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In Stakeholder Capitalism, have all Actors Found Each Other or is it a Marriage of Convenience?

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ABSTRACT

In 2019, the Davos Manifesto was declared by one hundred and eighty-one Chief Executive Officers (CEOs) attending the Business Roundtable meeting who stated that a company's purpose is to create shared and sustained value for all stakeholders. This statement was made in response to various global challenges such as climate change, environmental degradation, wealth inequality, poverty, and disease. This study aims to explore whether shareholder and stakeholder approaches of corporate governance are moving towards convergence and whether stakeholder capitalism is tenable. This study analyzed secondary data from various sources, including journals, presentations, debates, book reviews, and discussions. It also reviewed corporate governance models in Germany, the United States of America (USA), the United Kingdom (UK), the Republic of South Africa, and Malaysia thereby exploring their proximity to stakeholder capitalism. The study revealed that in practice there is gradual merging of shareholder and stakeholder approaches. Possible benefits and challenges in the adoption of stakeholder capitalism have been identified as well as possible solutions to those challenges. Further research is necessary to confirm stakeholder capitalism as a viable alternative to shareholder-centric approaches.

KEYWORDS: Sustainability development | stakeholder capitalism | stakeholder

INTRODUCTION

In 2019, one hundred and eighty-one chief executive officers (CEOs) attending the Business Roundtable meeting at Davos issued a historic statement (the Davos manifesto) that the company's purpose was to engage all stakeholders in a shared and sustained value creation arrangement (BRT, 2020). Others remained skeptical that the CEOs' statement was nothing more than a public relations stunt. This statement was made in response to various global challenges such as climate change, environmental degradation, wealth inequality, poverty, and disease (Sachs & Sachs, 2021; Mar et al., 2023). Stakeholder Capitalism can be defined as a universal-purpose economic model for businesses during the Fourth Industrial Revolution. (WEF, 2020; Business Roundtable BRT, 2020). O'Brian (2020) reviewing past corporate activities, argued that both internal controls and external regulatory mechanisms failed to enhance shareholder value propositions, and accused the lack of a clear purpose for the direct work of all stakeholders. Freeman (2009), while responding to the global financial crisis and the public perception of the state of business, questioned whether there was a foundational shift from a free market to a socialist economy. However, it was refuted that stakeholder capitalism was not an attempt to bring back socialism through the back door (Samans & Nelson, 2020).

The Organisation for Economic Co-operation and Development (OECD) called for an intergenerational social contract to restore public confidence, which was made possible by rethinking the relationship between

businesses and stakeholders to produce long-lasting and non-superficial measures (O'Brian, 2020). Related to the intergenerational social contract, sustainability development was defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Ismail & Latiff, 2019; IODSA, 2016). Another view was that stakeholder capitalism undermined democracy and that failure by businesses to respond to stakeholder needs was a sign of legislators' weakness (Murray, 2023). Suddaby, Manell, and Fan (2023) revealed that differences between shareholder and stakeholder capitalism existed from way back, and that debate became topical due to growing socio-economic inequalities. The debate on stakeholder capitalism hailing from the same base as Environmental, Social and Governance (ESG) matrices has led to the need for serious analysis of the current state of corporate governance models to achieve effective outcomes.

METHODOLOGY

This study analyzed secondary data from journals, presentations, debates, book reviews, and discussions. Corporate governance models from Germany, the United States of America (USA), the United Kingdom, the Republic of South Africa, and Malaysia were assessed and their closeness to stakeholder capitalism was ascertained. Possible challenges in implementing stakeholder capitalism were also analyzed.

THEORETICAL FRAMEWORK

Stakeholder Theory

Freeman developed this theory in 1984. The theory begins with the premise that values form a part of doing business and cannot be severed from business arrangements (Freeman et al., 2004). Freeman (2013) pointed out that shareholders, financiers, customers, suppliers, employees, and communities can create something that cannot be created alone (Freeman, 2013). Stakeholder theory is segmented into sub theories and perspectives.

- **Kantian, Utilitarian and Rawlsian Sub-theories.**

The stakeholder theory has different ethical inclinations, such as Kantian ethics, utilitarian ethics, and Rawlsian theories (Freeman, 2013). Kantian ethics state that customers and suppliers should be treated as an end and should not exist for exploitation. Utilitarian ethics provide that managers, when faced with how to balance stakeholder interests, should choose the option that enhances the happiness of stakeholders (Jones, 2015). Maria (2017) argued that the stakeholder model is associated with transparency, correctness, integrity, and promotion of all stakeholders' interests.

The sub-theories show the various benefits derived from company stakeholders such as non-exploitation, satisfaction, and justice. This is shown to relate mainly to employees, suppliers, and customers, and may not apply to regulators and lobby groups. There is an indication that governments in most countries have legislated to ensure the enjoyment of these rights by stakeholders through consumer, labour laws, and, in some cases, laws limiting excessive pricing.

- **Descriptive, instrumental, and normative approaches.**

Donaldson and Preston (1995) reveal that stakeholder theory has different approaches and notions. They posited that stakeholder theory falls under three schools of thought: descriptive, instrumental, and normative.

- **Analysis**

The instrumental approach implies that stakeholders such as employees are treated as instruments or

resources of the company, and the relationship must be sustained for each side to continue to benefit. The normative approach attempts to create a win-win scenario for all stakeholders of a business, which poses headaches to the business in its value-distributive role amid scarce resources. Usually, there is competition for who should be paid now, rather than later.

Shareholder Theory

The shareholder theory grew from the economic theory of men under capitalism during the Industrial Revolution, where financial resources were pooled to run huge businesses (Grassby, 1999). Owners could only run businesses with the assistance of others; hence, Berle and Means separated ownership and control roles in business in 1932 (Ping & Andy, 2011). One of the founders of firm theory was Milton Friedman, who posited that the corporation's responsibility was to make as much money for stockholders as possible, and that their business was business and nothing more (Grassby 1999).

- **Analysis**

It is believed that maximization of shareholder wealth is not achieved when some of the resources are channeled towards other stakeholders, and vice versa. When the return on investments is less than anticipated there is likely to be capital flights. Equality in value distribution between shareholders and stakeholders appears to be a mammoth task and also subjective in nature. The current narrative of capitalism calls for business managers to be accountable only to the owners of businesses, who have delegated their oversight to the board of directors.

Convergence of the two theories

There is a general view that shareholder theory is the antithesis of stakeholder theory (Grassby, 1999). Freeman, Phillips, and Sisodia (2018) believed that perceived tensions are more apparent than real and that the two theoretical positions could mutually benefit from a pragmatic philosophy. Some authors assert that stakeholder theory is not anti-capitalist, as critics sometimes wrongly label it (Civera & Freeman, 2019). This position is supported by the view that the convergence of theories may result in hybrid models that are likely to produce good results after considering cultural, economic, legal, and environmental factors (Chhillar & Lellapalli, 2015).

Some authors have argued that some business relationships are governed by contracts, while others fit in the realm of managerial discretion (Styre, 2016; Henisz, 2023). Hastings (2011) added a voice that as a result of capitalism, multinational corporations are moving to control the world economy, while governments are gradually having less control. However, Dress and Hengens (2012) contend that certain business actions have societal, rather than economic, reasons. The authors also maintain that prescriptions provided by the law do not set boundaries; on the contrary, there are other practical options preferred by businesses beyond the law. Wadgi (2021) offers a different view, arguing that stakeholders have varied views, and one of the areas in which they differ is whether corporate governance mechanisms should determine dividend decisions.

- **Analysis**

The perceived tension between the two theories may be the result of different perceptions. Another view gleaned from the authors is that corporate governance and law are complementary, yet at times work singly, depending on the suitability of the context.

CLOSENESS OF CORPORATE GOVERNANCE MODELS TO STAKEHOLDER CAPITALISM

Germany

The German model is aligned to the stakeholder model with a long-term view of corporate performance, as opposed to short-term (Bottenberg et al., 2017; Ruhmkorf, 2020). Germany has been able to balance stakeholder- and shareholder-oriented models by integrating stakeholder knowledge and participation in stock options using a transparent accounting system (Bottomberg et al., 2016). Codetermination, a system that allows employee representatives to be part of company boards, was introduced in the 1950s in Germany and has now spread to European countries, such as Austria, Poland, Denmark, and Sweden, albeit with some variations (Reberioux, 2022). Jager (2021) points out that codetermination enhances decision-making and builds stronger bargaining power. The codetermination system has found favor from political movements in its ability to protect employees' decision making, shareholders, and management against unwarranted attacks from other stakeholders (Clerc, 2023). This was supported by Sandrock (2015), who held that the system reduced strikes, and that during the financial crisis of 2007-12, it assisted in reaching an understanding between employees and management. On the other hand, Jager (2021) argues that codetermination affects profit maximization and reduces corporate growth. According to a 2009 report, the German business model was regarded as rigid and unappealing to global investors because of its restrictive CG Boards (Flowed CG Boards Behaving Badly, 2009). This led major German corporations, such as Bertelsmann, Siemens, Thyssen-Krupp, and Deutsche Bank, to adopt an American approach to managing value and stock market-based operations. However, Jesak (2021) suggested that a balance between the American model of shareholder value and the German model's emphasis on social dialogue, social balance, and corporate social responsibility is necessary.

- **Analysis**

Codetermination allows employees to participate in company governance, resulting in positive outcomes for employees, the company, and other stakeholders. While international capital tends to favour free-market economies, combining capitalistic approaches with the German model may yield favorable results. Certain positives are derived from the German model.

United States of America (USA)

The US corporate governance code relies heavily on rules and legal actions, whereas the United Kingdom (UK) code follows a principle-based approach that allows discretion when applying provisions (Chhillar & Lallapali, 2015; Claudiu, 2015). The American model is more favorable towards finance, shareholders, and capitalism, and takes an assertive stance towards management (Siepel & Nightingale, 2014). This may be due to the requirement for managers to approve internal controls in audited accounts, among other responsibilities outlined in Sections 404 and 906 of the Sarbanes Oxley Act of 2002.

Some experts have argued that current systems, such as the Anglo-American Model, which heavily relies on equity compensation, may not be able to accommodate the voluntarism proposed by stakeholder models (Ruggie, Rees, & Davis, 2022). However, these same experts suggest that ideological policy shifts are gradually diluting the Anglo-American form of capitalism, with social safety nets, labor unions, and other factors receiving more attention (Bailey, 2020). There has been a shift towards stakeholder inclusivity in the US, as evidenced by President Joe Biden's 2019 WEF speech proposing an end to shareholder capitalism. Nordic countries (Denmark, Norway, Sweden, and Finland) have adopted the Anglo-Saxon model, with some modifications (Thomsen, 2016).

- **Analysis**

The integration of stakeholder perspectives into the traditional shareholder-focused model in the United States signals the potential for stakeholder capitalism to take root. The endorsement of this approach by 181 CEOs at the 2020 Business Roundtable Meeting in Davos indicates that shareholder and stakeholder perspectives can coexist. The adoption of hybrid corporate governance models, as observed in Nordic countries and other nations the world over, demonstrates that the fusion of different theories can be tailored to fit local contexts and generate effective universal solutions.

United Kingdom (UK)

According to Snehita (2022), the UK Code prioritizes shareholders over stakeholders. This bias towards investors stems from the Shareholder Value Model (SVM) and Shareholder Primacy principles, which are historical best practices (Moore, 2008; Toms, 2022). In 2013, the Companies Act was amended to require companies to submit strategic reports as a part of their annual reports. This change was implemented in 2018 (Deloitte, 2015; Alchter, Hader & Ishihara, 2022). Several authors have noted that corporate governance changes in the UK Code should adapt to institutional, technological, organizational, and environmental changes (Pomeranz & Decker, 2018).

- **Analysis**

It appears that stakeholders are now receiving a more equitable portion of consideration under the UK Code, which formerly focused primarily on shareholders. Initially, the Code emphasized shareholder primacy, but more recently, there has been a shift towards shareholder enlightenment, and current trends suggest a gradual convergence of stakeholder and shareholder approaches. This movement towards shareholder enlightenment may signify a move towards stakeholder capitalism. Additionally, in line with the stakeholder approach, strategic reports under the UK Code are becoming more akin to sustainability reports in other countries and are being utilized as part of the implementation of ESG principles. The Strategic Report under the UK Code is similar to the integrated sustainability reports found in the South African Code, the Malaysian Code of Corporate Governance (MCCG), the Zimbabwe National Corporate Governance Code (Zimcode) and other countries.

Republic of South Africa

The South African corporate governance code was developed through a hybridization process that combined Anglo-American codes with the African model (Antreasson, 2011). The African model, which emphasizes principles such as Umuntu ngumuthu ngabantu – a Zulu phrase that loosely translates to “a person is a person through others” (IGI Global, 2022)–has been recognized for its benefits of collectivism, teamwork, humanistic leadership, and community-based Corporate Social Responsibility (Khomba & Ulaya, 2013). The principles of Ubuntu align with Corporate Social Responsibility (CSR) frameworks, as both are rooted in the need for corporations to care for their communities (Ndiweni & Sibanda, 2020). Since the introduction of the King 111 Code in 2010, progress has been made in sustainability reporting, stakeholder inclusivity, and ethical leadership (Van der Merwe, 2020).

The King IV Code is notable for its introduction of several new concepts, including integrated thinking, inclusive capitalism (as opposed to traditional financial capitalism), corporate citizenry, combined assurance, proportionality, and a shift from the “apply or explain” principle to the “apply and explain” principle (IODSA, 2016). Armstrong et al. (2010) argue that, in smaller companies or underdeveloped capital markets, there is often a difference between theory and practice. This was resolved by the principle of proportionality, which dictates that the implementation of corporate governance should be tailored to the

size, resources, workforce, and complexity of an organization while still adhering to legal constraints (IODSA 2016).

The King 111 corporate governance code made history by introduced stakeholder provisions, bringing the country to the forefront of global corporate governance development (Foster, 2020). According to Camila (2013), the introduction of stakeholder relations encourages more investors to become involved in business by making the information more accessible. The King 111 corporate governance code made history by introduced stakeholder provisions, bringing the country to the forefront of global corporate governance development (Foster 2020). As Meintjes and Corne (2012) suggest, companies can use stakeholder relations provisions in the South African corporate governance code to gain a competitive edge over their rivals.

- **Analysis**

There is indication that South Africa has made strides in adopting stakeholder-centered approaches to corporate governance codes, ahead of Anglo-American codes. The Ubuntu philosophy is aligned with the stakeholder approach. The code requires companies to link their integrated reporting with other aspects of their reports, including strategies, corporate governance, risk management, financial performance, and sustainability. This has benefited stakeholders by providing them with information they need to make informed decisions.

Malaysia

The Malaysian Code of Corporate Governance (MCCG) has undergone several revisions since its initiation in 2000, the most recent being the 2017 edition. According to Joseph and Von (2022), these reviews were conducted not only to ensure alignment but also to ensure that the codes remain relevant. However, some companies have struggled with inconsistencies in sustainability reporting, as observed in Ngu and Amran's (2018) study, where certain companies scored higher on governance and environmental issues, and lower on economic and social standards. Another concern is greenwashing, with companies selectively reporting on certain areas (Low, 2021). Despite these challenges, the implementation of corporate governance in Malaysia has yielded positive results, such as board diversity, which was introduced in 2012 and has resulted in increased customer satisfaction and firm value (Lee & Foong, 2023; Jaya, 2023; Razali et al., 2023). Moreover, companies that include social disclosures in their reports have experienced positive impacts on their financial performance, prompting recommendations to implement measures that promote ESG, such as tax holidays (Lee & Foong, 2023).

In 2006, Malaysia launched the Silver Book, which introduced Corporate Sustainability (CSP) and highlighted the crucial link between a company's economic performance and its social contribution (Ismail & Latiff, 2019). CSP revolves around five key areas: the community (external stakeholders), workplace (employees), environment, and marketplace (economy) (Zahid and Ghazali, 2015). The government also introduced the Global Reporting Initiative (GRI) framework, which has been actively used to gauge the CSP of various organizations across the country. As per Jamil, Ghazali, and Nelson (2021), although this concept may not be entirely understood in other parts of the world, it generates positive outcomes in Malaysia. Environmental, Social, and Governance (ESG) is another term used to denote CSP that urges companies to enhance their ethical associations by promoting moral, ethical, and social standards (Molla et al., 2021). Ling et al., (2023) further suggest that human behavior change towards sustainability should begin with those within the company because of their pivotal managerial role. The country also espoused Sustainable Development Goals (SDGs) in its governance matrix, with goals such as decent work, economic growth, and hunger reduction (Buniamin et al., 2022).

- **Analysis**

Malaysia has recently introduced the Global Reporting Initiative (GRI) and Corporate Sustainability Reporting (CSR) as measures for Environmental, Social, and Governance (ESG) and their implementation framework. These initiatives aim to ensure that companies benefit the stakeholders. However, the insufficient reporting of ESG components under the GRI highlights the need for further action to address stakeholder concerns. Additionally, this could be viewed as a challenge for countries in tackling greenwashing. The Malaysian Code on Corporate Governance (MCCG) aligns with the United Nations' Sustainable Development Goals (SDGs), indicating a positive response to international expectations. Collectively, these initiatives signify a shift towards stakeholder capitalism in Malaysia.

POSSIBLE CHALLENGES OF INTRODUCING STAKEHOLDER CAPITALISM

Capacity of managers

According to Freeman (2023), executives may struggle to communicate the interests of both stakeholders and shareholders effectively. In stakeholder capitalism, businesses must address ethical concerns. Managers may not be equipped to tackle social issues, such as unemployment and inflation, and must therefore acquire the necessary skills if stakeholder capitalism is to become a reality (Hopt, 2023).

There is a clear connection between stakeholder capitalism and business strategy, with stakeholders participating in value chain management (Samans & Nelson, 2020). The authors also recommend strengthening the board's oversight, aligning sustainability with business strategy, cultivating corporate partnerships, promoting systemic change, integrating ESG considerations into strategic management, and fostering equitable and sustainable participation from both public and private sectors.

- **Analysis**

Samans and Nelson proposed recommendations that would necessitate a comprehensive reorganization of business, possibly even altering economic structures. Nonetheless, there are reservations regarding the current board's ability to manage the added responsibilities of supervising all stakeholders, in light of pre-existing governance concerns. The suggested modifications may also impact management by introducing new obligations including sustainability, stakeholder partnerships, and the incorporation of ESG.

Equity in Value Distribution

Mhlanga (2022) believed that stakeholder capitalism would benefit communities through the construction of schools, roads, and employment creation. However, he pointed out that such noble well-intentioned initiatives may be hijacked by privileged individuals. He provided an example of the Black Economic Empowerment (BEE) programme in South Africa, where only a few influential blacks benefited. O'Brian (2020) argues that investment returns to shareholders should be commensurate with sustainability outcomes that benefit stakeholders. Mazzucato (2022) states that the current setup is problematic because shareholders are valued only when they contribute to the bottom line and long-term goals of shareholders. The author argued that the current problem is not related to corporate governance reform, but to changing the formula of how firm value is calculated. Some authors agree that there is a need to revisit how profit is calculated, as it signifies the transfer of value from other stakeholders, such as customers, to stakeholders. (Civera & Freeman, 2019; Freeman et al., 2020)

There is a possibility of stakeholder friction in the allocation of resources to shareholders when managers are under- or over-allocated them (Martin & Phillips, 2021). West (2016) argues that it is morally wrong to impose a corporate governance model when there are differences in moral judgments. The enlightened shareholder model of the UK places stakeholders as the main contributor to shareholder wealth, which

creates a bone of contention as it dwarfs the contribution of other stakeholders (Donaldson and Preston, 1995; Tricker, 2012). This position implies that shareholders may choose to disregard stakeholders' concerns when their business is unprofitable.

Miller (2022) argued that with the stakeholder approach in place, directors transfer value from shareholders to stakeholders and not vice versa. This implies that shareholders regard the financial benefits extended to stakeholders as a drain on their financial resources. It is further argued that directors must be moral philosophers to establish a coherent stakeholder governance framework (Miller, 2022). Tantalo and Priem (2016) revealed that mutual benefits and shared responsibilities derived from stakeholder approaches result in joint value creation (also called stakeholder synergy) through effective strategic action and sustainable competitive advantage.

Freeman et al. (2020) held that powerful stakeholders can restrict a company from defining its important stakeholders and direct resources accordingly. This suggests that stakeholders have unequal influence on the company and that powerful stakeholders can affect managerial discretion in the distribution of value.

The view that the flow of value is one way, from shareholders to stakeholders, may be inaccurate, given that the exchange of value between trade with customers is part of value creation. Furthermore, the relationship between the business and some stakeholders is non-financial, an example being lobbying groups that mainly provide oversight over the company. The hijacking of the distributive process of value by a few stakeholders may be retrogressive for the advancement of stakeholder capitalism. However, these modalities can be used to address this problem.

Change of economic system

The Edelman Trust Barometer affirmed the role of business in alleviating the government's social function; however, it held that fifty-six percent believe that shareholder capitalism caused more harm than good and was viewed as a threat to business (O' Brien, 2020). King Warren added his voice when criticising CEOs at the Business Round Table at Davos in 2020. He argued that their stance undermined the free markets and moral and fiduciary duties of managers (Wall Street Journal, October 6, 2020).

However, Laplume (2021) had a different view: his opinion was that failure by business to address stakeholders' concerns is part and parcel of free-market economies; as a result, it causes stakeholders to move to competitors. He advocated for a model that catered to marginalized stakeholders. Mazzucato (2022) advocated a social contract in which stakeholders were given enough political room to participate in the governance of the company while simultaneously obtaining meaningful financial benefits.

Johns (2023) was of the view that ESG issues move managerial responsibility from shareholders to several stakeholders and argued that this worsens managerial efficiency and broadens the principal – agent relationship gap.

Some authors also considered the distributive effects of taxes. Hopt (2023) argued that stakeholders obtain value from the payment of taxes by a company to the government, which has a distributive function. Mazzucato (2022) points out that the tax system is inadequate in distributing value, because tax evasion is rampant. He contends that stakeholder capitalism has created problems with enforcement. He further argued that sharing value with stakeholders is a form of externalization of business resources. Stakeholder capitalism was also viewed as a commitment that is not legal in nature and is done in the boardroom without placing responsibility on the company (Samans and Nelson 2020).

- **Analysis**

Some shareholder theorists have a negative view of stakeholder capitalism as it is believed to result in

spreading managerial responsibility to all stakeholders. Even after the announcement of the CEOs statement at Business Roundtable in 2019, opposing voices were heard loudly and widely. Others point to the need to maintain the status quo where market forces rule the day. The ability of some stakeholders to maintain their business relationships with rival companies was considered normal in a competitive environment, meaning that it was not regarded as a reason for adopting stakeholder capitalism. Those who were opposed to stakeholder capitalism averred that the state had already played a value distribution function through the administration of taxes, implying the existence of a distributive mechanism. On the other hand, stakeholder proponents felt that stakeholder interests were to be considered.

Competing Stakeholder interests

Mhlanga (2022) revealed that resource constraints inhibit the equitable distribution of value by a company, in which certain stakeholder groups must be prioritised without affecting long-term sustainability. Buren and Stirling (2023) argued that stakeholder capitalism works well when all stakeholders are taken on board without being marginalized, invisible, and powerless. Mazzucato (2022) argues that the government's facilitative role in creating an enabling business environment must be compensated over and above the taxes and levies paid by companies.

Lan and Wan (2023) opined that there are inherent tensions among the ESG components themselves that are difficult to reconcile because of the different interests each strives to achieve in the business ecosystem. The authors further argue that Section 172 of the Companies Act 2006 of the UK creates a duty of directors to their shareholders and not a duty towards stakeholders.

A statement that some stakeholders were invisible, marginalized, and powerless might have failed to recognize that stakeholders, such as lobby groups, suppliers, and communities, do not need to participate in the governance of companies or are already visible in the value creation processes. The tensions in the components of ESG may be a result of a failure to realize that each stakeholder has a different set of objectives and expectations.

The problem of greenwashing

Khosla and Gemes (2023) emphasized the role played by corporate purposes in their stakeholder purpose framework. The authors held that corporate purpose is defined through mission statements, goals, and objectives, and its contribution to long-term value creation, as well as its positive impact on employee participation. However, the framework does not explain the gap between purpose and implementation, weaknesses usually seen with most beautifully written corporate strategies which gather dust on shelves.

In 2012, the UK Financial Reporting Council tried to avoid companies providing rhetorical answers by requiring convincing explanations for non-compliance. Most companies gave superfluous explanations that tried to trivialize their extent of non-compliance. Segakis (2013) described reasons as perfunctory, incomplete, and nonexistent. This may be indicative of the efforts made by countries to ensure compliance with corporate governance codes.

Nerantzidis (2015) conducted a study on compliance with corporate governance provisions in Greece in 2011, and 64.27% of the companies were not compliant, while 40.95% did not provide an explanation. Aquilera et al. (2016) suggested that non-compliance with corporate governance was, in some cases, caused by the extent of government regulations and the firm's incapacity to comply.

Given the fact that there is a cost associated with compliance, a firm's capacity may be a reason why firms fail to comply with corporate governance provisions. Therefore, the South African King IV Code (2016) recognizes the level of development of a firm in assessing its compliance with corporate governance

provisions (IODSA, 2016). Companies can misstate their contribution to ESG or comply with corporate governance provisions, disadvantaged stakeholders from failing to benefit. A stakeholder capitalist approach may yield a false outcome of success if greenwashing is not addressed.

CONCLUSION

Developed and developing countries have demonstrated that shareholders' and stakeholders' approaches are converging. Approximately 50 years after the birth of shareholder and stakeholder theories, their identities are diluted and complementary. Codes that are mainly shareholder-centric, such as Anglo-American models, are gradually embracing stakeholders' perspectives. Stakeholder-oriented models, such as those in Germany, have also embraced investor-friendly approaches to align with dictates of international capital.

To assert the status of stakeholder capitalism, we examined certain qualifiers. It was revealed that company managers need to be capacitated to discharge their role under stakeholder capitalism dispensation and they currently lack the required skills and competencies. Philosophically, several levers must be restructured if the economic system is to move from capitalism to stakeholder capitalism. These relate to legal frameworks, accounting processes for determining the distribution of value, and an understanding of the new economic order. Greenwashing is an emerging problem that requires corporate governance solutions.

CONTRIBUTION / PRACTICAL IMPLICATIONS

This study reviewed the development of stakeholder and shareholder theories from a polarized position to their possible morphing into stakeholder capitalism. This study opens possible avenues to surmount the adoption of stakeholder capitalism.

ORIGINALITY/VALUE

To the best of the author's knowledge, this study is one of the first to explore how countries have fared towards harmonizing stakeholder-shareholder theories as well as holistically looking at key issues that impinge on the possible adoption of stakeholder capitalism.

CONFLICT OF INTEREST

The author has no conflict of interest to declare.

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