitability as their objective, and saw stakeholder relationships as being critical for their ongoing success (2004:364). The stakeholder theory was pro-shareholder; thus, creating value for stakeholders would create value for shareholders as well. By following the tenets of the stakeholder theory such as producing goods and services that customers want to buy, offering attractive employment, building relationships with suppliers, and being good corporate citizens, shareholder value would be created in the process (2004:366).

Shareholder theory proponents held the view that the stakeholder approach to a business discourages entrepreneurial risk-taking at the expense of shareholders, because of missed opportunity costs (Sundaram & Inkpen, 2004a:354). In reality, managers often work in conjunction with stakeholder groups such as customers and suppliers to test new products and services (Freeman et al., 2004:366). The inherent risk that comes with testing new ideas, programmes or products is often accepted by customers and suppliers (2004:366).

Another criticism of a firm pursuing shareholder value as a singular objective is that this made management complex and governance difficult (Freeman et al., 2004:366). Managers are often faced with a great deal of complexity and uncertainty which require more judgement than ever before (2004:367). For example, a manager would not have a clear understanding of how setting up a new plant in one country would affect the operation of existing plants in another country. Would hiring a new HR director affect the firm’s share price and if so, how? (2004:367). However, if the multiple stakeholder interests are seen as interwoven, managers will be able to proceed in the right direction. If these relationships are well managed then shareholders too would reap the benefits (2004:367). Also, if managers pursued a singular objective by focussing on shareholders, this would give rise to the perception of not being morally responsible. Managers could also be led to rationalise questionable practices at the expense of stakeholders. As such, there was no moral ground for business to claim to be making money for the shareholders’ sake (2004:367).

A study by the consultancy firm Grant Thornton showed that the number of firms wanting to go public on stock exchanges in the US during the period 1997 to 2009 declined by a substantial 52.8% adjusted for GDP growth. Instead, firms preferred to be sold through private equity deals (Weild & Kim, 2009:4). This was the result of an array of regulatory changes that firms had to comply with in order to go public (2009:4). Those changes came into effect as a response to the scandals at Enron and Worldcom, where management was obsessed with driving up share prices and consequently pursuing shareholder-value capitalism (Denning, 2013).

A study of shareholder returns from investing in the S&P 500 showed that investors enjoyed CAGR of 7.5% between 1933 and 1976. After 1976 and until 2011, when Jensen and Meckling's principal-agent theory was gaining popularity, CAGR returns on the S&P 500 dropped to 6.5% (Martin, 2010:59). This showed that shareholder-value capitalism was actually destroying a firm's value in the long run. Firms needed to refocus on customers and move away from preoccupation with shareholder value. If customers were taken care of, then shareholders would benefit too, although the reverse was simply not true (Martin, 2010:59).

Perhaps Lynn Stout has been the strongest critic of firms pursuing shareholder wealth maximisation. In her book, Stout (2012:3) deconstructs the shareholder-value notion deeming it akin to mythology and then proving it to be one of the weakest ideologies of modern times. Stout (2012:19) points out that the pursuit of shareholder value had cemented itself in the last thirty years as "a simple, easy-to-understand" objective for firms which "also appealed to the popular press and the business media." It was the collapse of Enron in 2001, caused by a massive accounting fraud and poor management, which finally led a number of leading scholars, researchers and experts to believe that shareholder value was at its pinnacle and declining (2012:23).

At first, Stout (2012:24) demystifies the link between corporate law and shareholder primacy. While experts in various fields of law, finance, and management believed shareholder value to be the *defacto* objective, American corporate law did not explicitly endorse this statement and indeed, it was a fable (2012:25). On the contrary, American corporate law stipulates that management discharge its duties "in good faith and in the best interests of the corporation" (Clarke, 2013:17). This common-sense view was hijacked and replaced by a narrow and constricting shareholder-value approach (2013:17).

Stout (2012:33) then moves on to demystify the link between corporate economics and shareholder primacy. This link was established by the economists Friedman, and Jensen and

Meckling, who endorsed it in the 1970s (2012:34). The first mistaken assumption that economists make is that shareholders own corporations; however, corporations are legal entities which have independent ownership. Stockholders only own shares of the firm and have limited rights, as is the case for bondholders, employees or suppliers (2012:37-38). The second mistaken assumption is that shareholders are the only residual claimants. This notion has its roots in bankruptcy law. However, in insolvency cases, courts have often placed creditors as residual claimants, which is the same status as shareholders and displaying similar rights (2012:38-41). The third mistaken assumption is that shareholders are principals, and the board of directors is their agent. However, the board of directors is incorporated when a firm is formed and has indirect influence through voting rights, with limited influence over a firm's daily operations. In contrast to the board, shareholders cannot appoint the CEO, mandate dividend payments, stop the squandering of revenues by the management, or buy or sell assets. Therefore, shareholders who are considered to be principals of the firm have no direct impact or control over it, and directors of the firm who are agents are free to pursue charitable means which is in contrast to the shareholder-value interests (2012:42-44).

After criticising the shareholder-value notion from the legal and economic perspectives, Stout (2012:47) examines how empirical evidence was lacking in its favour. Research on the issue of shareholder primacy yields few results to prove that it actually works. Indeed, various empirical studies of firms that adopted shareholder primacy reforms had confused and contradicting results (2012:49).

Clarke (2013:16) criticised the tenets of Jensen and Meckling's agency theory that had long been used to promulgate shareholder primacy. The tenets of agency theory were portrayed as eternal, universal, and unarguable, being misconstrued as an authentic legal justification on guiding directors in their duties. This incorrect interpretation often leads firms to pursue narrowing and damaging corporate objectives (2013:17). The agency theory was deeply flawed as it oversimplifies the complex decisions made in the real world, insists on a damaging single shareholder objective, ignores the fact that a firm has diverse interests, weakens firms and economies, and achieves the opposite of what it intended (2013:22). The international trend in which firms pursue CSR initiatives was a stark contradiction of shareholder theory, as those firms are perceived as more responsible by society, creating sustainable value for all (2013:34).

The criticism of the shareholder and stakeholder theories demonstrates that the debate on the objectives and accountability of a firm continues to be both important and controversial (Sundaram & Inkpen, 2004b:370).

## 2.7 Research purpose

The literature discussed in chapter two illustrates the existence of opposing and contrasting views of the firm's objective. The shareholder, stakeholder and customer-oriented theories show historical depth.

This literature review highlights that there is no clear consensus among finance researchers on the objective of a firm and the debate rages on. Therefore, much of the literature is inconclusive and indecisive on the objective of the firm.

Against this background, this study sets out to determine how the shareholder, stakeholder, customer-oriented theories of the firm are reflected in financial textbooks, and in the Mission, Vision, and Values statements of the JSE TOP40 firms in a South African context.

The study aims to answer the research question:

*Which of the three firm objective theories is reflected in financial textbooks commonly prescribed at South African business schools and in the MVV statements of the JSE TOP40 firms?*

## 3. Research Approach

### 3.1 Research question

The aim of choosing the appropriate method for analysing the firm objective statements extracted from financial textbooks, and from the MVV statements of the JSE TOP40 firms is to be able to answer the following research question:

*Which of the three firm objective theories is reflected in financial textbooks commonly prescribed at South African business schools and in the MVV statements of the JSE TOP40 firms?*

### 3.2 Data

Both local and international editions of financial textbooks were used to collect data. The recommended readings for the various finance courses offered by South African business schools were referred to in this study, as these list such textbooks.

Popular corporate finance and financial management textbooks written by prominent authors were then selected, based on the following criteria:

- A sample size of at least 20 textbooks.
- Recommended by leading business schools as a course textbook.
- Editions published no earlier than 2010, to accommodate any change in the author's view following the events of the GFC.
- Having a diverse geographic spread to reflect global opinion.

For each of these selected textbooks, sentences and/or paragraphs defining the purpose of a firm were sought and collected. In most textbooks, this information was found in the first chapter. The data obtained from each financial textbook was saved in separate Microsoft Word files.

An example of the objective of the firm, as described in one of the financial textbooks used in the data is given below:

*“The premise of this book is that the appropriate goal of the management of any corporation, including a multinational corporation, is to maximize shareholder wealth. The management of a corporation maximizes shareholder wealth by making investments in projects whose returns are sufficiently large to compensate its shareholders, through dividends and capital gains, for the risk involved in the projects.”*

Source: International Financial Management, Geert Bekaert and Robert Hodrick, 2012, 2e

Table 1, below, highlights the distribution of financial textbook data used, sorted by title:

<b>Title</b>	<b>Count</b>	<b>Percentage</b>
Having "Corporate Finance"	8	40%
Having "Financial Management"	10	50%
Other	2	10%
<b>Total</b>	<b>20</b>	<b>100%</b>

Table 1 - Financial textbooks by title

Table 2, below, highlights the distribution of financial textbook data used, sorted by country published:

<b>Published</b>	<b>Count</b>	<b>Percentage</b>
United States	12	60%
United Kingdom	2	10%
South Africa	4	20%
Singapore	1	5%
Netherlands	1	5%
<b>Total</b>	<b>20</b>	<b>100%</b>

Table 2 - Financial textbooks by country published

Table 3, below, highlights the distribution of financial textbook data used, sorted by year:

<b>Year</b>	<b>Count</b>	<b>Percentage</b>
2015	2	10%
2014	8	40%
2013	2	10%
2012	4	20%
2011	3	15%
2010	1	5%
<b>Total</b>	20	100%

Table 3 - Financial textbooks by year

The JSE TOP40 firms are the forty largest companies on the stock exchange by market capitalisation. For the JSE TOP40 firms' data, all the MVV statements were chosen as at 30<sup>th</sup> April 2015.

With nearly 85% of total market capitalisation, the JSE TOP40 index gives a good representation of the whole stock exchange.

<b>Index</b>	<b>Total Market Cap (R)</b>	<b>Percentage</b>
TOP40	10,189,590,769,664.00	84.52%
JALSH	12,055,713,041,408.00	100.00%
Source: Bloomberg, 30-Apr-2015		

Table 4 - JSE total market capitalisation

For each of the JSE TOP40 firms, their Mission, Vision, Values and Strategy statements were noted. These data were saved in separate Microsoft Word files in order to expedite a better analysis of each firm's objective.

- Mission – The purpose of the firm. Why it exists, what it wants to do best.
- Vision – What the firm wishes to accomplish, or set, or reach a milestone.
- Values – What the firm adheres to closely and feels strongly about.
- Strategy – The plan the firm has developed towards achieving its goals.

The Strategy statement was used for those firms that did not have a Mission, Vision or Values statement.

The JSE TOP40 firms were analysed further to identify any patterns regarding the firms' objectives. The MSCI- and S&P-developed GICS Sector grouping were used for this analysis. The firms were examined on a Sector basis to determine whether there was any observable preference for either a shareholder, stakeholder or customer-oriented objective within that specific Sector.

An example of a Mission statement of one of the JSE TOP firms:

*“Our core purpose at Discovery is to enhance and protect people’s lives and with that comes a responsibility to act to the benefit of our society as a whole.”*

Source: Discovery Ltd

An example of a Vision statement from one of the JSE TOP40 firms:

*“To lead the delivery of a bold, new Digital World to our customers.”*

Source: MTN Group Ltd

An example of a Value statement from of one of the JSE TOP40 firms:

*“Distinctive performance  
Client focus  
Cast-iron integrity  
Dedicated partnership”*

Source: Investec

The MVV statements for each of the JSE TOP40 firms were obtained from various sources including their corporate websites, integrated reports, and sustainability reports. This approach was similar to the one adopted by Morison and Ramsay (2014:441) in their analysis of the top 100 firms listed on the ASX.

Table 5, below, shows the sources of the data for each of the JSE TOP40 firms, as at 30<sup>th</sup> April 2015:

<b>JSE TOP40</b>	<b>Website</b>	<b>Financial Report</b>	<b>Sustainability Report</b>	<b>Other</b>
1 Anglo American PLC	√	√	√	
2 Anglo American Platinum Ltd	√	√		
3 AngloGold Ashanti Ltd	√	√	√	
4 Aspen Pharmacare Holdings Ltd		√	√	√
5 Barclays Africa Group Ltd	√	√		√
6 BHP Billiton PLC	√	√	√	
7 British American Tobacco PLC	√	√		
8 Bidvest Group Ltd	√	√		
9 Capital & Counties Properties PLC	√	√		
10 Cie Financière Richemont SA	√			√
11 Discovery Ltd	√		√	
12 FirstRand Ltd	√	√		
13 Growthpoint Properties Ltd	√	√		
14 Impala Platinum Holdings Ltd	√	√	√	
15 Investec Ltd	√	√	√	√
16 Imperial Holdings Ltd	√	√		
17 Intu Properties PLC	√			
18 Kumba Iron Ore Ltd	√	√	√	
19 Life Healthcare Group Holdings Ltd	√	√		
20 Mediaclinic International Ltd	√	√		
21 Mondi Ltd	√	√	√	
22 Mr Price Group Ltd	√	√		
23 MTN Group Ltd	√	√	√	
24 Nedbank Group Ltd	√	√		
25 Naspers Ltd	√	√		
26 Netcare Ltd	√	√		
27 Old Mutual PLC	√	√		
28 Reinet Investments SCA	√	√		
29 Remgro Ltd	√	√	√	
30 RMB Holdings Ltd		√		
31 Rand Merchant Insurance Holdings Ltd		√		
32 SABMiller PLC		√		
33 Standard Bank Group Ltd		√	√	
34 Steinhoff International Holdings Ltd	√	√		
35 Shoprite Holdings Ltd	√	√		
36 Sanlam Ltd	√	√	√	
37 Sasol Ltd	√	√	√	
38 Tiger Brands Ltd	√	√		
39 Vodacom Group Ltd	√	√		
40 Woolworths Holdings Ltd/SA	√	√	√	
<b>Count</b>	<b>35</b>	<b>37</b>	<b>15</b>	<b>4</b>

Table 5 - Data sources for JSE TOP40 MVV statements

The category “other” in Table 5 included sources such as corporate brochures, profiles, interim results and CSR reports.

Some data limitations were encountered. For example, some firms either did not have or did not state their Mission, Vision or Values statements. In these instances, the firm’s Strategy statement was used for analysis purposes, in conjunction with any remaining MVV statements for that firm. This approach was intended to obtain as much information as possible to ascertain the objective pursued by the particular firm.

Of the JSE TOP40 firms, Bidvest Group Ltd, and Imperial Holdings Ltd did not have either a mission or a vision statement. The firms confirmed this by email and indicated they did not make such statements because of the diverse nature of their businesses. Therefore, these two organisations were analysed using their value and strategy statements.

### 3.3 Method

The research data collected from both the financial textbooks and from the JSE TOP40 firms is largely descriptive in nature and of varied context. Given this large set of textual data sets that needed to be analysed, a qualitative analysis approach was deemed best as it provided for astute pattern recognition (Patton, 1999:1191). It is accepted that qualitative analysis methods aid in distinctively identifying patterns in variables, and this helps in describing data in order to obtain meaningful explanations (Sofaer, 1999:1102). This study therefore adopted qualitative analysis as the appropriate method.

NVivo is used as the qualitative analysis software in this study. Computer assisted qualitative analysis using NVivo aids in searching for an accurate and transparent picture of the data, while providing an audit trail of the data analysis processes used (Welsh, 2002:1). Nvivo is relatively simple to use, and allows documents containing data to be imported directly into the software and viewed on screen (Welsh, 2002:3).

The practical benefit of using NVivo was that it was developed by researchers using extensive feedback (Bazeley & Jackson, 2013:2). This software supports researchers in various ways by helping to manage data, manage ideas, query data, visualise data and generate reports (Bazeley & Jackson, 2013:3). Nvivo 10 was used as the appropriate qualitative analysis tool for this research.

Nvivo enables qualitative analysis by gathering input data or material under themes which are termed ‘coding,’ and it stores this information in containers termed ‘nodes.’ In order to conduct

a meaningful qualitative analysis, the data from the financial textbooks and JSE TOP40 firms first had to be coded and placed into nodes. This data organisation process is the initial step of analysis in qualitative research (Miller, 2000:54). By coding tagged text, themes could later be identified in the text, and it could be indexed, to facilitate later retrieval (Bazeley & Jackson, 2013:3). After this process, the findings can be visualised by running queries and generating reports.

The three themes for which the data sets obtained from financial textbook and JSE TOP40 firms would be analysed were: shareholder objective, stakeholder objective and customer-oriented objective of the firm.

The data from the twenty financial textbooks were saved in twenty Word files, and data from the MVV statements of the JSE TOP40 firms were saved in forty Word files; these were duly imported into NVivo.

Six nodes were created, of which three were for analysing the firm objective as described in financial textbooks falling under each theme, and three for analysing the firm objective pursued by JSE TOP40 firms falling under each theme. As a result, coded data could be categorised under its respective node, in order to determine precisely what financial textbooks advocate and also what JSE TOP40 firms pursue as their firm objective.

The nodes created for each of the six categories were: (1) Textbooks - shareholder objective; (2) Textbooks - stakeholder objective; (3) Textbooks - customer objective, (4) TOP40 - shareholder objective; (5) TOP40 - stakeholder objective; and, (6) TOP40 - customer objective.

Two qualitative analysis techniques were used in NVivo to analyse data from the financial textbooks and JSE TOP40 firms: these were the word frequency and coding queries. At first, the data sets were subjected to a word frequency query analysis and the findings tabulated; this was followed by a coding query analysis, after which the findings were visualised.

In a word frequency query, the system analyses all data sets automatically and produces a list of most-frequently found words based on their count and weighted percentage. This helps to identify words which are prominent in the data sets, and the results then can be used to assess which firm objective theme was dominant in the findings, in respect of the financial textbooks and JSE TOP40 firms.

In a coding query, data are coded using user-defined parameters and are placed to nodes to analyse the data sets. These parameters are phrases selected by the user by going through the text and manually coding respectively in NVivo.

The difference between the word frequency and coding queries is that the former ascertains the coverage of each firm objective in the data sets with reference to the weighted distribution of keywords, while the latter precisely identifies what each financial textbook advocates as the objective of the firm, and what each JSE TOP40 firm pursues as its objective.

This dual analysis approach, using the same data sets, was applied to ensure verification and integrity of the findings. The reasoning was that in the analysis of the data from the financial textbooks and JSE TOP40 firms, in NVivo, the findings of both the word frequency and coding queries would match or closely mirror each other.

In the word frequency query in NVivo, data from financial textbooks and JSE TOP40 firms, containing references to shareholder, stakeholder or customer-oriented objective of the firm, were analysed using the parameters set in Table 6.

<b>Objective</b>	<b>Keywords</b>
Shareholder	shareholder, generating profit, wealth maximisation, capital growth, enriching investor, value maximisation, shareholder value, income, share price, profit maximisation.
Stakeholder	stakeholder, employee, supplier, buyer, communities, society, admired, partners, environment.
Customer-oriented	customer, consumer, best firm, service, innovation, market leader, quality, specialist, excellence.

Table 6 - Word frequency query keywords by firm objective

The word frequency query searched all data and compiled a list of most-frequently used words, based on weighted percentage. This was done to complement the findings of the coding query and to ascertain the coverage of keywords by each objective represented in data from financial textbooks and JSE TOP40 firms. Two word frequency queries were created to analyse data sets from both the financial textbooks and JSE TOP40.

The word matching tolerance level was set at ‘75% to exact’ to find words similar to the keywords. This tolerance ensures that similar words such as shareholder and shareholders are counted. The word frequency search count was set at 100 words, from a default setting of 1000 words. The top 100 words in terms of frequency were duly identified and their weighted percentage calculated; afterwards, the keywords falling under each objective were identified, grouped together and their weightage summed.

Thus, for the top 100 words in terms of frequency, the keywords that adhere to a shareholder theory of a firm are lumped together and summed to arrive at the total weighted percentage. This is similarly repeated for keywords that adhere to stakeholder theory and customer-oriented theory respectively. To produce the total coverage of each firm objective as found in financial textbooks and in the JSE TOP40 firms.

In the coding query, data from the financial textbooks and JSE TOP40 firms, containing references to shareholder, stakeholder, or customer-oriented objective of the firm, were coded under their respective nodes using the parameters set in Table 7.

<b>Objective</b>	<b>Phrases</b>
Shareholder	Containing explicit mention of increasing shareholder wealth, or pursuing value maximisation.
Stakeholder	Containing explicit mention of pursuing stakeholders’ interests.
Customer-oriented	Containing explicit mention of being customer- or consumer- oriented, providing best service, or being a leader in its class.

Table 7 - Coding query phrases by firm objective

The user performed the coding process by manually selecting text referring to a shareholder, stakeholder or customer-oriented objective of the firm and then placing this text in its respective node.

The following example illustrates the coding of the shareholder objective in financial textbook data. The highlighted text was coded to the node Textbooks – shareholder objective:

*“Those who manage the activities of the firm are responsible for generating income for those that own the firm. Thus, there is no chance for a disconnect between benefits and those who benefit.”*

Source: Applied Corporate Finance, Mark Pyles, 2014

The example, below, illustrates the coding of the stakeholder objective in the JSE TOP40 firm data. The highlighted text was coded to the node TOP40 – stakeholder objective:

*“To be the leading South African property company, consistently delivering superior value to all stakeholders, driven by our passion for property and our commitment to our core values.”*

Source: Growthpoint Properties Ltd

The following example illustrates the coding of the customer-oriented objective in the JSE TOP40 firm data. The highlighted text was coded to the node TOP40 – customer objective:

*“We have a clear mission, to create the best shopping centre experience possible for our customers.”*

Source: Intu Properties PLC

Coding query reports were generated for all six nodes, and were visualised and exported using the procedures described above. The visualised coding findings, by node, show whether each financial textbook or JSE TOP40 firm advocated or pursued the shareholder, stakeholder or customer-objective theory of a firm.

In some instances, the description in the financial textbooks and the JSE TOP40 firms’ documentation was unclear and needed clarification in order to interpret the objective of the firm. In those instances the following guidelines were used to obtain clarity:

If a financial textbook or a JSE TOP40 firm described the firm objective as being to serve its shareholders and stakeholders then this statement was considered to pursue a stakeholder theory of the firm, as it encompasses shareholders.

If a financial textbook or a JSE TOP40 firm described the firm objective as being to serve its customers and stakeholders then this statement was considered to pursue a stakeholder theory of the firm, as it encompasses customers.

If a financial textbook or a JSE TOP40 firm described the firm objective as being to serve its shareholders, stakeholders, and customers then this statement was considered to pursue a stakeholder theory of the firm, as it encompasses both shareholders and customers.

## 4. Findings

### 4.1 Financial textbooks

The word frequency query analysed the count and weightage of the most-frequently used and relevant words, found in the financial textbooks data. The top 100 words for the financial textbooks data is given in Appendix A. Those top 100 words were then filtered by selecting and organising the keywords in terms of the firm objective (see Table 6).

The count and weighted percentage of these filtered keywords, grouped by firm objective for financial textbooks, are tabulated below:

Shareholder objective			Stakeholder objective			Customer-oriented objective		
Keywords	Count	Weighted (%)	Keywords	Count	Weighted (%)	Keywords	Count	Weighted (%)
maximize	19	11.45	stakeholders	2	1.2	better	2	1.2
wealth	19	11.44				best	1	0.6
shareholder	18	10.84						
value	15	9.04						
share	7	4.22						
owners	5	3.01						
stockholder	5	3.01						
investors	4	2.41						
price	3	1.81						
profit	2	1.2						
stock	2	1.2						
income	1	0.6						
rich	1	0.6						
<b>Total %</b>		<b>60.83</b>			<b>1.2</b>			<b>1.8</b>

Table 8 - Word frequency keywords grouped by objective for financial textbooks data

The findings presented in Table 8 indicate that the weighted keywords applicable to the shareholder objective sum at 60.83%: this finding shows that the shareholder objective

dominates the financial textbooks. The weighted keywords for the stakeholder objective sum at 1.2%, while the weighted keywords for the customer-oriented objective sum at 1.8%.

The coding query identified which financial textbooks advocated for a shareholder, stakeholder, or customer-oriented objective of the firm. This became apparent by visualising the coding query report by node: thus, each coding report by node listed the financial textbooks that fell under that specific node. The coding query finding for all financial textbooks data is given in Appendix B.

The following financial textbooks were found to advocate for a shareholder objective of the firm, as visualised in NVivo:

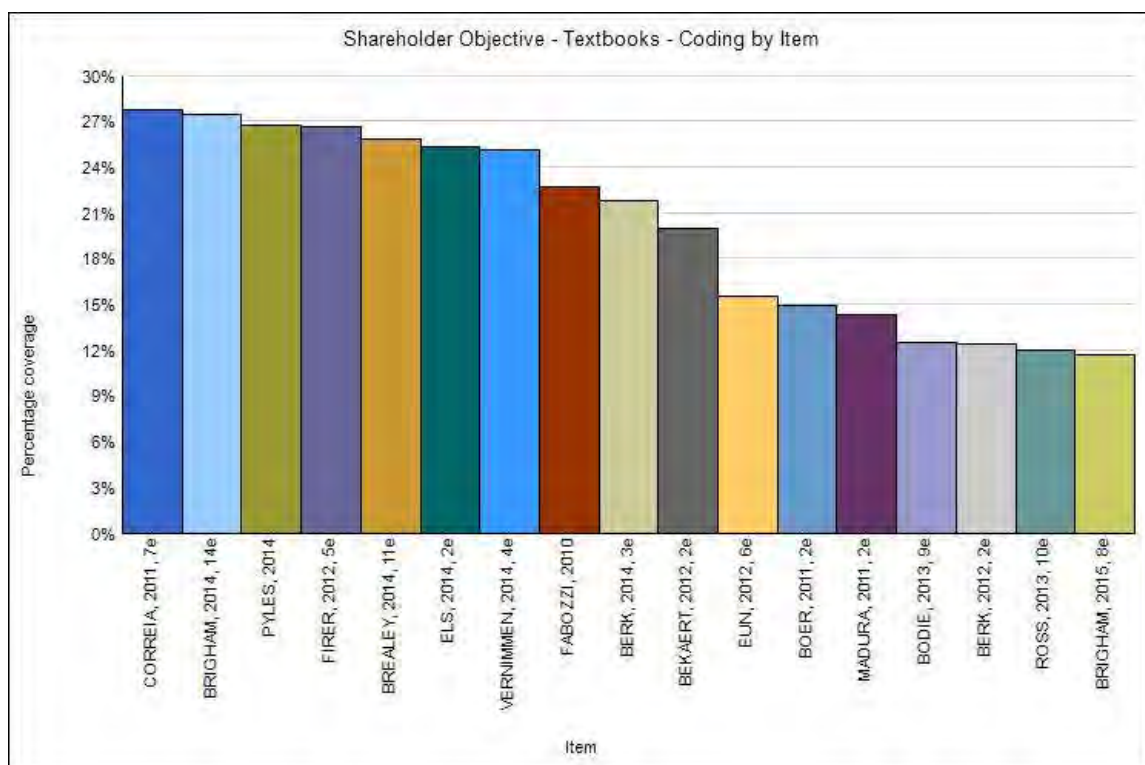


Figure 1 - Financial textbooks finding by shareholder objective

Financial textbooks: Shapiro, 2014, 2e and Chang 2015 were found to advocate for a stakeholder objective of the firm. Whereas, textbook: Fouche 2014 was found to advocate for a customer-oriented objective of the firm.

A graphical representation of the findings in respect of financial textbooks is presented below:

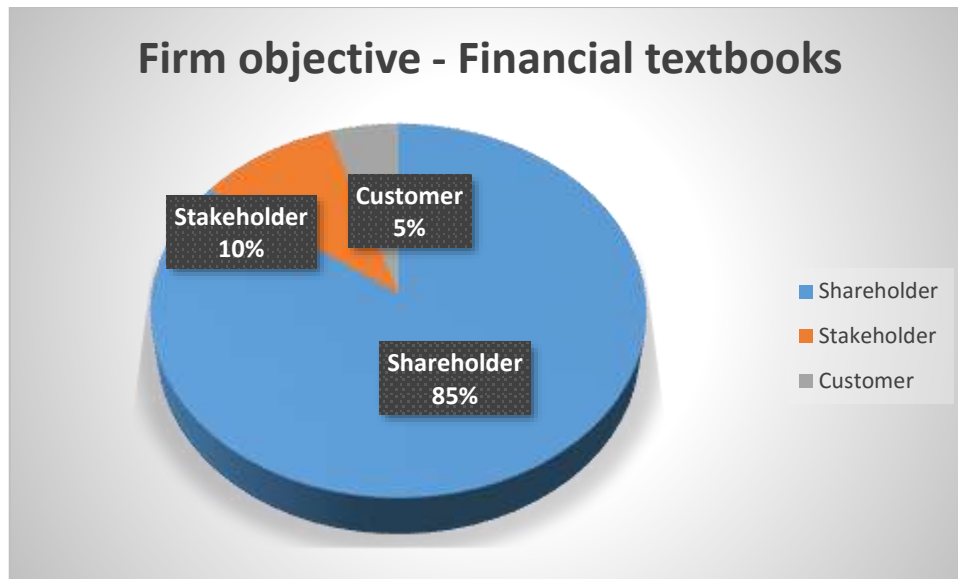


Figure 2 - The firm objective in financial textbooks

Using the coding query, the overall finding in respect of financial textbooks was that seventeen financial textbooks (85%) advocated for a shareholder objective, two (10%) advocated for a stakeholder objective, and one (5%) advocated for a customer-oriented objective of the firm.

Therefore, both the word frequency and coding and queries analysis of the financial textbooks data shows that a large majority of those textbooks advocate for the shareholder objective as being the primary objective of the firm. Only two advocated the stakeholder objective and only one the customer-oriented objective.

#### 4.2 JSE TOP40 firms

An analysis was conducted in which the first step was to determine the frequency and weightage of keywords pertaining to the shareholder, stakeholder, and customer-oriented objectives of the JSE TOP40 firms, as reflected in their MVV statements. The findings for the top 100 words in respect of those JSE TOP40 firms are listed in Appendix C.

When those top 100 words had been identified from the JSE TOP40 firms' data, they were filtered by selecting and organising the keywords in terms of the firm objective (see Table 6). The most frequent word was found to be 'value' with a count of 20, but this was omitted from the filtered word query finding for the JSE TOP40 firms; the reason was that the term 'value' is ambiguous on its own, and can refer to instances of either creating value for shareholders, stakeholders, or customers.

The count and weighted percentage of these filtered keywords, grouped by objective for the JSE TOP40 firms, are tabulated below:

Shareholder objective			Stakeholder objective			Customer-oriented objective		
Keywords	Count	Weighted (%)	Keywords	Count	Weighted (%)	Keywords	Count	Weighted (%)
shareholders	14	4.83	stakeholders	15	5.17	customers	11	3.79
returns	5	1.72	sustainable	4	1.38	best	7	2.41
superior	5	1.72	brands	3	1.03	client	4	1.38
capital	2	0.69	communities	3	1.03	consumer	4	1.38
investing	2	0.69	admired	2	0.69	experience	4	1.38
wealth	2	0.69	employees	2	0.69	leader	3	1.03
investors	1	0.34	partners	2	0.69	leading	3	1.03
			society	2	0.69	quality	2	0.69
			colleagues	1	0.34	service	2	0.69
			environments	1	0.34	excellence	1	0.34
<b>Total %</b>		<b>10.68</b>			<b>12.05</b>			<b>14.12</b>

Table 9 - Word frequency keywords grouped by objective for JSE TOP40 firms' data

The sum of the weighted percentage of keywords, grouped by objective and using the word frequency query, indicates that the shareholder, stakeholder and customer-oriented objectives for the JSE TOP40 firms are 10.68%, 12.05%, and 14.12% respectively.

The coding query then was applied to identify which of the JSE TOP40 firms pursued a shareholder, stakeholder, or customer-oriented objective of the firm. Thus, the coding reports were visualised by node and those coding reports listed those JSE TOP40 firms that fell under its node. The coding query finding in respect of the data for all JSE TOP40 firms is given in Appendix D.

The following JSE TOP40 firms were found to pursue a shareholder objective of the firm, as visualised in NVivo:

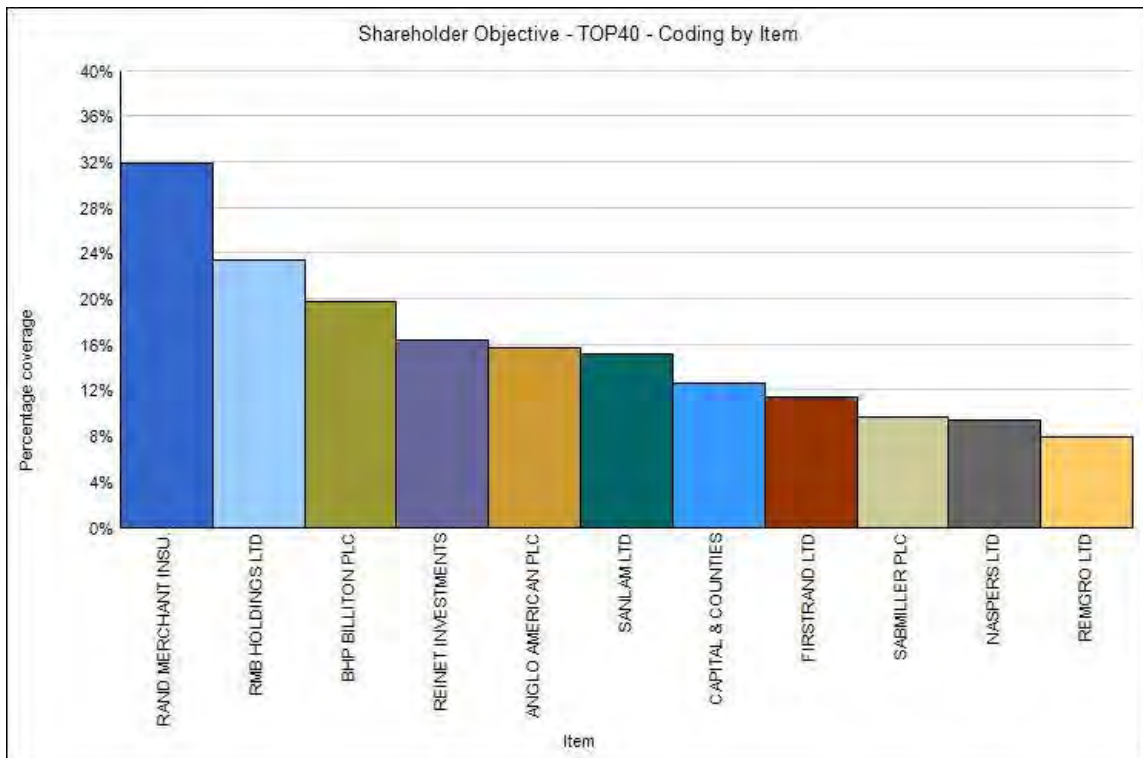


Figure 3 - JSE TOP40 firms finding by shareholder objective

The following JSE TOP40 firms were found to pursue a stakeholder objective of the firm, as visualised in NVivo:

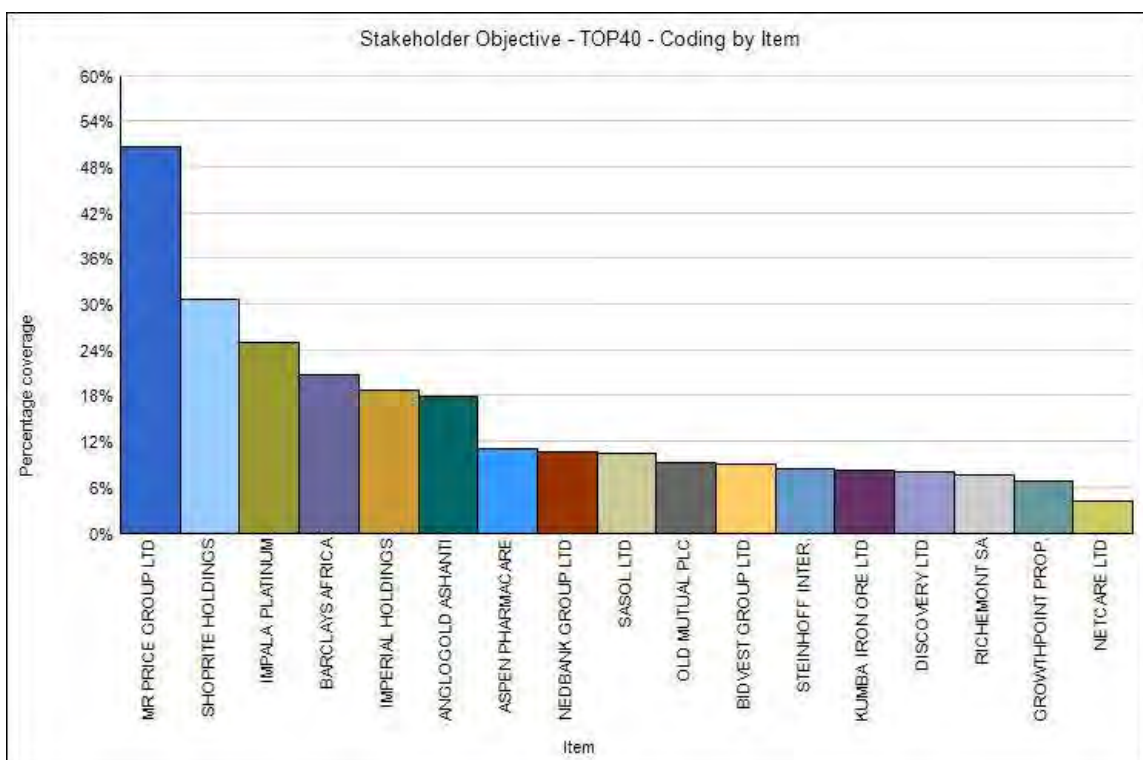


Figure 4 - JSE TOP40 firms finding by stakeholder objective

The following JSE TOP40 firms were found to pursue a customer-oriented objective of the firm, as visualised in NVivo:

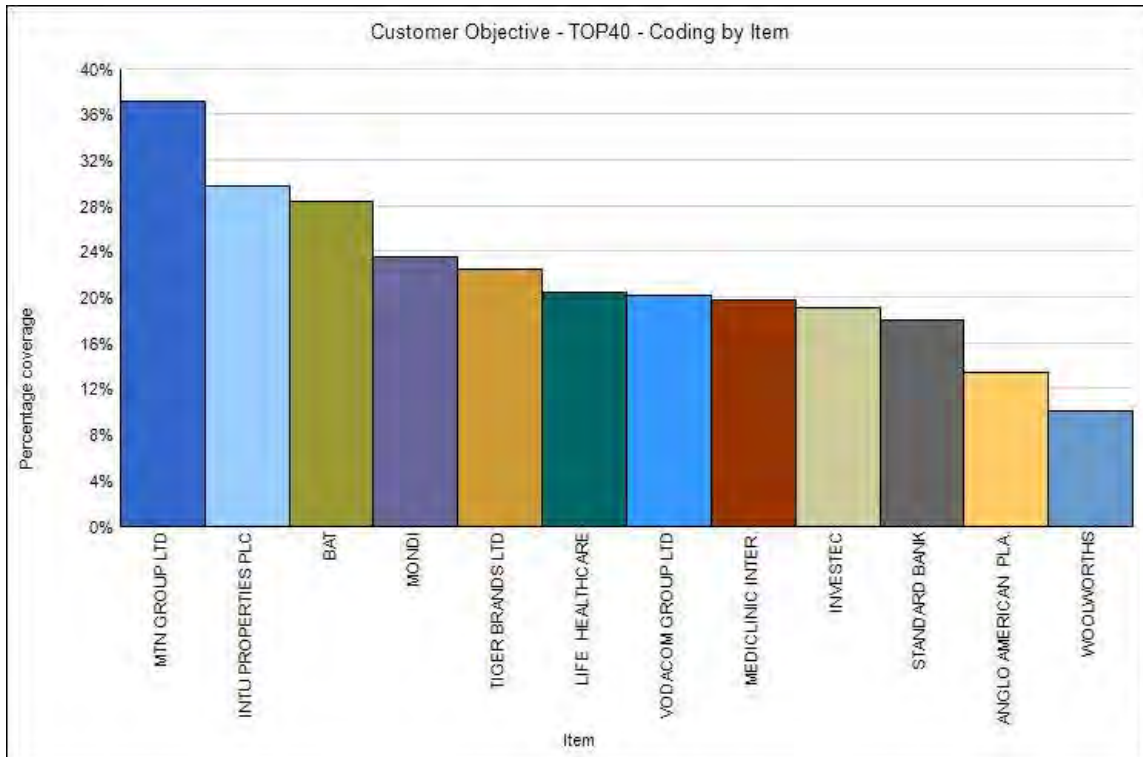


Figure 5 - JSE TOP40 firms finding by customer-oriented objective

A graphical representation of the findings in respect of the JSE TOP40 firms is presented below:

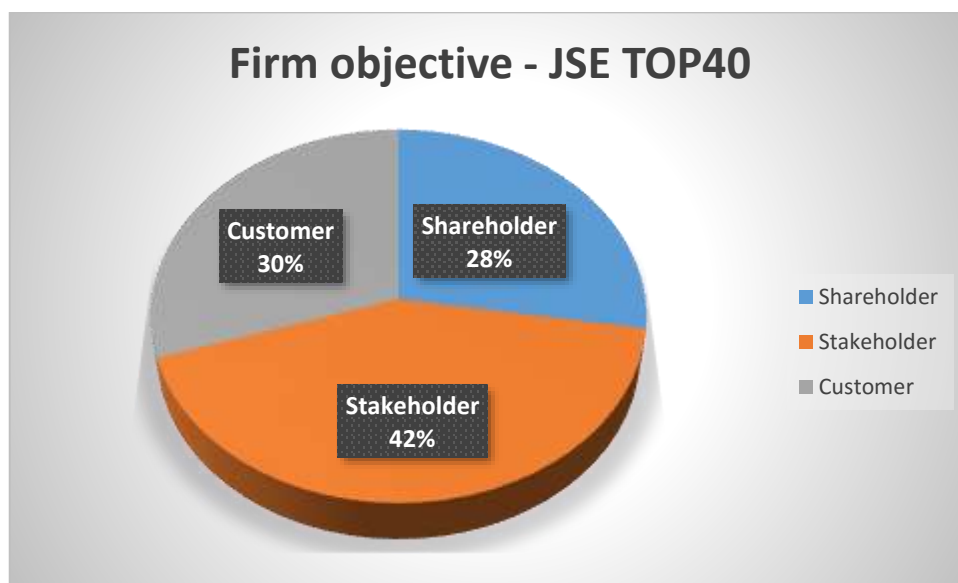


Figure 6 - The firm objective in the JSE TOP40

Applying the coding query to the JSE TOP40 firms showed that eleven firms (28%) pursue the shareholder objective, seventeen firms (42%) pursue the stakeholder objective, and twelve firms (30%) pursue a customer-oriented objective.

This finding shows that no single firm objective theory is dominant, although it should perhaps be noted that nearly half of the firms pursue a stakeholder objective. Thus, the shareholder, stakeholder, and customer-oriented objectives are well-represented across the JSE TOP40 index.

The findings of both the word frequency and coding queries indicate that the firm objective debate is evenly represented in the JSE TOP40. It should be noted that in the word frequency query, the shareholder, stakeholder and customer-oriented objectives were equally represented; however, in the coding query the stakeholder objective was more prominent. This was because keywords alone in context cannot define an objective of the firm; in contrast the word frequency query finding mimics closely the coding query finding for JSE TOP40 firms.

The JSE TOP40 firm findings were then categorised in terms of their GICS Sector. The aim was to determine whether all or most firms in a particular sector, have any observable preference towards a shareholder, stakeholder or customer-oriented objective of the firm. The findings of the JSE TOP40 firms' objective by sector are given in Appendix E.

In this Sector analysis, the Energy and Industrial sectors were excluded as they had one firm each in the sample. It was found that firms in the Consumer Staples, Health Care, and Materials sectors showed no preference towards a particular objective.

However, firms in the Financials sector lean heavily towards pursuing a shareholder objective. In the Consumer Discretionary sector, firms show preference for a stakeholder objective while in the Telecommunication Services sector, firms pursued a customer-oriented objective.

### 4.3 Summary

In the case of the data retrieved from financial textbooks, the coding query finding was that out of the twenty textbooks in the sample, seventeen advocated for a shareholder objective (85%), two advocated for a stakeholder objective (10%), and only one for a customer-oriented objective (5%) of the firm. This was supported by the finding from the word frequency query that indicated that the shareholder objective had a 60.8% representation; in contrast the stakeholder and customer-oriented objectives had very much smaller representation at 1.2% and 1.8% respectively.

In the case of data pertaining to the JSE TOP40 firms, the coding query finding found that seventeen firms pursued a stakeholder objective (42%), twelve firms pursued a customer-oriented objective (30%), and eleven firms pursued a shareholder objective (28%). This was supported by the finding from the word frequency query; here the shareholder, stakeholder and customer-oriented objectives were found to have equal representation at 10.68%, 12.05%, and 14.12% respectively.

The analysis of the JSE TOP40 firms by sector showed that for most sectors, no identifiable preference was evident for a shareholder, stakeholder or customer-oriented objective. This lack of preference was because the firms within a particular sector all pursued different objectives. As indicated above, the Energy and Industrial sectors were excluded as they had one firm each in the sample.

However, some sectors did indicate an identifiable preference. Thus, the Financials sector firms lean heavily towards a shareholder objective, while the Consumer Discretionary sector firms show preference for pursuing a stakeholder objective, while the Telecommunication Services sector firms pursue a customer-oriented objective.

## 5. Discussion

In order to answer the research question, it should first be noted that the firm objective debate is better reflected in the MVV statements of the JSE TOP40 firms, than in financial textbooks. Thus, the analysis of data obtained from the financial textbooks indicated that the shareholder objective is the primary one for the firm.

The literature review indicates that financial researchers have contributed to a wide body of knowledge on the different theories on the objective of a firm. That review showed the diversity of the debate on firm objectives; however this diversity does not fully reflect in the findings from the financial textbooks analysis although it does for the JSE TOP40 firms.

Thus, the findings of the financial textbooks analysis presented a dominant support for the shareholder theory with very little endorsement of the stakeholders and customer-oriented objectives of the firm. The financial textbooks also did not discuss or validate why the shareholder objective was appropriate for firms to pursue, nor they did make any reference to any financial research to back this claim. In fact, financial textbooks contained little or no original reference to research views (Norgaard, 1981:34). They have placed the shareholder objective notion of the firm as given, for students to accept.

Only two financial textbooks in the sample make a reference to a stakeholder objective of the firm, and only one refers to a customer-oriented objective of the firm. The remaining seventeen financial textbooks advocated for a shareholder objective. This highlights the gap that financial textbooks need to bridge, in order to make an instructive discussion on the objective of the firm; the textbooks also need to present the historical as well as the newer theories. The merits and demerits of each view of the firm should be presented for the students' benefit, to enable them to think broadly. This broad overview would have made students aware that the objective of a firm is the focus of an ongoing, evolving debate. They would be better equipped during the transition from the business school environment to the corporate world. However, the textbooks do not do so, and so the students face a knowledge gap.

The great emphasis on advocating the shareholder objective in financial textbooks shows a disconnection from corporate practices in two ways: (1) financial textbooks dominantly present shareholder value as the firm objective, whereas JSE TOP40 firms equally embrace the shareholder, stakeholder, and customer-oriented objectives and, (2) in contrast to the findings

from the financial textbooks, the shareholder objective was least pursued in the JSE TOP40 firms.

The financial textbooks in the data sample were published across the globe and recent editions. Yet the logic of shareholder-value maximisation was taken to be so obvious in the field of finance, that textbooks just asserted it without providing supporting arguments (Sundaram & Inkpen, 2004a:350). Any deviation from this objective was seen as an agency problem where there was a failure to separate ownership and control in the firm (2004:350). The purpose of the firm to pursue the shareholder-value maximisation objective was usually used as one of the ground rules for teaching in business schools (Fontrodona & Sison, 2006:39). Students were taught that managers and employees need to be incentivised appropriately to be in line with the firm's goal of implementing the agency theory (2006:39).

A study was conducted by Ferguson, Collison, Power and Stevenson (2005:27) to analyse the content of 21 introductory textbooks covering the disciplines of financial accounting, managerial accounting, and financial management prescribed by twelve degree-granting institutes in Scotland. The study found that accounting education gave priority to the interests of shareholders, and neglected the interests of stakeholder groups in a firm. Shareholder objective sentiments were echoed in a similar analysis of thirteen introductory management accounting textbooks in New Zealand (2005:29).

This background indicates that students learning from the prescribed textbooks consider accounting decisions that lead to shareholder wealth maximisation to be appropriate; by doing so, they are being deprived of a broader vision to take into account various ethical considerations (Ferguson et al., 2005:41). Accounting educators need to resist this singular view presented by most accounting textbooks and should provide students alternative perspectives (2005:42). Since the fields of accounting and finance are intertwined, the shareholder objective views endorsed by financial and managerial accounting textbooks can reasonably be expected to be found in financial textbooks as well.

In contrast, the dynamics of the firm objective debate reflecting in JSE TOP40 firms are quite different from the situation in financial textbooks. For instance, the shareholder objective was found to be the least pursued by firms on the JSE TOP40 index and this can be attributed to both international and domestic factors.

Thus, the 2007-2008 GFC brought widespread mortgage defaults and had a critical impact on the US economy with a contagion effect being felt on economies around the world. A

favourable climate of weak monetary policies and low interest rates encouraged commercial banks and credit institutions to start lending money to subprime (riskier) borrowers (Obstfeld & Rogoff, 2009:25). These mortgages were collateralised and were sold to large financial institutions that accumulated huge holdings. Rising interest rates, and declining home prices due to excess supply, led to immense defaults by the subprime borrowers (2009:26). Lenders now held mortgage assets at a lower value than that acquired and could not dispose of them without incurring huge losses (2009:26).

The aftermath of the GFC resulted in the collapse of several notable firms, with Lehman Brothers and Northern Rock filing for bankruptcy. Prominent banks such as BNP Paribas, Barclays, UBS and RBS all wrote-off billions of dollars in losses from investments in collateralised subprime instruments (Crotty, 2009:568). Firms such as Bear Sterns, HBOS and Merrill Lynch were acquired by other institutions, Fannie Mae and Freddie Mac were put under US government control, while AIG and Citigroup were bailed out (2009:569).

The myth that firms were deemed too big to fail was shattered during the crisis. One of the findings regarding the root cause of the crisis was that shareholders put firms under sustained pressure to be highly aggressive and to focus on short-term profits (Avgouleas, 2009:43). This suggested that these firms were pursuing narrow shareholder interests which caused the global credit crunch. The consequence of this was that it led to major initiatives across the globe to undertake financial regulation reforms with far reaching effects on the future of global finance (Arner, 2009:92). The unfolding events in the US had a contagion effect on global economies including South Africa, with the JSE being significantly impacted as a result of the GFC (Majapa & Gossel, 2016:36).

Vast majority of the managers of the firms that went insolvent during the GFC and other Wall Street executives were influenced by business schools teaching that profit seeking was the ultimate objective for an individual and the firm (Giacalone & Wargo, 2009:149). This was influenced by Friedman's liberalism view which colonized the management-related discipline for over half a century, and mediated by University of Chicago (2009:150). The global financial meltdown was brought about "infact almost exclusively" by graduates from elite business schools who engineered Collateralized Debt Obligations (2009:159).

In the wake of the GFC, finance curricula was criticized for ignoring the ethics of human behaviour (Copp, 2012:41). Most finance textbooks and curricula had not addressed these developments for student benefit and would take a further eight years to catch up (2012:44).

Erkens, Hung and Matos (2012:389) conducted a study to provide empirical evidence on how corporate governance influenced the financial performance of firms during the GFC; they investigated 296 of the largest financial firms in the world spread across 30 countries. The findings of the study were: (1) firms with a relatively high institutional ownership took on more risk before the crisis and experienced larger shareholder losses during the period, and (2) firms with boards independent from the management were able to raise equity during the crisis, causing wealth to be transferred from shareholders to debtholders. Prior to the crisis, institutional shareholders and independent directors encouraged management to take on greater risk to increase shareholder returns, and did not factor-in the risks and costs of financial catastrophes (2012:340).

On the domestic front, in a post-apartheid South Africa, companies faced considerable pressure to address the income inequalities in society. This led the government to implement domestic policies such as Black Economic Empowerment which put pressure on firms to adhere to them (Gstraunthaler, 2010:146). Employment equity became a big issue for South African firms to focus on. Firms also had the burden of contributing to an equitable society through corporate governance measures, as this was seen as a tool to address social inequalities and enhance the legitimacy of business. Trade unions and their federations such as COSATU were not in favour of a strong focus on shareholders, and lobbied instead for more social distribution of wealth in society (2010:147). In the new South Africa, firms came under scrutiny for not doing enough to contribute towards the political goal of distribution of wealth in the country (2010:152). In South Africa, the pursuit of shareholder wealth maximisation appeared inconsistent with the nation's commitment to ensure that firms were part of a civil society (Sarra, 2004:21).

If we now turn to the discussion of the stakeholder objective, the results of this study showed a significant preference for this objective by firms on the JSE TOP40 index. This can be attributed to several domestic factors.

Thus, the regulatory authorities such as the Reserve Bank, the Registrar of Banks, the Financial Services Board, and the Registrar of Companies exercised control over firms, oversaw their corporate governance, and exercised the most important function of the "protection of the public and other stakeholders" (Rossouw, van der Watt & Malan, 2002:294).

In 1992, the King Committee was formed in order to recommend ways to strengthen the corporate governance of South African firms. In 1992, 2002 and 2009 the Committee published good corporate governance practices as guidance for the board of directors (Firer, Ross,

Westerfield & Jordan, 2012:11). These reports have come to be known as King I, II, and III. The evolution of these reports over time has helped to cement the alignment of both shareholders' and stakeholders' interests.

Rossouw et al. (2002:296) described the King Report as the most definitive document on corporate governance in South Africa. The main objective of the King Report was to promote the highest standard and an integrated approach to corporate governance in the interest of a wide range of stakeholders (Vaughn & Ryan, 2006:506).

The 1992, King I report recommended that a wider range of stakeholder interests should be considered by a firm as these relate to the fundamentals of good financial, social, ethical and environmental practices. The report noted that a firm cannot act independently from the broader society (Firer et al., 2012:12).

The 2002, King II report introduced firms to the concept of corporate citizenship, and examined the corporate governance function with respect to the effect of a company's actions on people, the planet and profits. Some of these recommendations were incorporated into the Companies Act 71 of 2008, as requirements for companies to be listed on the JSE. Both of these outcomes were significant achievements (Firer et al., 2012:12).

The 2012, King III report emphasised the need for firms to have an integrated sustainability report apart from the normal financial reporting aimed at all business entities. This was a voluntary recommendation with no statutory obligations on a firm to comply. It stipulated the responsibility of the board to foster ethical corporate structure for its long-term viability (Firer et al., 2012:12).

JSE regulations also made it mandatory for all listed firms to include reports on their social, environmental, and economic performance in addition to the financial and sustainability reports (Firer et al., 2012:12). The stipulations of King III and broadening reporting requirements for firms is an affirmation of the importance in South Africa of the transition of firms from the shareholder to stakeholder maximisation objective.

The various strikes in the mining sector in South Africa brought forward the plight and importance of employees and community interests, which were felt to have priority over the shareholder interests (Lane, Guzek & van Antwerpen, 2015:473). The industry executives found it necessary to anticipate and understand the needs the various stakeholders were facing,

even though these executives were confronted by rising pressures on profitability in the midst of rising costs, falling commodity prices and a depressed economic environment (2015:476).

Bosman (2008:35) carried out an empirical study to determine whether those firms listed on the JSE TOP40 index and pursuing a stakeholder approach could provide a better return as an investment, compared to those pursuing the shareholder approach. The study covered the period from 1998 to 2006 and firms were divided into two groups, each comprising ten firms. The test group measured the financial performance and value creation of firms pursuing the stakeholder approach, whereas the control group measured the financial performance and value creation of firms pursuing the shareholder approach (2008:42). The study established that firms pursuing the stakeholder approach outperformed those pursuing the shareholder approach, in terms of financial performance and value-creation measures (2008:62).

The findings of this study showed that for the JSE TOP40 firms, the stakeholder objective was most pursued, and the shareholder objective the least pursued. The customer-oriented objective was observed to be second most popular for those firms. This can be attributed to the following international factors.

Thus a dwindling interest in the shareholder-value objective, post GFC, saw the rise of the customer-oriented objective with multinationals such as Apple, Toyota Motors, Amazon, Salesforce, Haier Group and Zara focusing instead on delighting customers (Denning, 2013). The internet revolution and globalisation empowered customers to have real choices with power shifting from the seller to the buyer as customers demanded better, cheaper, and personalised goods (Denning, 2013).

Furthermore, some of the world's largest multinationals such as Johnson and Johnson and Procter and Gamble had put customer interests as their top priority and by doing so had created more shareholder value than those leading firms that pursued a pure shareholder focus (Martin, 2010:58). By not concentrating on managing shareholder expectations, customer-oriented CEOs were free to concentrate on building real businesses (2010:63). The rise of the customer-oriented objective in the new millennium was endorsed by Jack Ma, the CEO of e-commerce giant Alibaba, who prioritised customers first in a business, followed by employees and lastly shareholders (Denning, 2015).

Overall, the sector analysis of the JSE TOP40 firms does not show any identifiable trends in pursuit of a particular firm objective theory. Only a few sectors show any observable trends. For most sectors, it was found that the constituent firms pursued either the shareholder,

stakeholder or customer-oriented objectives. It was observed that pursuit of the shareholder objective is significant in the Financials sector. This could be because financial textbooks in business schools strongly advocate for a shareholder objective of the firm, thus influencing the managers in these firms to adopt this view. It was also observed that pursuit of the stakeholder objective is significant in the Consumer Discretionary sector. This could be due to the very nature of the sector where firms have to work with suppliers, wholesalers, warehousing agents, advertising and media agents before product delivery. These firms have a delicate job to balance and deal with the interests of all these interacting partners.

Only in the Telecommunication Services sector is a customer-oriented objective significant. The success of this sector relies on the number of subscribers each firm has. Their revenue is dependent on their customers' need for voice and data services. Any drop in the quality of their services would see their business move away. Ensuring strong customer satisfaction levels is pivotal for their long-term survival.

Several implications arise from the findings of this study, in respect of both the financial textbooks and JSE TOP40 firms.

Thus, analysis of the data from the financial textbooks showed a disconnection between academic teaching on the objective of the firm, and what is actually observed in corporate South Africa. This leads business school students to believe that shareholder value is the appropriate objective of the firm while at the same time, students are being denied a broader knowledge of the objective of the firm, even though this is an ongoing debate, with various competing views being presented by finance researchers.

The analysis of the JSE TOP40 firms showed the stakeholder objective to be dominant; this asserts that South Africa has broken away from both the Anglo-American and historical Anglo-Saxon views, in which firms pursue the shareholder-value objective (West, 2009:11; Gstraunthaler, 2010:146). In comparison, Morison and Ramsay (2014:441) analysed the business objectives of the top 100 firms by market capitalisation, listed on the ASX. Thirty-seven firms were identified as pursuing pure shareholder-value interests while 26 firms identified with shareholder-value interests but also took into account interests of stakeholders. Only 32 firms pursued stakeholder-value interests while the remaining five firms pursued other interests (2014:443). Overall, a shareholder-value objective was more significant for 63 of the top hundred Australian firms on the ASX (2014:446).

The JSE TOP40 firms represent 85% of the total market capitalisation of all JSE-listed firms (see 3.3), and so it is very important for policy makers to focus on them. Most of the firms on the JSE TOP40 were found to be pursuing a stakeholder or customer-oriented objective of the firm, while only eleven firms pursued a shareholder objective. On the one hand, shareholder interests are protected, as the South African Company Law has several sections that regulate the relationship between the shareholders, directors and the firm (Rossouw et al., 2002:295). On the other hand, the draft Companies Bill of 2007 (now Companies Act, 2008) was vague on the preferred approach for stakeholder protection (Esser and Dekker, 2008:169). The provisions of Section 73(6)(b) of the Companies Act, 2008 require directors to act in the best interest of the firm, but do not define whether these promote shareholder or stakeholder interests (Muswaka, 2013:69). While King III establishes corporate governance practices for stakeholder protection, it is not a law, and non-compliance could not lead to directors being held liable (2013:73).

This puts the spotlight on policy makers and the government think tank to assess whether current legislation adequately protects the dominant stakeholder interests; any gaps should be addressed. Any instability in the JSE TOP40 firms may have an impact on the domestic market that could adversely affect the country's economy. Any legislative changes would need to ensure that stakeholder interests are even better protected.

The JSE TOP40 firms are large companies with adequate financial resources and intellectual human capital; they are able to invest heavily into pursuing a stakeholder or customer objective, while also balancing shareholder interests. The findings of this study are applicable to these larger firms but perhaps of lesser significance to smaller, often owner-managed, South African firms.

Finally, the study showed that the sample of financial textbooks is not reflecting the robust debate on firm objectives. This study recommends that South African academic authors should update their financial textbooks to reflect the theories on stakeholder and customer-oriented objectives with reference to findings relating to firms listed on the JSE TOP40 index: the financial textbooks data had four South African-authored books (see Appendix B). The financial textbooks should present the criticism of each objective in the literature, and also include the new developments on the firm objective theories proposed by financial researchers. This would broaden the knowledge of graduates from South African business schools in their transition to the corporate world.

## 6. Conclusion

This study analysed how the firm objective debate is reflected in financial textbooks, and in the Mission, Vision, Values statements of the JSE TOP40 firms. The study establishes that the shareholder, stakeholder and customer-oriented theories of the firm are better reflected in the MVV statements of the JSE TOP40 firms, than in financial textbooks where the shareholder objective was endorsed as the primary one for the firm.

The introduction to this study highlights that the objective of the firm is the subject of an ongoing debate with competing and opposite views presented; the debate remains unresolved despite the voluminous literature on it, from empirical and theoretical perspectives. Here, most theories on the objective of the firm fall under the categories of Economic and Behavioural.

In this study, the importance of analysing financial textbooks becomes apparent because most of those textbooks place emphasis on the shareholder objective with very little attention given to the stakeholder and customer-oriented theories. Because of this great emphasis on the shareholder objective, business school graduates may transit into senior management roles in the corporate world being relatively aware of the other objectives. The teachings of financial textbooks can exert a strong influence on managers and the firm objective decisions they make.

In this study, also, the significance of analysing JSE TOP40 firms is highlighted. The JSE is the largest stock exchange in Africa and it is a reflection of the health of South Africa's economy.

The literature review identifies that shareholder theory development is credited to Milton Friedman who advocated for a shareholder-wealth maximisation objective of a firm. The stakeholder theory development is credited to Edward Freeman who wrote that a firm is dependent on various partners that interact with the firm, termed 'stakeholders;' Freeman advocates maximisation of their interests as the objective of a firm. Stakeholders may include, among others, shareholders, debtholders, suppliers, employees, customer, community, and the environment. The customer-oriented theory development is credited to Peter Drucker who advocated satisfying customer needs as the foremost objective, and stated that a business only exists to serve its customers. Alternative and newer theories on the objective of a firm are presented, such as the Ethical Decision Model, Enlightened Value Maximization and Enlightened Shareholder Value.

One criticism of the shareholder theory was that it is narrow minded: it led management to focus on short-term profits, and this focus resulted in the collapse of several large and notable firms, leading to more regulations. A criticism of the stakeholder theory was that the definition of stakeholders is too broad and numerous: a firm could not balance, simultaneously, the interests of all its stakeholders even if it tried, partly because stakeholders' interests can be diverging and in conflict with each other.

The literature review identifies a lack of consensus among financial researchers on what should be a singular and unified objective of the firm; this issue is seen as the subject of an ongoing debate. This study was conducted to answer the research question in the South African context by analysing what a sample of financial textbooks described as the objective of the firm; the findings of this textbook analysis are compared with what JSE TOP40 firms have described as their objective in their MVV statements.

The research approach identifies qualitative analysis as the appropriate method for this study to adopt. This method provided for astute pattern recognition in large data sets of a descriptive nature. The qualitative analysis was conducted using software NVivo, for data from both the sample of financial textbooks and the MVV statements of the JSE TOP40 firms. Word frequency and coding queries were used to analyse data sets for a shareholder, stakeholder, and customer-oriented objective of the firm.

A sample of twenty financial textbooks was used to obtain data; all these had been published in the last five years, and were published in a range of countries from around the world including South Africa. For each of the JSE TOP40 firms, their Mission, Vision and Values statements were extracted from various sources; these sources were mainly annual reports and corporate websites although other sources were also used.

The findings from the analysis of the financial textbooks and JSE TOP40 firms' data were presented. For financial textbooks, the study found that seventeen of those twenty textbooks advocated for a shareholder objective; two advocated for a stakeholder objective, and only one textbook advocated for a customer-oriented objective of the firm. For the JSE TOP40 firms, the study found that seventeen firms pursued a stakeholder objective, twelve firms pursued a customer-oriented objective, and eleven firms pursued a shareholder objective.

The sector findings show that in the Financial sector, the constituent companies lean heavily towards a shareholder objective because of the influence of the teaching of financial textbooks on business school graduates. Firms in the Consumer Discretionary sector pursue a stakeholder

objective because the nature of the business in which the firms operate requires them to work with suppliers, wholesalers, warehousing agents, advertising and media. The Telecommunication Services sector pursued a customer-oriented objective because the customer is critical for the success of companies in this sector.

The discussion presented several arguments in the light of the findings. It was felt that it was unsurprising for the financial textbooks to advocate a shareholder objective of the firm, as financial researchers have pointed out this to be the norm.

However, the shareholder objective was found to be the least pursued in the JSE TOP40 firms and this was largely because of international and domestic factors. Across the globe, those firms pursuing a shareholder-value objective were observed to have performed worse than others during the GFC period

The stakeholder objective was the one most frequently encountered in the analysis of the JSE TOP40 firms and this was because of domestic factors. Historically, in a post-1994 South Africa, government policies and union pressure required firms to act to promote a just social distribution of wealth. Thus, key governmental institutes had the duty of protecting stakeholders' interests. Although it is not mandatory for South African firms to adhere to the unique King Accords, these endorsed the stakeholder approach to corporate governance. JSE regulations were put in place that required listed firms to report their social and environmental performances. The state of despair arising from the miners' plight not only put the focus on the mining industry, but also underlined the importance of a stakeholder approach for the attention of all firm managers across corporate South Africa.

The customer-oriented objective pursued by many JSE TOP40 firms can be attributed to international factors, which may have influenced the managers of these firms. Post-GFC, several notable multinationals have adopted a customer-oriented objective of the firm.

The findings of this study suggest that the teachings of financial textbooks are disconnected from the actual practices of JSE TOP40 firms. The financial textbooks advocate a dominant shareholder objective of the firm but this is not reflective of the wider firm objective debate. Business school students consider shareholder wealth maximisation to be the appropriate firm objective, and are being deprived of a broader vision that considers the various ethical issues. It was observed that JSE TOP40 firms reflected the shareholder, stakeholder and customer-oriented theories of the firm. This diversity of approach indicates that JSE TOP40 firms have broken away from away from the Anglo-American and historical Anglo-Saxon views in terms

of which, firms pursue the shareholder-value objective. Because the JSE TOP40 firms mostly pursued the stakeholder and customer-oriented objectives, policy makers need to assess whether current legislation adequately protect shareholders' interests. Those firms have the financial resources and human intellectual capital to pursue either a shareholder, stakeholder or customer-oriented objective of the firm. This situation may not be relevant and applicable to smaller businesses in South Africa where the main objective is to maximise their wealth.

This study recommends that South African academic authors should update their financial textbooks to reflect the shareholder, stakeholder and customer-oriented theories of the firm. This would reflect the diversity of approaches applied by the JSE TOP40 firms, and also would reflect the fact that the objective of the firm is the subject of an ongoing debate.

Some of the limitations of this study include:

This study would perhaps have benefited if the sample size for financial textbooks data had been more than twenty. However, there is a lack of financial textbooks that are authored by South Africans as well as credible and this restricted the sample size.

Although the JSE TOP40 firms were selected according to their market capitalisation, this number is rather small. This becomes apparent when conducting a sector analysis. Indeed, as reported elsewhere, two sectors had only a single constituting firm, which made it difficult to determine the objective pursued in that sector.

The financial textbooks and JSE TOP40 data were analysed to determine whether a firm pursued shareholder, stakeholder or customer customer-oriented objectives of a firm; these three theories were chosen as they have historical depth. This study did not test the data sets against the newer theories on the firm's objective, as identified in the literature review, and this leaves scope for future studies that may attempt to do the same.

In instances where financial textbooks make references to balancing stakeholder and or customer additional to shareholder instances. This study focused on which of these three firm objective theories had more prominence in financial textbooks.

Finally, this study takes the objectives pursued by each JSE TOP40 firm at face value. It was beyond the scope of this study to validate any claims a firm made in its annual reports and elsewhere. Whereby the firms may have window dressed their MVV statements skewing results in favour of pursuing a stakeholder or customer-oriented approach.

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## Appendix A – Financial textbooks word frequency query findings

<b>Word</b>	<b>Length</b>	<b>Count</b>	<b>Weighted (%)</b>	<b>Similar Words</b>
maximize	8	19	11.45	maximization, maximize, maximizes, maximizing
shareholder	11	18	10.84	shareholder, shareholders, shareholders'
wealth	6	17	10.24	wealth
value	5	15	9.04	value
increase	8	8	4.82	increase, increased, increases, increasing
share	5	7	4.22	share, shares
current	7	6	3.61	current
owners	6	5	3.01	owners
stockholder	11	5	3.01	stockholder, stockholders
firm	4	4	2.41	firm
investors	9	4	2.41	investors
make	4	3	1.81	make, makes
price	5	3	1.81	price
better	6	2	1.20	better
business	8	2	1.20	business
company	7	2	1.20	company
enhance	7	2	1.20	enhance
generating	10	2	1.20	generating
objective	9	2	1.20	objective
per	3	2	1.20	per
profit	6	2	1.20	profit
stakeholders	12	2	1.20	stakeholders, stakeholders'
stock	5	2	1.20	stock
although	8	1	0.60	although
bankers	7	1	0.60	bankers
best	4	1	0.60	best

bond	4	1	0.60	bond
common	6	1	0.60	common
compensate	10	1	0.60	compensate
create	6	1	0.60	create
economic	8	1	0.60	economic
equity	6	1	0.60	equity
financially	11	1	0.60	financially
fundamental	11	1	0.60	fundamental
income	6	1	0.60	income
influence	9	1	0.60	influence
interests	9	1	0.60	interests
long	4	1	0.60	long
maximising	10	1	0.60	maximising
negotiates	10	1	0.60	negotiates
number	6	1	0.60	number
one	3	1	0.60	one
policies	8	1	0.60	policies
possible	8	1	0.60	possible
priority	8	1	0.60	priority
promote	7	1	0.60	promote
rich	4	1	0.60	rich
rights	6	1	0.60	rights
term	4	1	0.60	term
thereby	7	1	0.60	thereby
ultimate	8	1	0.60	ultimate
variety	7	1	0.60	variety
wealthier	9	1	0.60	wealthier
wealthy	7	1	0.60	wealthy
well	4	1	0.60	well

## Appendix B – Financial textbooks coding query findings

<b>Textbook Title</b>	<b>Author(s)</b>	<b>Published (Year, Ed.)</b>	<b>Shareholder Objective</b>	<b>Stakeholder Objective</b>	<b>Customer Objective</b>
Financial Management	Carlos Correia Michael Wormald David Flynn Enrico Uliana	South Africa (2011, 7e)	√		
Fundamentals of Corporate Finance	Colin Firer Stephen A. Ross Randolph Westerfield Bradford D. Jordan	South Africa (2012, 5e)	√		
Corporate Finance: A South African Perspective	Gideon Els Pierre Erasmus Suzette Viviers	South Africa (2014, 2e)	√		
Financial Management: Turning theory into Practise	Jaco Fouche Jaco Barnard	South Africa (2014)			√
The Basics of Finance	Frank Fabozzi Pamela Drake	United States (2010)	√		
International Financial Management	Jeff Madura Roland Fox	United States (2011, 2e)	√		
International Financial Management	Geert Bekaert Robert Hodrick	United States (2012, 2e)	√		
International Financial Management	Cheol Eun Bruce Resnick	United States (2012, 6e)	√		

Fundamentals of Corporate Finance	Jonathan Berk Peter DeMarzo Jarrad Harford	United States (2012, 2e)	√		
Fundamentals of Corporate Finance	Stephen Ross Randolph Westerfield Bradford Jordan	United States (2013, 10e)	√		
Essentials of Investments	Zvi Bodie Alex Kane Alan Marcus	United States (2013, 9e)	√		
Principles of Corporate Finance	Richard Brealey Stewart Myers Franklin Allen	United States (2014, 11e)	√		
Financial Management	Eugene Brigham Michael Ehrhardt	United States (2014, 14e)	√		
Applied Corporate Finance	Mark Pyles	United States (2014)	√		
Multinational Financial Management	Alan Shapiro	United States (2014, 10e)		√	
Fundamentals of Financial Management	Eugene Brigham Joel Houston	United States (2015, 8e)	√		
Corporate Finance	Jonathan Berk Peter DeMarzo	UK (2014, 3e)	√		
Corporate Finance: Theory and Practice	Pierre Vernimmen	UK (2014, 4e)	√		
The Ownership of the Firm, Corporate Finance, and Derivatives	Kuo-Ping Chang	Singapore (2015)		√	

The Basics of Financial Management	Peter Boer Rien Brouwers Wim Koetzier	Netherlands (2011, 2e)	√		
<b>Count (20)</b>			<b>17</b>	<b>2</b>	<b>1</b>

## Appendix C – JSE TOP40 firms word frequency query findings

<b>Word</b>	<b>Length</b>	<b>Count</b>	<b>Weighted (%)</b>	<b>Similar Words</b>
value	5	20	6.90	value
stakeholders	12	15	5.17	stakeholder, stakeholders
shareholders	12	14	4.83	shareholder, shareholders, shareholders', shareholding
customers	9	11	3.79	customer, customers, customers'
delivering	10	11	3.79	deliver, delivering
create	6	8	2.76	create, creating
best	4	7	2.41	best
creation	8	6	2.07	creation
providing	9	6	2.07	provide, provided, provider, provides, providing
term	4	6	2.07	term
long	4	5	1.72	long
returns	7	5	1.72	return, returns
superior	8	5	1.72	superior
client	6	4	1.38	client, clients
consumer	8	4	1.38	consumer
experience	10	4	1.38	experience, experiences
sustainable	11	4	1.38	sustainable
world	5	4	1.38	world
benefits	8	3	1.03	benefit, benefits
brands	6	3	1.03	branded, brands
communities	11	3	1.03	communities, community
leader	6	3	1.03	leader
leading	7	3	1.03	leading
lives	5	3	1.03	lives
add	3	2	0.69	add, adds

admired	7	2	0.69	admired
bank	4	2	0.69	bank
business	8	2	0.69	business
capital	7	2	0.69	capital
care	4	2	0.69	care, caring
company	7	2	0.69	company
distinct	8	2	0.69	distinct, distinctive
employees	9	2	0.69	employees
focus	5	2	0.69	focus, focused
goods	5	2	0.69	goods
grow	4	2	0.69	grow, growing
investing	9	2	0.69	investing, investments
partners	8	2	0.69	partners, partners'
positive	8	2	0.69	positive
possible	8	2	0.69	possible
quality	7	2	0.69	quality
service	7	2	0.69	service, services
society	7	2	0.69	society
wealth	6	2	0.69	wealth
whole	5	2	0.69	whole
achieve	7	1	0.34	achieve
act	3	1	0.34	act
approach	8	1	0.34	approach
aspirational	12	1	0.34	aspirational
association	11	1	0.34	association
bee	3	1	0.34	bee
bold	4	1	0.34	bold
brighter	8	1	0.34	brighter
broader	7	1	0.34	broader
centre	6	1	0.34	centre
championing	11	1	0.34	championing
choice	6	1	0.34	choice

class	5	1	0.34	class
colleagues	10	1	0.34	colleagues
consistently	12	1	0.34	consistently
cost	4	1	0.34	cost
delivery	8	1	0.34	delivery
digital	7	1	0.34	digital
driving	7	1	0.34	driving
economic	8	1	0.34	economic
effective	9	1	0.34	effective
enable	6	1	0.34	enable
ensure	6	1	0.34	ensure
environments	12	1	0.34	environments
excellence	10	1	0.34	excellence
exceptional	11	1	0.34	exceptional
exist	5	1	0.34	exist
facilities	10	1	0.34	facilities
fairness	8	1	0.34	fairness
fast	4	1	0.34	fast
financial	9	1	0.34	financial
firststrand	9	1	0.34	firststrand
flexibility	11	1	0.34	flexibility
franchise	9	1	0.34	franchise
future	6	1	0.34	future
give	4	1	0.34	give
global	6	1	0.34	global
greater	7	1	0.34	greater
group	5	1	0.34	group
growth	6	1	0.34	growth
healthcare	10	1	0.34	healthcare
high	4	1	0.34	high
higher	6	1	0.34	higher
honesty	7	1	0.34	honesty

imperial	8	1	0.34	imperial
improvement	11	1	0.34	improvement
including	9	1	0.34	including
informed	8	1	0.34	informed
insurance	9	1	0.34	insurance
interaction	11	1	0.34	interaction
investors	9	1	0.34	investors
longer	6	1	0.34	longer
lot	3	1	0.34	lot
make	4	1	0.34	make
managing	8	1	0.34	managing

## Appendix D – JSE TOP40 firms coding query findings

<b>Shareholder objective</b>	<b>Stakeholder objective</b>	<b>Customer-oriented objective</b>
Anglo American PLC	AngloGold Ashanti Ltd	Anglo American Platinum Ltd
BHP Billiton PLC	Aspen Pharmacare Holdings Ltd	British American Tobacco PLC
Capital & Counties Properties PLC	Barclays Africa Group Ltd	Intu Properties PLC
FirstRand Ltd	Bidvest Group Ltd/The	Investec Ltd/PLC
Naspers Ltd	Cie Financiere Richemont SA	Life Healthcare Group Holdings Ltd
Rand Merchant Insurance Holdings Ltd	Discovery Ltd	Mediclinic International Ltd
Reinet Investments SCA	Growthpoint Properties Ltd	Mondi Ltd/PLC
Remgro Ltd	Impala Platinum Holdings Ltd	MTN Group Ltd
RMB Holdings Ltd	Imperial Holdings Ltd	Standard Bank Group Ltd
SABMiller PLC	Kumba Iron Ore Ltd	Tiger Brands Ltd
Sanlam Ltd	Mr Price Group Ltd	Vodacom Group Ltd
	Nedbank Group Ltd	Woolworths Holdings Ltd/SA
	Netcare Ltd	
	Old Mutual PLC	
	Sasol Ltd	
	Shoprite Holdings Ltd	
	Steinhoff International Holdings Ltd	
<b>Count: 11</b>	<b>17</b>	<b>12</b>

## Appendix E – JSE TOP40 firms’ objective by GICS Sector

<b>GICS Sector</b>	<b>Firms</b>	<b>Objective</b>
Consumer Discretionary (6)	Woolworths Holdings Ltd/SA	Customer
	Imperial Holdings Ltd	Stakeholder
	Steinhoff International Holdings Ltd	Stakeholder
	Mr Price Group Ltd	Stakeholder
	Cie Financiere Richemont SA	Stakeholder
	Naspers Ltd	Shareholder
Consumer Staples (4)	SABMiller PLC	Shareholder
	Tiger Brands Ltd	Customer
	Shoprite Holdings Ltd	Stakeholder
	British American Tobacco PLC	Customer
Energy (1)	Sasol Ltd	Stakeholder
Financials (15)	Growthpoint Properties Ltd	Stakeholder
	Barclays Africa Group Ltd	Stakeholder
	Sanlam Ltd	Shareholder
	Remgro Ltd	Shareholder
	Standard Bank Group Ltd	Customer
	Investec Ltd/PLC	Customer
	FirstRand Ltd	Shareholder
	RMB Holdings Ltd	Shareholder
	Reinet Investments SCA	Shareholder
	Capital & Counties Properties PLC	Shareholder
	Rand Merchant Insurance Holdings Ltd	Shareholder
	Old Mutual PLC	Stakeholder
	Nedbank Group Ltd	Stakeholder
	Discovery Ltd	Stakeholder
	Intu Properties PLC	Customer
Health Care (4)	Aspen Pharmacare Holdings Ltd	Stakeholder
	Mediclinic International Ltd	Customer
	Netcare Ltd	Stakeholder

	Life Healthcare Group Holdings Ltd	Customer
Industrials (1)	Bidvest Group Ltd/The	Stakeholder
Materials (7)	Mondi Ltd/PLC	Customer
	Impala Platinum Holdings Ltd	Stakeholder
	Anglo American Platinum Ltd	Customer
	AngloGold Ashanti Ltd	Stakeholder
	Anglo American PLC	Shareholder
	Kumba Iron Ore Ltd	Stakeholder
	BHP Billiton PLC	Shareholder
Telecommunication Services (2)	MTN Group Ltd	Customer
	Vodacom Group Ltd	Customer