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Charles Sampford and Carmel Connors
Griffith University

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The World Bank

Leadership, Ethics and Integrity in Public Life

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Key Institutional Participants

The World Ethics Forum

In 2004, the Board of the International Institute for Public Affairs decided to rename their biennial conference "The World Ethics Forum". Late in 2004, the World Bank decided to work with IIPE to build the World Ethics Forum into a major international meeting to promote a Global Integrity Alliance.

***The International Institute for Public Ethics (IIPE*)**

The International Institute of Public Ethics (IIPE) is an independent, not-for-profit and politically non-partisan international professional association for practitioners and scholars in the field of public sector ethics. IIPE was formed to provide an institutional base for a group of scholars and practitioners who had been meeting every two years since the mid 1980s as the Ethics in the Public Service conferences. IIPE is headquartered in Brisbane, Australia.

IIPE aims to develop interactions between sectors of society by supporting a professional network of engaged reflective practitioners and scholars in areas diverse as business, the professions, government, and non-government organisations. IIPE achieves these objectives through national and international networking, high-level research, specialist education, publication and programs of organisation reform and development. Information about IIPE activities and membership is available from the website at www.iipe.org along with information on how to join.

Oxford co-hosts

The inaugural World Ethics Forum was held in Oxford and was hosted by the Oxford Centre for Socio-Legal Studies and the International Association for Religious Freedom.

Major Conference Sponsors

World Bank

The World Bank, which has 184 member countries, provides financial and technical assistance to developing countries worldwide. The primary mission of the World Bank is the reduction of poverty and the improvement of living standards. The World Bank Group consists of five closely related development institutions that operate independently and collaboratively toward achieving the Group's goal: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). The World Bank assists developing countries through the provision of low-interest loans, interest-free credit and grants, together with technical assistance for education, health, infrastructure, communications, government reforms and other purposes.

Since 1996, the World Bank has launched hundreds of governance and anticorruption programs in nearly 100 developing countries. Initiatives range from requiring government officials to publicly declare their assets and introducing public spending reforms, to training judges and teaching investigative reporting to journalists.

United Nations University (UNU)

The United Nations University is a networked and distributed university with its headquarters in Tokyo but which does most of its work through centres around the globe – each of which covers a range of topics of interest to the agenda of the United Nations. There are now twenty-two such centres around the world each with a different remit. Each is itself intended as the hub of an international network to make the UNU a 'network of networks.'

Although established by the General Assembly, the UNU maintains its own charter, governing body and direction, and is funded directly from endowment funds, government and philanthropic support. Its role is to provide research capacity to the United Nations through a global community of scholars that link scholarship with practice and the provision of a platform for dialogue and capacity building (see www.unu.edu).

Institute for Ethics, Governance and Law (UNU-IEGL)

IEGL is one of twenty-two research centres in the UNU system. It is a joint initiative of the United Nations University, Griffith University and the Queensland Institute of Technology in association with the Australian National University that was established to fill the UNU's research gap in law, ethics and governance. The UNU had identified the values-based interdisciplinary governance work of the Key Centre for Ethics, Law, Justice and Governance (KCELJAG) as the key to filling that gap. Through establishing IEGL, UNU effectively 'adopted' the Key Centre as its centre for Ethics, Governance and Law the centre of excellence in law and governance established by the Australian Research Council.

The Institute's vision is to be a globally networked resource for the development of values-based governance through research and capacity building. It aims to engage other academic, non-government organisations (NGO's), government, business and multilateral institutions and networks to improve governance and build institutional integrity in governments, corporations, NGOs and international institutions.

The Institute provides the headquarters of IIPE and provided The Institute is also the headquarters of the Australian Governance Research Network – one of only 24 networks funded by the Australian Research Council across all universities and all disciplines.

The Institute currently comprises three centres:

1. The Key Centre for Ethics, Law, Justice and Governance (KCELJAG), Griffith University. KCELJAG was established by the Australian Research Council as a 'Key Centre for Teaching and Research' in January 1999. It is the only centre in law, criminology or governance to receive national centre funding.
2. The Centre for Law and Justice, Queensland University of Technology, is a new centre that brings together the research of the Faculty of Law at QUT. The Faculty has an impressive national profile in research and consultancy with many staff having well established reputations across a diverse range of specialist areas of interest within the broad parameters of law, legal practice and justice studies.

3. The Centre for International and Public Law (CIPL) is part of the Law Faculty at the Australian National University. It was established in 1990 and its primary focus is legal aspects of the international order and issues of public law, particularly the relationship between governments and individuals.

Major areas of activity of relevance to the WEF and GIA include:

Integrity and anti-corruption program
This program has engaged in a series of collaborative research projects in conjunction with Transparency International and various government departments to study the measurement of corruption and the institutional means of limiting and deterring it. In conjunction with TI, it developed a new tool, the 'National Integrity Systems Assessment'. Through this program, IEGL has been involved in a significant number of capacity building projects in conjunction with the World Bank, UNDP, APEC, AusAID and others.

Corporate Governance and Social Responsibility
This program is building a research partnership with universities, NGOs and two United Nations initiatives: the Global Compact and the United Nations Environment Program Finance Initiative

Values and Institutions for a Globalising World
This program has examined the challenges to liberal democratic values arising from globalization and other international developments. This has included:

- Islamic-Western dialogues on governance values funded by the Open Society Institute
- Workshops considering the challenges to values such as citizenship, equality, democracy and the rule of law posed by the challenges faced by sovereign states in a globalizing world
- The Ethics of humanitarian, pro-democratic and counter-terrorist intervention
- Reconceiving sovereignty

Griffith Islamic Research Unit
The Griffith Islamic Research Unit (GIRU) was established in 2004 as part of the Key Centre for Ethics, Law, Justice and Governance, Griffith University, to encourage research on issues that relate to Islam and the Muslims in an Australian context. The central aim of GIRU is to promote a Wasatiyya or "moderate" Islam, and a true understanding of Islam and the Muslims. GIRU provides a forum where scholars, intellectuals, and students can voice their insights, concerns, reflections and aspirations on issues facing the Australian Muslim community and the wider Australian community, with a view to cultivating an informed public opinion that will lead to a more sustainable pluralistic Australian society. The GIRU seeks to forge institutional links with like-minded organizations in Southeast Asia and other parts of the world that aims at achieving similar aims and objectives.

Global Integrity Alliance

One of the major outcomes of the World Ethics was the formation of the Global Integrity Alliance (GIA). The GIA is a network comprised of ethics and anti-corruption experts and practitioners from NGOs, companies, multilaterals and national governments. The GIA seeks to coordinate and further develop ethics and good governance efforts around the world through capacity building, research, dialogue, cross-sectoral partnerships and anti-corruption initiatives.

The GIA is supported by the World Bank, the Ethics Resource Centre and its members who include bilateral and multilateral aid donors, NGOs, academic institutions and professionals interested in ethics and governance reform

Mission

The Global Integrity Alliance promotes ethical, accountable and effective leadership by placing integrity at the center of efforts to improve human life.

Objectives

The Global Integrity Alliance (GIA) brings together leaders committed to integrity and systemic change, at all stages of their professional careers. The initiative is designed to provide education, assistance and resources to these leaders to support their efforts to establish good governance in their countries. Currently in its early stages, the GIA's three main objectives are:

- Networking Leaders:
  (1) Facilitating networking opportunities for public and private actors to collaborate on efforts targeted at achieving regional and national goals on good governance and in supporting ethical values and actions;
  (2) Creating a coordination mechanism for joint global, regional, national, and local initiatives to support ethical leadership;
  (3) Creating mechanisms for exiting leaders to reinvest their knowledge and expertise into future ethical leaders; and,
  (4) Encouraging "good" leaders as opposed to rulers or power wielders by publicly recognizing positive developments in ethical leadership.
- Empowering/Strengthening Alliances:
  (1) Guiding operational mechanisms related to the GIA agenda through direct and indirect support of global, regional, national, and sector-wide alliances;
  (2) Enhancing mechanisms to encourage the entry of good leaders into public life;
  (3) Building capacity for ethical leadership through mentoring and peer-to-peer learning initiatives; and,
  (4) Supporting change agents, who often work against tremendous odds, through the development of networks and coalitions.
- Learning about/Sharing Information on Ethical and Effective Leadership:
  (1) Developing a platform for interested parties to share and exchange ideas and experiences in promoting ethical and effective leadership, transparency, and accountability; and,
  (2) Compiling information, conducting research, and disseminating resources to assist stakeholders with the pursuit of good governance through ethical leadership.

Activity Areas

The GIA aims to facilitate knowledge sharing of established leaders to serve as a learning platform, and to identify emerging champions of good governance around the world through networking and education. ERC is developing a robust website to facilitate networking and provide resources to a broad audience. Recognizing that the internet does not reach those who pay the greatest price for corrupt leadership • the poor • the GIA will supplement the website with regional and community level dialogues to reach those who do not have easy access to the internet.

GIA activity areas will include:

1. **Peer-to-Peer Mentoring.** The GIA will develop regional groupings of mentors (public and private sector), available via the website and sponsor face-to-face interactions, including longer term relationships, to advise and support leaders in advancing reforms and sustaining ethical leadership in their societies. This mechanism may also provide incentives for leaders who have reached term limits and are seeking new alternative roles to contribute at the national, regional or international levels. Similarly, internships for younger leaders may help expand their practice by allowing them to experience leadership and coaching in a multitude of environments, outside one's own familiar surroundings.
2. **Supporting Women Leaders.** The GIA recognizes the unique challenges women leaders face around the world, and is committed to supporting coalitions that empower ethical and effective female leadership in the public, private and civil society sectors.
3. **Supporting Youth Leaders.** The GIA encourages ethical and effective leadership across generations, recognizing youth leaders can represent innovative, energetic and idealistic energies in society. Issues of importance to youth can often be a window to the future of a society's demands on its leaders and the nascent capacity to respond to those demands. The GIA will incorporate youth into all aspects of its operations, including the Working Group and Advisory Boards, and will seek consultation regarding all important decisions.
4. **Lifelong leadership learning.** On the basis of expressed demand from leaders and the legitimate groups they represent, the GIA will develop a range of face-to-face and virtual capacity building programs and tools that facilitate ethical and effective leadership.
5. **Leadership and integrity indicators.** The GIA will not duplicate existing efforts in this area, rather it will work with existing providers such as Transparency International, Global Integrity Index, the World Bank Institute, the GLOBE Project, Ethics Resource Center and the Afro/Latino/or East Asia Barometers, to provide relevant indicators for measuring integrity and reform results.

Membership

The GIA is open to any individual or organization committed to ethical and effective leadership, decision making with integrity, and accountability. Individuals may join free-of-charge, provided they are willing to participate in discussions and forums, or otherwise contribute to achievement of the GIA's mission. Organizations may also participate as members of the GIA provided they are willing to contribute financially or in-kind to the mission and objectives of the Alliance (the exact amount of which should be suggested by the Working Group). Membership is subject to the approval and terms and conditions to be determined by the Working Group (who may establish a specific body to oversee membership review and approval) and should only be prohibited or removed if the individual or organization is acting contrary to the stated mission of the GIA.

FOREWORD

Ethics and Leadership as the underemphasised elements of Governance Reform

The decision by the World Bank and IIPE to host the World Ethics Forum was most timely. Over the last twenty years, more and more jurisdictions have taken corruption seriously and sought to deal with it. Tougher laws have always been a popular and populist response. In the mid 1980s, many saw a Hong Kong style ICAC as the solution. Ten years later, institutional approaches were favoured. However, over the last ten years, more and more researchers and governance reformers have come to see that there is no 'silver bullet.' None of these approaches (tough laws, ICACs or broader institutional reform) will be effective by itself and that the suggested solutions should be seen as complementary elements of governance reform rather than alternative paths. It has become increasingly clear that building integrity and combating corruption requires legal regulation, ethical standard setting (for both government and corporate sectors), the reform of public agencies, the establishment of effective integrity systems and ensuring that economic incentives and non-monetary rewards (e.g. honours given by public, private and professional bodies) reinforce and reward integrity.

Leadership is vital to achieve these goals – first in 'transformational' leadership to reform or replace corrupt institutions and then in 'sustaining' leadership that strengthens, develops and embeds the new and reformed institutions. Both forms of leadership are necessary within government, corporate and not-for-profit sectors. Such leaders are the 'human capital' of governance reform. However, it is critical to recognize that leadership involves important two way relationships – between leaders and followers and between leaders and other leaders. The first is universal, the second is a critical recognition of the fact that an individual leader with the most devoted and responsive followers is unlikely to succeed. It is now appreciated that national integrity systems require a number of organisations and institutions to raise integrity and reduce corruption. Accordingly, the establishment of such an integrity system requires coalitions of leaders – integrity alliances. Such alliances need to be cross-sectoral and bridge religious, ethnic and other divides within the society concerned.

Recognising the importance of leadership brings out the positive dimensions of both ethics and integrity. Ethics is often mistakenly seen as avoiding a series of 'don'ts'. The more appropriate view is that ethics is first and foremost positive. Personal ethics seeks to answer the question: 'how should I live my life.' It is about asking hard questions about your values, giving honest and public answers, and living by them. Institutional ethics asks a congruent set of questions about how those who work together in an organisation should 'live their lives together' whilst working within the organisation. It similarly asks hard questions about the values of the organisation, giving public and honest answers and living by them. An individual or organisation which does so has 'integrity'.

This approach links to our understanding of corruption and integrity systems. If corruption is the abuse of entrusted power for personal or party political gain, integrity is the use of entrusted power to further the values it claims to advance.

Professor Charles Sampford
Chair, Organizing Committee, Inaugural World Ethics Forum

WORLD ETHICS FORUM

Leadership, Ethics, and Integrity in Public Life at Oxford University, 9–12 April 2006

Conference Report

The first World Ethics Forum—held at Keble College in Oxford, UK, 9-12 April 2006—sought to facilitate a global dialogue on the role of public service values and leadership in creating and sustaining good governance. Drawing on the practical experiences of leaders from various levels of government, the private sector, and civil society, coupled with insights from noted academics, the conference also sought suggestions for the operational mechanisms necessary to empower, support, and connect ethical leaders into stronger alliances focused on sustainable change. The WEF brought together over 250 eminent leaders, activists, and professionals from the political sphere, government service, civil society, academia, and the private sector, and from both developed and developing countries.

The WEF was co-sponsored by the World Bank and the International Institute for Public Ethics (IIPE). Three agencies provided substantial funding: the United Kingdom's Department for International Development (DFID), the Australian Government (AusAID), and United States Agency for International Development (USAID). Other sponsors included the United Nations University (UNU), the Oxford Centre for Socio-Legal Studies, the Integrity Institute of Malaysia, and the International Association for Religious Freedom. The Conference Organizing Committee was chaired by Professor Sampford (IIPE President) and the Conference Secretary was Mrs Margaret Paton.

This report outlines the background and key objectives of the conference, provides an overview of sessions and workshops, and highlights key messages emanating from deliberations.

Origins of the world ethics forum

The 2006 World Ethics Forum was derived from a series of conferences organized by the Ethics in the Public Service Network (EPSN) commencing in the late 1980s. In 1998, the final plenary session of the EPSN conference—held in Leiden—resolved to support the creation of an incorporated body, the International Institute for Public Ethics (IIPE), which, inter alia, undertook the organisational role required to facilitate biennial conferences on ethics and public service. The secretariat was supported by the Key Centre for Ethics, Law, Justice and Governance (Key Centre) at Griffith University in Australia and then by the Institute for Ethics, Governance and Law (UNU-IEGL), the joint UNU/Griffith research facility and the Australian Research Council funded Australian Governance Research Network. In a parallel development, the World Bank Public Sector Governance group was interested in supporting the establishment of a 'Global Integrity Alliance' (GIA) of organizations and individuals that would promote ethics and integrity in public life. They worked with the Ethics Resource Centre (ERC)

to organize a forum in Istanbul in March 2004 to discuss the formation of the GIA. The World Bank resolved to work with IIPE and IEGL to mount the first World Ethics Forum in Oxford.

The conference theme in context

Ethics and Leadership as the underemphasized elements of Governance Reform

Since the late 1990s, when good governance and anti-corruption efforts began to be recognized as central to the development challenge, support focused on reforming public sector institutions, enhancing transparency, creating checks and balances, and strengthening accountability mechanisms. However, evidence of the checkered impact of these efforts has mounted, signifying the limitations of a purely institutional and technocratic approach, and raising the imperative of focusing on other elements and instruments to enhance governance and leadership capacity. In particular, both ongoing dialogues with developing economies and discussions on anti-corruption strategies within the international development community—such as at the Eleventh International Anticorruption Conference in Seoul in 2003 and the Istanbul Conference in 2004—highlighted the limited efficacy of institutional reform when underlying public service values are weak, leadership capacity and commitment are absent, and change agents and champions lack supportive networks and coalitions.

The goal of the Oxford Conference was to bring together these various strands of thinking, and provide a common platform to engage practitioners and other significant stakeholders focused on expanding governance and leadership capacity. Specifically, the conference aimed to:

- Initiate a global dialogue on the role of leadership and integrity as tools for better governance and accelerated development.
- Learn lessons from global experts on strategies and operational interventions that can support, empower, and connect leaders committed to integrity and good governance, with specific respect to alliance formation and coalition building.
- Serve as the launching pad for partnerships with civil society, the public and private sectors, academia, and donors who focus on building leadership capacity and combating corruption.

In order to highlight some underemphasized elements of good governance and governance reform, the agreed theme of the conference was ‘Ethics, Integrity and Leadership in Public Life.’

Speakers and participants

Over 250 participants from 70 countries attended the conference and several of the organizations and attendees of the Istanbul Conference were also present. Delegates and speakers included a wide range of academics, civil servants, policy advocates, and practitioners from every region in the world. Specific attention was given to include women and youth who have, despite mounting opposition in their home country or region, shown the type of integrity and leadership qualities that have or will truly bring about positive developments in leadership capacity or curbing corruption.

The Opening Keynote addresses were delivered by Mary Robinson, former President of Ireland and presently Chairwoman of the Ethical Globalization Initiative; and Huguette Labelle, Chairperson of Transparency International. Additional keynotes were delivered

by Pulitzer Prize Nigerian journalist, Dele Olojede; Judge Emile Short, Director of the Commission on Human Rights and Administrative Justice of Ghana; and John Graham of the Giraffe Foundation. Other preeminent participants included: Eduardo Rodriguez, former Interim President of Bolivia; Digvijaya Singh, former Chief Minister of the state of Madhya Pradesh, India; Sir Mekere Morauta, former Prime Minister of Papua New Guinea; John Githongo, former Permanent Secretary for Governance and Ethics in Kenya; Dijana Plestina, former First Lady and Advisor to Minister for Anti-personnel Mines Action in Croatia; and Karina Constantino David, Chairperson of the Civil Service Commission in The Philippines.

Structure of the world ethics forum

The first two days of the forum were devoted to a series of plenary and parallel sessions and workshops devoted to leadership ethics (see attached program). Topics included the implementation of ethics regimes, cultural considerations of leadership and ethics, how to generate demand for ethical leadership, legal ethics, the role of faith and religion in determining a society's values, numerous country case studies, and a wide range of other issues. Additionally, 25 youth delegates were invited to discuss their experiences in leadership and anti-corruption, and attend team building and leadership development workshops delivered by John Graham of the Giraffe Project. The final day of the conference utilized focused break-out groups to explore two strategic questions: (1) How can the international community support the development and empowerment of a process that gives rise to and supports leadership, ethics and integrity in public life?; (2) What institutional forms are best suited to delivering that assistance and specifically, might they include a 'Global Integrity Alliance' as first suggested in Istanbul in 2004? Reports of the four Working Groups discussing these themes are at Annex I of this report.

Key sessions

Oxford Conference sessions addressed both conceptual questions related to the role of leadership, ethics, and integrity, as well as operational questions of engagement in these areas. The opening plenary set the tone for the conference, touching key themes including: the dimensions of effective leadership; the importance of a focus on 'good' leaders as opposed to rulers or power wielders; mechanisms to encourage the entry of good leaders into public life; empowering leaders through building capacity for ethical leadership; supporting change agents, who often work against tremendous odds, through networks and coalitions of support; creating mechanisms for the exit of leaders who have reached term limits; and operational mechanisms through which to implement this agenda, including utilization of global, regional, national, and sectoral alliances. Overall, deliberations focused on building broad based alliances for change, rather than concentrating all attention on individual leaders.

The second full plenary consisted of a high-powered panel of leaders who spoke about their 'Experience of Leadership,' highlighting their personal stories, mechanisms they employed to push through difficult agendas, and the characteristics and qualities they brought to their work. Follow-on parallel sessions on 'Who are Good Leaders and Where Do They Come From?', and 'Leadership for Transformation', featured prominent academics addressing what defines good leadership, how good leadership can be created, elements of transformational leadership, and highlighting the diversity of leadership models across cultures and contexts. Other parallel sessions emphasized the role of

corporate leadership and social responsibility and the role of leaders of international institutions as well as lessons of ethics regimes and experiences in these organizations.

Many prominent sessions addressed topics less often discussed in the context of governance, such as 'Faith and Values in Public Leadership,' which addressed the role of faith in fostering a global dialogue on ethics and integrity, and 'Women and Leadership,' which addressed the particular challenges women leaders face and the specific qualities that women that contribute to leadership capacity. The role of civil society in creating demand side pressures for higher standards of public life, and raising public expectations of leaders and governments, was highlighted in a session on 'Generating Demand for Leadership and Ethical Governance'. Another set of sessions—on World Bank supported pilot projects in leadership and ethics, as well as lessons from 'Implementing Ethics Regimes'–examined the operational mechanisms through which governance environments can be transformed through ethics regimes and leadership capacity building. For instance, Ralph Heintzman, former Vice President for Ethics in the Canadian Civil Service, pointed to the complexity of implementing ethics institutions and codes of conduct, supported by an 'iceberg' like structure of management regimes (internal audit; pay structures; results based accountability); institutional approaches (ethos and values; public office appointment regimes) and governance arrangements more broadly (electoral regimes and electoral financing; freedom of the press; freedom and engagement of civil society organizations). The WEF also included a number of sessions examining the specific, country experiences of implementing ethics regimes, with particular reference to the Philippines, Malaysia, Papua New Guinea, and Australia.

The Youth Forum, an integral part of the WEF, brought together 25 youth leaders from various countries to provide a specific focus on the role of the global youth community in promoting ethical leadership, now and in the future. Youth Delegates shared stories and experiences in areas as diverse and specific as combating corruption at the local and national level to working with child soldiers in post-conflict societies, and proved an inspiration and catalyst for conference discussions and thinking on how to take forward the substance of GIA deliberations. Workshops facilitated by John Graham helped the youth focus on how to create and articulate a vision that inspires others to follow or otherwise create change.

The closing plenary, chaired by World Bank Institute Vice President, Frannie Leautier, brought together the main themes of the conference, especially the conclusions of the working group discussions on operationalizing assistance for leadership and ethics capacity, and discussed possible ways to move forward with creating an international alliance to promote integrity in public life.

Key messages

The key messages that emerged from the conference amplified the need for global attention to these issues, but with strong country ownership and significant inputs from civil society partners. Key messages from the conference are listed below.

Leadership with integrity and a public service ethos are a crucial missing link in governance reform.

The conference underlined the rationale and timeliness of the WEF's theme with the general recognition that ethics, integrity and leadership had been under-emphasized in governance reform and capacity building. The majority of participants advocated

political commitment and leadership with integrity (as Joanne Cuilla says: 'doing the right thing, the right way, for the right reason') as fundamental to achieving broad-based growth and improved development outcomes. In many instances, leaders have fallen far short of this vision, modeling unethical and corrupt behavior for broader society.

Many speakers brought out the various and crucial roles that leadership plays in successful governance reform:

- Providing a vision of an achievable and better future;
- Shaping and modeling informal norms and values;
- Promoting commitment to good governance;
- Implementing institutional reforms;
- Catalyzing change;
- Energizing a strong support base; and
- Forging coalitions to implement difficult reforms.

Other speakers emphasized some of the key attributes of ethical and effective leadership—in particular, moral courage and commitment—especially in situations where advocating important reforms or policies is likely to be particularly difficult and, potentially, personally risky. Fostering public service ethics and values, promoting commitment to good governance at the highest leadership levels, and supporting champions of good governance at all levels and in all sectors, are powerful antidotes to governance failures. Promoting public service values and ethics is also important in balancing more traditional approaches which seek to 'name and shame' after the fact.

In her paper and presentation at the WEF, Joanne Cuilla looked at the issues around ethics and effectiveness; arguing that while some leaders don't want to serve the public trust because they are focused on serving themselves, other leaders simply don't have the competence or experience to know how to serve their constituents, so they ultimately serve themselves.

A framework for engaging leaders needs to focus on entry of good leaders into public life, empowering ethical and effective leaders while they serve, and facilitating exit of leaders at the end of their terms and ensuring good succession mechanisms are institutionalized.

During the opening plenary session, Sanjay Pradhan, World Bank Director of Public Sector Governance, set the overall framework for the conference, and outlined key imperatives driving the World Bank's engagement in this area. He pointed to the importance of developing work in this area along a few key dimensions: understanding what constitutes good leadership; the factors that ensure the entry of effective and ethical leaders in public life; support for empowering leaders and forging strong sustainable alliances for change at the country, regional and global levels; and exploring mechanisms for smooth transfer of authority when leaders' term limits have expired.

Eduardo Rodriguez, former Interim President of Bolivia, pointed to the primacy of the rule of law in ensuring the effective exercise of leadership, but also the intrinsic and competing motivations of those who seek political office; whether it is the desire for social change, for genuine championship of causes and policies, or personal gain. Tim Besley, from the London School of Economics, outlined the incentive framework and broader institutional environment that determines the manner by which leaders are selected, and the necessity for engagement in these areas. Other scholars distinguished between transactional and transformational leadership and argued that transformational

leadership is necessary in development contexts to raise the standards of public service, create a public service ethos, and build consensus in the process of reform. As Senator Jon Ungphakorn from Thailand, Winner of the 2005 Magsaysay Award pointed out, "moral leaders err on the side of inclusiveness".

Building sustainable alliances to promote the ethics and integrity agenda, and supporting leaders that champion change, are critical complements to institution capacity building for good governance.

Many speakers pointed out that reform champions often fail, or are forced to give up their crusades, because they lack the support base. A case in point is John Githongo, a prominent participant at the conference, who was then in exile in the UK after crusading against corruption as Kenya's permanent secretary for governance and ethics, is a case-in-point. Alliances of leaders, at the national, regional, and global levels—who seek to support reform champions like Githongo and to create the possibility of the emergence of other such change agents—are crucial for ensuring the success of anti-corruption measures, especially in situations where leaders attempt reforms against formidable odds and take on complex networks of patronage and corruption. Support networks and reform alliances are both a precondition to success and a complement to institutional reform in these instances. Recognizing that followers also have power and hence responsibility, support for reformers must be broader than a singular focus on the instrumentality of leadership to include an understanding of how followers, organizations, systems, and institutions that support good leadership (and do not tolerate bad leadership) might develop and be supported.

Coalitions for change have proved a powerful mechanism for mobilizing civil society to demand accountability, and influence the kind of leaders that run for public office and are elected to serve. In fact many speakers and participants, notably Samuel Paul (recent recipient of the World Bank's Jit Gill Award for his work on Citizen Report Cards in Bangalore), stressed the necessity for shared accountability. Just as leaders must be accountable to their constituencies, so must those constituencies accept responsibility for holding leaders accountable. However, participants also emphasized that in order to be effective, good governance coalitions need to be built from within public institutions as well, with active participation of reform champions within the government who can provide advisory and support functions.

Sharing stories of courage and lessons from successes and failures can be an effective means of mobilizing change agents.

Sharing knowledge and best practices on global successes and failures is a crucial instrument for energizing change and informing strategies. A number of speakers commented that examples of good leaders and public recognition of their successes and effectiveness are almost totally absent from public discourse. While speakers focused on enhancing leadership capacity—through such instruments as training, peer support through global networking, and highlighting successes and positive stories of change—leaders from eminent positions in their countries shared personal stories on how they had overcome challenging odds and battled difficult situations to effect real change in their work. Speaking from personal experience former Irish President Mary Robinson identified courage and steadfastness as essential elements of leadership, and pointed to the importance of staying the course on difficult issues and causes, even when support is difficult to garner.

Many other speakers reflecting on their leadership experiences shared this idea. For example, Digvijaya Singh, former Chief Minister of the state of Madhya Pradesh, India, discussed the difficulties of implementing reform in a difficult environment, and building consensus in order to gain support for reform. Karina David from the Philippines spoke about the specific challenges she faced as a woman official, the ways in which she overcame these challenges, and the specific attributes she brought to her work as a woman. These inspirational stories proved to be a powerful instrument for energizing participants, catalyzing commitment, and providing lessons and models for leadership across contexts.

We need to better understand how leadership varies across gender and culture

Issues of gender and culture played predominantly in questions about the nature of leadership. One of the most inspiring and insightful sessions of the Oxford Conference involved stories of women in leadership. The panel and the audience had strong but varying views of the correlation between leadership styles and gender. Two elements that received particular attention and discussion were whether a perceived 'female style' of leadership was more likely to be found in women because of the kinds of experience they had and whether such styles reflected the general lack of power that women have in most communities. However, it also may reflect the power and influence they may have in certain gendered roles. Some argued—and the panellists represented the belief that—women were more likely to 'fall into' leadership positions rather than plan for them from an early age. One clear conclusion was that the GIA should endeavour to support existing and potential female leaders because of the diversity their gender-specific experience brings to leadership roles. Another conclusion focused on the clear need for more research on women and leadership, and for incorporation in the broader research debate concerning gender in governance and development initiatives.

Role of education and research in the leadership agenda

Some discussions focused on the education of ethical leaders. Several papers and presentations examined the form, content, assessment, and timing of ethics education at the university level. Mary Jane Kuffner-Hirt argued that education needed to be interactive; Mark Thomas argued that ethics education should be directed to developing ethical decision making skills, and Sally Kift dealt with the difficulties of assessing current leadership and ethics programs.

Some argued for on-going education for leaders (not just entry and exit, but throughout) and Huguette Labelle argued for the inclusion of ethics teaching in different tiers of education. Charles Sampford argued that education on ethics and integrity should be seen as an element of life-long learning, particularly for those in positions of public trust.

Many researchers and academics provided vital inputs to the sessions and described valuable work currently being undertaken to help contextualize the importance of building leadership capacity. However, the WEF also highlighted many areas of research and a mechanism for identifying research priorities; the knowledge needs of past, present and future leaders.

Private sector leadership

While much of the WEF dealt with leadership and integrity in the public sector, some sessions emphasized the role of the corporate world in fostering a culture of ethics and accountability. This is only partly due to the increasing role of the private sector at the national and international levels in contributing to public policy, and the recognition that bribery needed 'bribe-givers' as well as 'bribe-takers.' The private sector and its governance mechanisms are also an essential part of any national integrity system and an important source of models of ethical institutions and good practices. Moreover, the corporate sector can be an important contributor to the demand-side of good governance, alongside civil society. Lessons learned in the governance and regulation of multi-national corporations can be of use to create effective governance and regulation of public agencies, and vice versa. Accordingly, corporate leaders who lead with integrity are critical to national and international governance reform and measures to educate and network leaders should include corporate leaders as well as those in public agencies and NGOs.

Integrity in institutions at an international level

Most work on ethics, integrity, and integrity systems is at a national level. Two sessions emphasized the applicability of and necessity for addressing integrity in institutions at an international level. Tunku Abdul Aziz emphasized that leadership is a fundamental requirement for all regimes. Other sessions focused on international instruments for promoting integrity and fighting corruption such as at the United Nations Anti-Corruption Convention (UNCAC).

Next steps: developing instruments for change

A key objective of the Oxford Conference was to understand how the international community can support work on expanding leadership capacity and institutionalizing ethics. On the last day of the conference, break-out working groups discussed the way forward along four dimensions for effecting change:

- *Advocacy, Awards, and Networking*: examined the role of these instruments in ensuring that good leaders come into power, celebrating effective leaders as role models, and creating support networks for reform.
- *Supporting Entry and Exit of Leaders*: discussed processes—such as rule of law and representation systems—to support effective political selection, and exit mechanisms, such as term limits.
- *Capacity Building for Leadership*: focused on specific operational mechanisms that could help leaders increase their legitimacy, and ability to be effective and ethical.
- *The Global Integrity Alliance*: considered a potential alliance of leaders, public service officials and organizations, civil society institutions, and other stakeholders to play an advocacy, advisory, and assistance role in promoting effective leadership and integrity.

Each break-out session consisted of a Chair from the working group and a Framer to help contextualize the issues being discussed, with a member of the Youth Forum acting as Rapporteur to the closing plenary session. During the closing plenary, discussions on the reports generated general agreement on exploring further a way forward on the agenda of promoting effective leadership and integrity in public service.

This approach received much favourable comment from delegates who felt the Forum organizers and sponsors took their views seriously. While the conference, as a whole, did

not attempt to draft an agreed communiqué, the 25-strong Youth Forum did seek to find a common position. The Youth Forum participants proposed the establishment of a Global Integrity Alliance for Youth and set out their own declaration.

The conference sponsors

The International Institute for Public Ethics (IIPE) (www.iipe.org)
The World Bank Public Sector Governance Group (www.worldbank.org/publicsector)
The Institute for Ethics, Governance and Law (UNU-IEGL) (http://www.gu.edu.au/text/centre/iegl/)
Australian Governance Research Network (http://www.gu.edu.au/text/govnet)
United States Agency for International Development (www.usaid.gov)
United Kingdom's Department for International Development (www.dfid.gov.uk)
The Australian Government (AusAID) (www.ausaid.gov.au)
The University of Oxford Centre for Socio-Legal Studies (http://www.csls.ox.ac.uk/)
The Integrity Institute of Malaysia (IIM) (http://www.iim.com.my/)
International Association for Religious Freedom (IARF) (http://www.iarf.net/)

Annex I: Working Groups Reports

Working Group 1: Advocacy and Awards

Chair: Neil Levine, United States
Framer: Dijana Plestina, Croatia
Rapporteur: Akram Al-Akhail, Yemen

Prior to the Conference, organizers thought that leadership awards would figure prominently in the work of any proposals for a GIA that emerged. There was considerable discussion of awards during the conference with much said in favour and some caution expressed by others. Reports from the final sessions of the conference recognized the value of awards, but predominantly as a method by which to profile and advocate for ethical leadership.

The key questions identified by the working group included:

1. How to leverage change?
2. How to identify levers of change?
3. How to create space for dialogue within institutions and under-represented groups?
4. How to build momentum?
5. How to avoid the cynicism that so easily develops and the media preference for reporting bad news (e.g. corruption) rather than good news (e.g. ethical leaders and effective integrity systems)?

The following ideas were suggested:

1. Developing a new norm of ethical leadership.
2. Training for ethical leadership using existing institutions.
3. Media campaigns.
4. Using the UN's Anti-Corruption Day (December 9th) or World Day of Planetary Ethics (September 22nd) to raise awareness
5. Creative marketing.
6. Facilitated dialogues in safe environments.
7. Concrete action plans.
8. Developing ethical curriculum.
9. Connecting organizations supporting ethical leadership through electronic media and peer support.

Concerns raised included the means of identifying and dealing with 'spoilers' and 'pretenders' – those who talk like ethical leaders but who in reality fail to adhere to ethical principles in the course of holding a leadership position. During one session, Mary Robinson suggested that the Club of Madrid might be utilized to encourage high-level participation in subsequent leadership capacity building. If awards were offered as a component of the GIA initiative, the Club of Madrid could provide the panel that considered award recommendations. The Club of Madrid could also assist in advocacy for and profiling of the GIA. One suggested mechanism is to invite some of the members of the Club of Madrid to take part in the activities of GIA, particularly its formation. As former leaders and heads-of-state they may suggest, for the GIA, important inputs into the activities to be undertaken and assist more generally toward the achievement of goals.

Working Group 2: Capacity Building for Ethical Leadership: Leader-Led Life-Long Leadership Learning

Chair: Christoph Glaser, Germany
Framer: Charles Sampford, Australia
Rapporteur: Bojana Skrobic, Bosnia and Herzegovina

An analogy was drawn between judicial education and capacity building for ethical leadership. Like all professional education, legal education is now seen as a life-long learning process in which legal educators and senior members of the profession must be involved. It is generally recognized that judicial education must be 'judge-led' in the sense that they have the prime input into deciding when and what needs to be learned, and often take part in the delivery of courses.

This working group recognized that similar points could be made about leadership capacity building – hence the idea of 'leader-led life-long leadership learning'.

Leadership capacity building needs to ask leaders (former, future and current) what they would like to know and what experiences would help build their skills. This process should start with asking former leaders this series of questions:

- What competencies, in hindsight, would have been beneficial during your tenure?
- When did you wish that you had found it out?
- What form of educational or practical experiences do you think would have helped with your leadership capacity?

The working group initiated discussion regarding these general questions, with consultation of former leaders, and ultimately developed a series of more specific interrogatives:

1. What competencies are necessary to be an effective leader?
   a. What experiences positively affected their ability to lead?For example – placements in line agencies and integrity agencies in established integrity systems and in emerging integrity systems.
   b. At what point in their career did they feel they were ready to lead?
   c. Where should this happen?
2. In home country?
3. In country with an effective integrity system?
4. Web based?
5. What role can leaders play in facilitating this life-long learning process?
6. Identifying the educational and practical experiences to help leaders develop.
7. Adapting courses to suit regions and countries.
8. Assisting in delivering courses.
9. Mentoring of current and future leaders.

The working group also discussed what constitutes a good leader and the capacities that need to be developed.

1. Leadership was seen as making choices among alternatives.
2. Leaders had to recognize, distil and analyse problems, make choices, communicate the choices implemented, and take responsibility for their actions.
3. Leaders have to gain the trust of the community so that others will follow. Leaders are defined by the fact that the 'led' are prepared to follow.
4. Leaders have to resolve dilemmas and find ways to solve problems without breaking the rules.
5. Leaders have to realize that they can always learn and competency is ever-expanding.

6. Leaders needed institutions and systems to support their capacity to lead. If existing institutions and systems undermined ethical leadership and rewarded corrupt leadership, then ethical leaders are unlikely to succeed.

The working group suggested an approach which could assist leaders in developing the above mentioned capacities:

1. Education and training.
2. Internships/placements/secondments in different organisations – including corporations, NGOs, line agencies and integrity agencies in countries with developed and/or developing integrity systems.
3. Personal development:
   a. Partly from education, but more often from experience.
   b. A wide-range of experiences – structured (as in 2 above) and unstructured.
4. Mentoring.
5. Building regional and international coalitions to discuss experiences in leadership.
6. Advice:
   a. From short-term, in-house advisors 'sitting in the next office'.
   b. From outside experts in a GIA hub.
7. Institutional and policy alternatives provided from a World Wide Web 'warehouse' (see below) or from a group of experts.

Participants listed some of the kinds of training that is currently available including 'power-meals' to full-day programs, retreats and multi-day courses (especially for rising middle management – a particularly important group). It was agreed that the GIA should prepare an inventory of currently available training tools together with assessments of processes and tools that had worked for leaders of different types and different backgrounds. This discussion led to the suggestion that the GIA should be something of a 'warehouse' providing:

1. Lists and access to a range of courses.
2. A range of institutions and policies that could be used to deal with problems.
3. A set of case studies of ethical leadership – 'heroes'.
4. Case studies on the establishment of good governance through leadership coalitions.
5. A range of 'best practices'.

Members of the working group emphasized that there was no one solution that would suit all leaders and countries. This variety suggested that we needed to move from a 'warehouse' to a 'department store' format where potential leaders could pick and choose products as necessary.

A single international institute for training leaders was discussed. The dominant theme that emerged from this discussion was the decentralisation of training and ethical leadership institutions into a number of hubs is a more culturally and ethnically appropriate method of providing support. Participants in the working group also emphasized that not all learning is undertaken in institutions frequented by elites; organizations that focus on grass-roots activities tend to have a more developed understanding of the practical versus the theoretical and can focus more on the follower (or citizen) rather than the leader.

One of the suggested criteria for success was an evaluation of the extent to which goods and services offered by the 'warehouse' or 'department store' were adopted and adapted by leaders.

Research Agenda

The working group recognized that asking leaders what they would like to know may require the creation of new knowledge. This new knowledge is instrumental in developing the research agenda in which leaders and researchers enter a dialogue. The process involves leaders posing questions that they would like answered and the researchers providing feedback on possible avenues of assistance and/or collaboration and how the leader's questions may be framed in a manner that maximizes a useful answer. Such leader-focused research agenda-setting is also an effective tool for assisting 'governance disciplines' (law, ethics, political science, economics, management and organisation theory) to move out of their 'disciplinary strait jackets'.

Working Group 3: Entry and Exit of Leaders

Chair: Gillian Dell, United Kingdom
Framer: Samuel Paul, India
Rapporteur: Solange Marquez Espinoza, Mexico

This working group dealt with questions associated with finding new leaders and assisting their entry into leadership positions. Such questions were analyzed together with questions related to the exit of leaders and assisting their exit in two contrasting cases – when it became, for security reasons, too difficult for those leading or championing governance reform and when successful leaders were tempted to cling to power, for example, by going for the 'unconstitutional third term'.

On entry issues, the group emphasized the importance of making leadership positions attractive to youth, women and marginalized stakeholders. Currently there are barriers to entry for some groups. In systems characterized by poor governance, corruption and self-serving elites, those with integrity may avoid politics. Building leadership capacity may help encourage individuals to participate in the political process that otherwise would have focused solely on personal pursuits.

The group suggested information sharing through electronic and physical networking as a means for aiding entry and exit. Participants of the working group also suggested strengthening the participation of civil society in the selection and assessment of leaders and promoting media awareness. The GIA was seen as having a role in training and accrediting leaders as well as supporting them. However, some suggested that membership of GIA might depend on leading with integrity and that leaders could lose membership of GIA. Mechanisms were not discussed but there are numerous professional models available.

It was suggested that the most effective way of assisting exit for leaders who found it too 'hot' was to provide them work within the GIA doing research, training, speaking at conferences etc. In much the same way that industrialized nations assist scholars, researchers, and scientists of failed states, lest they undertake questionable activities, leaders can be provided with the resources and opportunities to continue helping their society or nation develop in a positive direction. While fellowships at GIA associated institutes, participation in conferences and engaging in leadership research and training might offer little to the corrupt leader, they may be much more attractive to a successful governance reformer otherwise tempted to stay on or needing safe exit.

Working Group 4: Why, What, Who, How?

GIA Working Group 4: Vision, Mission, Governance of a Possible GIA
Chair: Tim Steel, United Kingdom
Framer: Karina Constantino David, Philippines
Rapporteur: Chadia El-Meouchi, Lebanon

There was a general consensus of the need for a GIA. However, it was agreed that it would need to have a distinctive character and add value to already available ethics and anti-corruption initiatives.

Why? Areas of distinction and value-adding:

1. Deal with building ethics and integrity rather than confining its focus to curbing corruption which is already well covered by TI with the IACC as the major biennial conference. As such the GIA would seek to highlight the positive by recognizing, developing, connecting and empowering ethical leadership.
2. Focus on ethics and integrity in leadership – especially the formation of coalitions of leaders and supporters across all sectors of society.
3. Most of those involved with ethics and integrity in leadership are working alone; the GIA would bring these efforts together.
4. Apply to leaders in all sectors and at all levels – including youth and middle management, not just the top leaders.
5. Connect researchers and practitioners from all countries, sectors and levels.
6. Gather knowledge and disseminate it to members and others.
7. Help identify standards for integrity, paying specific attention to cultural, ethnic, and regional attitudes.
8. Act internationally to encourage the establishment of national and sectoral integrity alliances providing support and bringing technical assistance to members in countries for their work on the ground.
9. Act as an advocacy/pressure group to spread awareness about issues of integrity and ethics in leadership and provide a vehicle for developing countries to express their concerns and experience of lack of integrity and ethics in leadership.

What does the GIA intend to achieve? Goals and Mission

1. Concentrate on a set of activities that are achievable with a clear initial agenda.
2. Connect leaders from all levels and sectors.
3. Consolidate the knowledge of all these leaders and individuals to serve as a learning platform. The work being done by individual countries on integrity and ethics in leadership must be consolidated so that it can become knowledge for all, at the service of all.
4. Establish mentoring from successful leaders to emerging leaders. The successful and established leaders can then provide guidance and support to the emerging leaders.
5. Instill optimism ands empower the youth.
6. The GIA should focus on the creation of a cadre of leaders across sectors that receive and provide critical support, rather than just supporting individual potential leaders.
7. Educate the public worldwide on integrity and ethics.
8. Develop a global dialogue of wide reach, including youth and women.
9. Use the media to disseminate positive messages of ethics and integrity in leadership.
10. Provide a flexible menu of support.
11. Beyond establishing regional, national, or local chapters, the GIA should employ modern communication technology, such as a website or other online portal, to establish a contemporary alliance with a global platform through which organization, individual leaders, and countries can contribute and exchange ideas and experience.

Who? Composition and Membership

1. Include leaders from all levels and sectors, (private, public, civil society, academics, practitioners, individuals, youth, and women) and achieve a balance between those various levels and sectors; the GIA should be an inclusive organization, open for all.
2. Should not be captured and/or controlled by any one association or organization. It should be clearly non-partisan.
3. Provision should be made for both individual and organizational membership.

How? The Process

The following process was suggested:

1. Establish a small working group, or Steering Committee, to establish the structure of the GIA.
2. The working group would act as a 'convenor' and facilitator' to produce two deliverables:
    a. A work plan program by the end of May based on all issues discussed throughout this conference and in the working groups of the Forum. The work plan program should be then circulated to all participants of the conference for their comments.
    b. A consultative report by September 1, 2006 including suggestions on how to set up the GIA. The report would again be circulated to all participants of the forum for their comments.
3. Composition: World Bank, IIPE, TI, ERC, other donors and leaders including youth leaders.
4. Temporarily housed by the ERC (Ethics Resource Center).
5. Longer term hosting to be agreed at a later date.
6. Funding: minimal for 1-4 above but GIA itself will require co-ordination of funders.

Religious and Spiritual Ethical Codes for a Humanistic Leadership

Ibrahim Abu Bakar

This paper is divided into three parts. The first part is the definitions and limitations of the paper. The second part is the needs for human beings to consider the religious and spiritual ethical codes for a humanistic leadership, and the third part is on some religious and spiritual ethical codes especially those proposed by Imam Abu Hamid al-Ghazali (d. 505A.H./1111A.C), a Muslim mystic, theologian and philosopher.

Definitions and Limitations

A humanistic leadership is a type or form of leadership putting human rights and human welfares at the forefront instead of other considerations. Ethical codes are ethical norms/values/guidelines and their two main sources are religion and spirituality.

Religion is an integrated system of creeds, ethical teachings, ritual activities, lifestyles, legal codes and institutions by which their adherents give or find meaning in their lives. In this sense of religion, spirituality is part and parcel of a religion. Spirituality here is a human and religious spirituality that has concepts of meaning, transcendence, and connectedness. This spirituality seeks and discovers meaning in life and inner peace, connects with a higher sacredness and views life from a higher and more objective perspective.

There are associations or institutions which differentiate between spirituality and religion. One of them is the Association for Spiritual, Ethical and Religious Values in Counselling (ASERVIC). For ASERVIC 'Spirituality is not the same thing as religion. While religion may be one way in which persons express or experience their spirituality, it is not the same as spirituality itself.… Spirituality and religious practice are neither exclusive of one another nor do they automatically reside simultaneously in an individual. ASERVIC does not identify with or promote any particular religious belief system. However, ASERVIC does recognize that the majority of persons in America profess some form of religious belief, even if they are not active in a particular religion. Many others are deeply rooted in their religious belief system and its related community.' (ASERVIC, 1998)

William Schweiker in his article employs the term 'Religious ethics' and he admits other forms of religious ethics such as 'theological ethics, tradition-specific ethics, or some generalized idea of religious ethic' (Schweiker 2006: 136). A theological ethics is based on theology and a religious ethics is based on a religion. For Philip L. Quinn, 'Any ethical doctrine that makes theistic assumptions is theological. The ethical theories characteristic of the traditions of Judaism, Christianity, and ISLAM are thus theological. However, ethics can

be religious without being theological. Because Theravada Buddhism does not make theistic assumptions, its ethical thought is religious but not theological. There are theological versions of most of the standard ethical views. So, foe example, the NATURAL LAW theory of THOMAS AQUINAS (1225?-1274) is theological because Aquinas thinks that natural law depends upon God's eternal law. And the UTILITARIANISM of William PALEY (1743–1805) is theological because Paley is a divine command theorist.'(Quinn 2006).

For Larry Pettegrew, Professor of Theology, 'Religious people believe that ethics is `the study of the way of life that conforms to the will of God — the way that is good, that pleases God and fulfills human nature.''(Pettegrew 2000: 140). Moreover, for him, 'Systematic theology must serve as a foundation for any set of moral standards that pleases God and fulfils human nature.'(Pettegrew 2000: 139).

A religious and spiritual ethics is different from a naturalistic ethics or secular ethics. Another name for a religious and spiritual ethics is a theological ethics and it is also known as a divine command ethics or divine command theory of morality. Theological ethics can be divided into deontological and teleological, or meta-ethics and applied ethics or normative ethics.

Sources of theological ethics are the sacred religious texts and their interpretations; for Muslims, they are the Koran and the Prophetic traditions and their interpretations; the Bible and its interpretations are for Christians; the Torah and its interpretations are for Jews.

Muslim theologians' and ethicists' works are also relevant sources for Muslim theological ethics. One of such works is the work of Abu Hamid al-Ghazali (d.505 A.H./1111 A.C.) named *al-Arba`in fi usul al-din*

Regarding the method and aim of theological ethics or religious ethics, William Schweiker, a Professor of Theological Ethics at the University of Chicago, The Divinity School, contends that 'religious ethics is the name for a collaborative effort undertaken in different ways but sharing a broadly reconstructive and humane aim that is organized by means of multidimensional hermeneutical inquiry'. (Schweiker 2006: 138).

Background

The 21st century world is still populated by religious and spiritual peoples. One source of information states that non-religious peoples are only 6 per cent of the world populations. Others are Muslims (22 per cent), Christians (33 per cent), Hindus (15 per cent), Buddhists (6 per cent), the adherents of Chinese religious traditions (4 per cent), and other religious peoples (6 per cent) (Elder and Farrior, p.31).

Religious adherents can use their religions for good and beneficial goals as well as for bad and evil motives. Through their religions, they can construct or deconstruct human beings; they can develop or retard human developments. Throughout human culture, religious and spiritual beliefs and ethics have often framed the way people value and treat humans and non-human beings. 'We know that faith-based organizations provide 50 per cent or more of the social services, in particular education and health services, in the poor communities.'(Obaid 2005: 1159). Obaid further explains the roles played by religions in improving the human life

qualities by stating, 'All religions in the world agree on the sanctity of human life. All take a positive and life-affirming position on the principles of human dignity and human worth. All religions support the values of compassion and tolerance.'(Obaid 2005: 1162).

Obaid provides 'five main reasons why religion counts when addressing' the reproductive health and rights (See Appendix 1.). Obaid adds that 'Because we believe that religion counts, UNFPA has partnered with religious institutions and faith-based organizations to fashion groundbreaking initiatives to improve reproductive health and save lives. Many religious leaders have been supportive of efforts to prevent the spread of HIV/AIDS to encourage safe motherhood and to uphold the dignity of women and men by affirming their moral capacity to make personal decisions concerning their own reproduction.'(Obaid 2005: 1170). UNFPA stands for the United Nations Population Fund.

In his final conclusion, Obaid emphasizes the good roles played by religion to human beings and Obaid stresses, 'in every region, the concepts of equality and justice and the principles of human dignity and worth guide our work. The dimension of improving the quality of life and reducing poverty and inequality allow diverse religious institutions and faith-based organizations to participate in efforts to advance reproductive health…. In fact, in many cases, religion has enabled us to bridge the gap between local cultures and universal human rights. Working together, we are finding common ground to reach the common objectives of saving and improving human lives.'(Obaid 2005: 1172).

Helena Cobban relates her studies on the good and useful roles of religions and the religious institutions in Rwanda, South Africa and Mozambique. 'In Mozambique leaders and practitioners in the indigenous and Christian religious traditions contributed greatly to peace building during and after the 1977-1992 civil war. In South Africa religious concepts and religious leadership were both central to the success of the Truth and Reconciliation Commission. In Rwanda, where many religious institutions were badly compromised by their actions during the 1994 genocide, other religious institutions have played a notable role in promoting social healing in recent years.'(Cobban 2005: 1121).

ASERVIC admits and acknowledges the positive roles of spiritual, ethical and religious values in counselling practices. Hence, 'ASERVIC believes that counsellors should be aware of the religious belief systems of their clients and be able to include that awareness as part of an effective counselling practice. While ASERVIC does not champion any religious system, the organization does recognize the important psychological impact of religious belief and its relevance to clients' personal concerns.'(ASERVIC 1998).

The importance of various ethical and religious traditions to move toward peace, justice and fairness has been admitted and acknowledged. Prof. Leonard Swidler, Religious Department, Temple University, USA, has initiated and posted 'A Universal Declaration of A Global Ethic.' Among the rationales for such declarations are 'We women and men from various ethical and religious traditions commit ourselves to the following Universal Declaration of a Global Ethic. We speak here not of ethics in the plural, which implies rather great detail, but of ethic in the singular, i.e., the fundamental attitude toward good and evil, and the basic and middle principles needed to put it into action. We make this commitment… to speak out against all forms of inhumanity and for humaneness in our treatment of ourselves, one another and the world around us. We find in each of our traditions: a) grounds in support of

universal human rights, b) a call to work for justice and peace, and c) concern for conservation of the earth.'(Swidler 1998).

Theological ethical codes

1. *Believe in God who is existent, omnipotent and omniscient*

Abu Hamid al-Ghazali explains ten theological principles in his work and the first one is the existence of God.(al-Ghazali 1982: 7-8). According to Jeffery Moses, 'The world religions all seem to ask that their followers seek different paths to enlightenment. Yet beneath the seeming differences lies a pool of universal truth. Quoting directly from the scriptures of Christianity, Judaism, Islam, Hinduism, Baha'i, Buddhism, and others, *Oneness: Great principles Shared by all Religions* strip away the superficial differences between faiths by showing that the great religious principles are expressed almost word for word in every religion.'(Moses 2002).

According to the great religions of the world website, 'from the earliest times mankind has been aware of the transcendental power which governs and sustains the Universe. From the beginning mankind has hungered for knowledge of this Power and has longed for understanding. It is an innate need of all mankind….. All religions have, with one voice, ascribed three fundamental qualities of God - They are: Omnipotence – all powerful; Omniscience – all knowing; and Omnipresence – presence in all things.' (Barefoot 2002).

2. *Believe in God's reward and punishment*.

The Muslim theological principle for God's reward and punishment in Arabic is called *al-wa`d wa-al-wa`id* and it is the third theological principle of the five theological principles in Mu`tazilism(Ahmad 1988: 609-693). In al-Ghazali's work, it is called the *al-yawm al-akhir*, the last or final day where God will reward the obedient persons by letting them to live in the Paradise and God will punish the disobedient persons by putting them in the Hell on the Day of Judgment.(al-Ghazali 1982: 18-19).

3. *Seven blameworthy ethical values namely Lust (undesired love), Gluttony (overindulgence), Greed (avarice), Wrath (anger), Envy (jealousy) and Pride (vanity) are mentioned and explained by al-Ghazali (1982: 78-142).*

4. *Seven praiseworthy ethical values namely Chastity (purity), Moderation (self-restraint), Generosity (vigilance), Zeal (integrity), Meekness (composure), Charity (giving) and Humility (humbleness) are mentioned and explained by al-Ghazali (1982: 143-231).*

There have been seven deadly sins in Christianity. 'The seven deadly sins, also known as the capital vices or cardinal sins, suggest a classification of vices and were enumerated in their present form by Thomas Aquinas in the 13th century. They oppose the seven Holy Virtues.' (Wikipdedia 2006). According to the same source 'the Roman Catholic church recognizes the seven virtues as opposites to the seven sins.' The seven sins are Lust, Gluttony, Greed, Sloth, Wrath, Envy and Pride while the seven virtues are Chastity, Moderation, Generosity, Zeal, Meekness, Charity and Humility.(Wikipedia 2006).

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Appendix I

The five reasons to count on religions as listed by Thoraya Ahmed Obaid in *JAAR.* Dec 2005, Vol. 73, No. 4., p. 1170.
'Religion Counts'

'First, religions share a common moral position with regard to the duty toward the vulnerable and the suffering, and this position is also shared by the United Nations.'

'Secondly, religion offers people a safe haven where they seek guidance and comfort. Although religion can be imposed, faith cannot because it is a conviction that one has in essentially an Almighty God who has different names in different religions and beliefs. It is an act of free will of the individual.'

'Thirdly, religions have constituencies that serve in public and political spheres, who decide on major issues and who are capable of mobilizing communities.'

'Fourthly, religions have institutions that are well established and provide much needed services to the poor, the disadvantaged, and the excluded. Constituencies respect their clergy and see them as both spiritual and societal leaders.'

'And Finally, religion counts because the dialogue within the United Nations between North and South, and East and West, has been about culture, as well as about the politics of power. Thus, the tension ends up being a political confrontation on the surface but with religious and cultural undercurrents carrying it along.'

The five reasons to count on religions as listed by Thoraya Ahmed Obaid in *JAAR.* Dec 2005, Vol. 73, No. 4., p. 1170.

Political Selection[1]

Timothy Besley

James Madison (1788 [1961]), the primary author of the U.S. Constitution, wrote in the *Federalist Papers* (#57): 'The aim of every political Constitution, is or ought to be, first to obtain for rulers men who possess most wisdom to discern, and most virtue to pursue, the common good of society; and in the next place, to take the most effectual precautions for keeping them virtuous whilst they continue to hold their public trust.' The second issue that Madison identifies — that is, the need to get institutional incentives right so that politicians act in the public interest has been studied at length. But the first issue — the need to form a political class that is competent and honest enough to discharge its duties — has received far less attention.

Yet many of the problems of government, especially those in emerging democracies, arise because the political class uses the state for self-dealing. Any institutional improvements that try to rein in their proclivities can have only a limited impact as long as policymakers are intent on using public office for self-enrichment. Democratic theorists have long recognized that the state functions in the context of a nexus of values that restrain narrow self-interest. One of the key roles of elections is to uphold those values, both by disciplining politicians and providing a means of finding those who are fit to serve. As the great American political scientist V.O. Key (1956, p. 10) remarks: 'The nature of the workings of government depends ultimately on the men who run it. The men we elect to office and the circumstances we create that affect their work determine the nature of popular government. Let there be emphasis on those we elect to office.'

The past 200 years of political history justify an emphasis on selection. Almost every major episode of economic change over this period has been associated with key personalities coming to power with a commitment to these changes. In Germany of the 1870s and 1880s, for example, Otto von Bismarck was the architect of early moves toward the creation of a welfare state. No account of the landmark economic reforms of the Progressive Era in the United States fails to give a central role played by Theodore Roosevelt, and no account of the New Deal fails to give a central role to Franklin Delano Roosevelt. The history of China's Great Leap Forward is written in terms of Mao's vision and how he imposed it. In the United Kingdom, Margaret Thatcher's economic legacy of privatization and deregulation was in significant measure due to her single-minded pursuit of these goals.

But if such dynamic leaders are so important, then we need to understand how they come to hold the reins of power. This outcome could be viewed as largely the product of random

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[1] This paper was commissioned by Public Sector Governance Program (Poverty Reduction and Economic Management Unit) of the World Bank and was previously published in the *Journal of Economic Perspectives*, 19(3), Summer 2005, pp. 43–60.

events coloured by idiosyncratic personalities and chance encounters. However, at least some role must be given to the underlying institutional structure, which has a more systematic influence on who rises to the top. Thus, it is essential to understand how political selection works.

Much of the modern literature on political economy literature has not only neglected the problem of political selection, it has been positively hostile to the topic. For example, James Buchanan (1989, p. 18) argues: 'To improve politics, it is necessary to improve or reform rules, the framework within which the game of politics is played. There is no suggestion that improvement lies in the selection of morally superior agents who will use their powers in some public interest.' A similarly narrow view has also been encouraged in political science, too, through influential commentators such as Mayhew (1974, p. 5) whose analysis casts U.S. congressman as 'single-minded seekers of re-election.'

But it seems implausible to argue that the quality of government can always be improved with such a narrow focus. Institutions that shape incentives are often fragile and provide only limited restraints. At one extreme is the case of Adolf Hitler who, after his election as Chancellor of Germany, showed contempt for the constraints placed through the constitution. A number of modern day autocrats, some of whom were initially elected, show similar contempt for institutions.

The reluctance of academic writers on political economy to embrace the importance of selection is somewhat strange, since applying these ideas in our own backyard is second nature. For example, in the preamble to its 'Principles Governing Research at Harvard,' the Faculty of Arts and Sciences at Harvard (_http:// www.fas.harvard.edu/_research/greybook/principles.html_) states: 'The primary means for controlling the quality of the scholarly activities of this Faculty is through the rigorous academic standards applied in selecting its members.'

Recent accounts of corporate performance similarly place weight on charismatic chief executive officers (CEOs) and the way in which they shape corporate strategies. Indeed, Bertrand and Schoar (2003) argue that the data can be described in terms of CEO 'fixed effects' indicative of management styles. Corporate governance is an area where there is an apparent disconnect between the obsession with regulation and constraints, rather than understanding how the institutional structure ensures that particular types of individuals rise to the top.

This paper argues that political selection is important for two main reasons. First, if there are limits of the degree to which individuals can credibly adopt policy positions, then who is picked for public office is instrumental to adopting a credible policy stance. For example, prior to choosing Tony Blair as leader, the Labour Party in the United Kingdom had found it difficult to commit credibly to the centre ground in British politics and had failed to win an election for 18 years. Second, if the control of politicians through elections is limited, then improving the quality of government requires an increase in the honesty, integrity or competence of those who are elected. Hence, the best method of reducing the chance of future offences like those committed by Richard Nixon or Ferdinand Marcos was to remove those politicians from office.

The paper begins by considering how political selection affects the two key conflicts of interests with which political institutions must deal: conflicts that arise because groups of citizens have competing views about what government should do, and conflicts that arise because public office can be used for private ends. It then turns to the institutions for selecting political candidates, and particularly the role of elections, in picking out better candidates. We need to understand how individuals get into positions of power and what institutional structures can diminish the chances that these individuals are of low quality.

Policy Credibility

Selection plays a key role in establishing policy credibility when citizens have disparate interests and, hence, competing views about what government should do. The dominant paradigm for studying conflicting voter interests is the median voter model of Downs (1957) and its descendants. This model focuses on how candidates or parties pick policies. The first generation models along these lines predicted that policies would gravitate toward the preferences of the median voter. Selection of politicians plays no role at all.

However, it is well-understood that the commitment assumptions implicit in the prediction of policy convergence are strong and unreasonable. Why should we expect parties to carry out these platforms? If not, then voters are systematically fooled by believing them. Alesina (1988) explored whether convergence could be sustained with long-lived players (political parties) who could be disciplined by voters for breaking their word. But he found that complete convergence could be sustained only in limiting cases that are of little practical interest.

While reputation formation clearly has a role to play in politics, selection plays a complementary role in achieving policy credibility. This theme has been central in the monetary policy literature. The importance of policy delegation to conservative central bankers is now widely understood (Rogoff, 1985). Moreover, the pivotal role played by Paul Volcker in establishing monetary policy credibility in the 1980s is now legendary.

Osborne and Slivinsky (1996) and Besley and Coate (1997) suggest an alternative to the Downsian paradigm in which selection is fundamental to achieving policy credibility.[2] Competition is modelled between candidates who cannot commit to policies in advance. Election promises become credible precisely because a suitable set of candidates can be found to carry them through after they are elected.

The approach is manifestly relevant for directly elected chief executives, such as presidents and mayors. However, it is also useful in understanding party competition in parliamentary systems. In such cases, it is arguable that parties rather than candidates are selected by voters. In such cases, the party leadership creates the public image of the party. Moreover, electoral fortunes often turn on battles for party leadership, given the importance of leaders in subsequent policy formation. A good example is the leadership battle in the ruling Liberal

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[2] See Persson and Tabellini (1994) for an early contribution recognizing how elections establish credibility through picking the right people.

Democratic Party (LDP) in Japan in 2001 over who would replace Yoshiro Mori. The merits of the prospective leaders were debated in good measure in terms of their competence to lead economic change. The importance of having a credible party leadership explains why it may be difficult for parties to converge to the median of public opinion, even if converging would improve a party's electoral chances.

Support for this approach in the U.S. Congress comes from Lee, Moretti and Butler (2004). They employ an ingenious method that exploits the 'regression discontinuity' in elections where one candidate wins by a fine margin. They find that the degree of electoral strength within a district has no impact on subsequent representatives' roll call voting records. Thus, a large exogenous shift in electoral strength for the Democrats in a district does not lead both parties' nominees to shift to the left as the Downsian paradigm would predict.

The main focus of standard models of policy competition is broad ideological policy conflicts, but the set of specific policy cleavages to which these issues applies is much wider. Candidates can have many 'identities' in the sense of Akerlof and Kranton (2005), each of which can affect their policy preferences. Changing the identities of policymakers can serve as a means for making policy change credible.

Attempts to engineer the political process to change the complexion of policymaking bodies are frequently greeted with derision. But if identity matters and credibility is important, such steps cannot be dismissed as empty rhetoric. Consider, for example, debates in the United States in the aftermath of the Voting Rights Act of 1965. One result of the act was the creation of majority-minority districts, in which minorities have a majority of voters in the district, and thus a member of minority group has a strong chance of being elected. This practice has led to controversy, with a concern that when minorities are grouped into a few districts, they may end up being marginalized in the political system as a whole. The state of Georgia recently decided to redistrict away from majority-minority districts and instead to move toward a greater number of minority-influence districts, where minorities would be found in a larger share than in the general population but not as an outright majority in the district. The U.S. Supreme Court upheld this 'minority influence' redistricting in *Georgia v. Ashcroft* (539 U.S. 02-182 [2003]). But whether this entire dispute matters ultimately rests on whether selecting minority groups as legislators makes a difference to the conduct of policy.

Emerging evidence on the importance of identity in political representation suggests that selection can matter. India, for example, has reserved legislative seats for traditionally disadvantaged caste groups. Pande (2003) finds that reservation for scheduled castes and scheduled tribes at the state level in India affected policies targeted toward these groups.

A further case where identity matters is the case of gender representation. In standard models, men and women are equally good at representing policy preferences of women voters. Thence, the historical under-representation of women in elected office should be irrelevant, provided that women have the right to vote. But evidence suggests otherwise. The 73rd amendment to the Indian constitution, enacted in 1992, mandated that a certain fraction of seats in village governments be reserved for women. Chattopadhyay and Duflo (2004) study the outcomes in two Indian states — Rajasthan and West Bengal — and find that the issues favored by women get more attention when women politicians are selected. For

example, significantly more attention is paid to water projects, with more than a 25 percent increase in water provision as a consequence of reservation.

Such evidence puts the spotlight on efforts to increase the representation of women in political office. As another example, the Labour party in the United Kingdom has introduced a controversial policy of women-only short lists of candidates. Such policies follow from a recognition that selection matters.

Quality

Selection also matters in affecting the quality of politicians in office. At the risk of oversimplification, I will suppose that quality has two principal dimensions: honesty and competence. Of course, other qualities are sometimes prized, but their merits are more difficult to assess. A good example is the ability of politicians to manipulate and/or persuade others. Many landmark reforms, such as the abolition of slavery in the 1860s and civil rights legislation in the 1960s required such skills and a willingness to defy convention (even constitutional rules) in a way that could easily be used against the public interest in other contexts. But Abraham Lincoln and Lyndon Johnson are in each case widely praised for their decisive contributions.

If honesty and competence are at stake, we should expect politician quality to be what political scientists call a valence issue — every citizen wants more of it regardless of the policy choice being implemented.[3] These qualities matter in the real world. For example, elected policymakers are frequently confronted with opportunities to engage in self-dealing, ranging from the use of political influence to secure favors for particular individuals to outright bribery.

The idea that potential politicians differ in their competence is no different from a standard assumption in labor market models that individuals have specific skills so that they will perform better or worse when matched in certain jobs. These specific skills can be innate or acquired. In practice, political competence is probably a complex mix of skills. It could include intangible leadership skills, like persuading others in debate or inspiring trust, and also more standard analytical skills, such as spotting flaws in policy proposals. If competence differs, then an important role of elections is to pick competent politicians and to remove from office those who are demonstrably out of their depth. Political careers often see individuals moving from lower to higher office over their life cycle. For example, among recent U.S. presidents, Reagan, Clinton and Bush all served as state governors. Such political experience is an opportunity to reveal political competence.

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[3] Every citizen is obviously a bit strong here — if a politician takes a bribe in exchange for a policy favour, there has to be somebody else who benefits for there to be gains from trade. But the point is that recipients of such favours are likely to be a very small fraction of the potential set of voters. It may also be that for dynamic considerations one party may prefer that the other selects an incompetent leader resulting in a subsequent electoral defeat.

The political economy literature has dealt with the problem of self-dealing in political office by self-interested politicians (Barro, 1971; Ferejohn, 1986). It has often focused on the use of re-election as a reward exercising restraint. However, assuming, as these contributions do, that *all* politicians are narrowly self-interested implies that kicking out one politician is guaranteed to bring in one who is just as bad. Selection is not then an issue.

But plenty of evidence exists — for example from public goods experiments — that the narrow self-interest model as a universal postulate does not fit the facts. Moreover, once it is recognized that potential members of the political class have a variety of motivations, it is interesting to contemplate what determines the motives of those who win elections.

There is no agreed model of honesty in this context. A useful approach is to think in terms of a *fiduciary model* of duty in politics, a model that has its origins in trust-based financial relationships. The term fiduciary comes from the Latin verb *fidere* — to trust. Fiduciary duty is enshrined in the common law (Worthington, 2002). It is most often applied in describing the duties of trustees and directors of company boards who must curb self-interest to serve either beneficiaries (say, of a mutual fund) or shareholders (of a publicly owned company). An individual in a fiduciary role owes a duty of loyalty to whomever they are serving.

In political terms, the notion of a fiduciary duty is quite similar to the sentiment commonly expressed by James Madison in the *Federalist Papers*, when he refers (as in the quotation at the start of this article) to a duty of rulers to uphold 'the public trust.' This fiduciary model of good political motivation is consistent with the idea that some people hold public office due to *public service motivation*. It is also related to the much older notion of civic virtue, whereby individuals have qualities that make them trustworthy in their dealings with others. This kind of virtue can be thought of as hard-wired into preferences rather being dependent on external reinforcement, and being inclined to perform a fiduciary duty in this sense can be thought of as an *intrinsic motivation*, pursued for its own sake rather than because of some well-defined external reward. This idea, which originated among psychologists, has only recently been brought into economic thinking.3[4] Thus, a politician who upholds his duty to pursue the public interest will do so even when it means foregoing an increase in his wealth or income by doing so.[5] On this view, finding a trustworthy politician is a matter of selection, not a matter of incentives, and political institutions should be designed to select politicians with a greater degree of public service motivation (Cooter, 2002).

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4 Frey (1997) provides an excellent introduction with economic applications. For a recent discussion of identity and motivation in this journal, see the article by Akerlof and Kranton in the Winter 2005 issue.

5 To assume that politicians who take their fiduciary duties seriously are completely immune to influence by incentives is perhaps too strong. The extent of incentives may depend on whether they agree wholly with the ends that they are pursuing. Besley and Ghatak (2005) develop a model of agent motivation in which the extent to which agents take care depends on the extent to which they agree with the *mission* being pursued by an organization. Thus, a politician could be much more motivated when he/she agrees with the cause.

Voters seem to believe that selection of politicians matters. Since 1962, the U.S. National Election Survey (NES) has asked Americans a number of questions about their attitudes toward government, including whether they believe that government is run by crooks. Figure 1 gives the proportion of those who answer this question by saying that there are 'quite a few crooks' and those who answer by saying that there are 'hardly any crooks' — and shows a best-fit line for each set of answers. Of course, these public survey results don't measure the actual number of crooks in political office. Recent decades have seen an increase in the laws and rules to enforce greater honesty among politicians, rising public cynicism about politicians, and also rising public expectations about how honest politicians should be. The 1960s appear to be a decade when public opinion about the honesty of politicians fell sharply, while such opinions rebounded toward a perception of greater honesty in the 1990s. However, the findings do strongly suggest that people believe that politicians are differentiated along a spectrum of honesty and that the intrinsic honesty of politicians matters to voters.

Methods of Selection

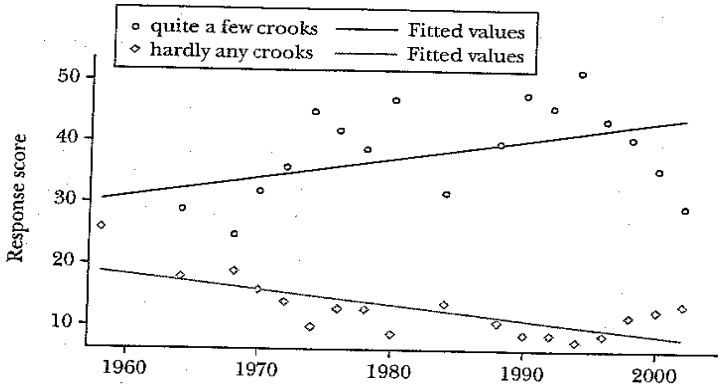
There are two ways of judging whether selection of policymakers is healthy. First, such judgments could be made on the basis of the interests that policymakers serve when they formulate policy. While there is inevitable disagreement about the validity of distributional goals, most people would agree that the pursuit of broadbased social objectives rather than narrow interests is better. The experience of ethnically factionalized politicians in parts of Africa is a vivid illustration of the problems that arise when the narrow politics of identity is dominant. Selecting leaders who can encompass broader interests and overcome the strictures of tribe or clan then has many advantages. However, the difficulty of establishing credibility in such contexts is clear. Second, the health of selection could be judged in terms of the honesty and competence of those who are picked for office.

History suggests that four main methods of selection to political office are available: drawing lots, heredity, the use of force and voting. The modern world is converging toward the last of these. To understand why, it is useful to discuss the pros and cons of each.

For a period of time, ancient Athens filled seats on its legislative council by drawing lots from among its citizens, as Manin (1997) explains in an excellent discussion. Each citizen served for one year, and there was a restriction to two terms in a lifetime. The Greeks understood the downside of this method in terms of ensuring good politicians. They did impose safeguards in the form of a kind of confirmation hearing in which the character and competence of the selected candidate was scrutinized. However, the basic premise behind selection by lot is that civic virtue was widely distributed in the population, so that random selection made it relatively unlikely that anyone picked by the lottery would be a bad politician. Selection by lot was deemed preferable to elections for three main reasons. First, it guaranteed rotation in office, so that politicians were guaranteed to experience both political and everyday life. Second, selection by lot guaranteed the widest possible access to public office and hence was viewed as egalitarian. Third, lots seemed more likely to maintain a unity of purpose in the community, while elections increased the chance that citizens would group into factions.

Figure 1

Perception about Crooks in Government, 1958–2000



The use of lottery makes a lot of sense in a relatively homogenous city state such as Athens. For similar reasons, lotteries were also used in the Italian city states of Venice and Florence. However, even political thinkers such as Montesquieu and Rousseau, who took the idea of political selection by lot seriously in their writings, ultimately favoured elections, principally because they believed that elections helped in the selection of a *natural aristocracy* of the talented and virtuous. After all, selection by lot does not favour those with greater political competence over those with less.

This view heavily influenced the founding fathers of the United States, who similarly saw the task of political selection as selecting a ruling class that was different from the citizens at large — superior in their talents and mental capacities. Indeed, the term 'natural aristocracy' originates with Thomas Jefferson (1813), in a letter written to John Adams. Jefferson wrote:

> I agree with you that there is a natural aristocracy among men. The grounds of this are virtue and talents . . . .May we not even say, that that form of government is the best, which provides the most effectually for a pure selection of these natural *aristoi* into the offices of government?

Jefferson continues to argue that he favours laws to break up large inheritances and support public education as methods of creating a situation in which the natural aristocracy can rise and be selected.

The idea of a natural aristocracy produced by election contrasts with the prevailing norm in early modern Europe, where many countries still relied heavily on hereditary aristocracy. The idea of selection by blood-line makes sense only if qualities required for making policy are passed between generations, either genetically or by some form of social conditioning, and offers no safeguards if the transmission of such traits fails. It also has an advantage when it permits the ruling class to take a long-run view. The hereditary aristocracy had some ability to co-opt the most talented and successful citizens in any generation — but it was much harder to demote those hereditary aristocrats who lacked political competence. Hereditary

aristocracy also has a built in bias toward the interests of the rich. In such a setting, broad-based policy is on the basis of *noblesse oblige* and/or the threat of revolution.

Some countries, notably the United Kingdom, still have elements of hereditary selection of their political class. Even representative democracies have prominent political dynasties. The Nehru dynasty in India spawned three prime ministers who 'ruled' India between 1947 and 1989 with only a two-year hiatus. The current Bush dynasty in the United States appears likely to hold the presidency for 12 out of 20 years. The advantage in name recognition is palpable. But whether politician quality is transmitted intergenerationally is far from clear. Debates about hereditary in politics are reminiscent in this regard to discussions about whether family-owned firms have advantages in the market place.

When hereditary aristocracy is considered through the lens of political selection, it is no great surprise that this institution has largely disappeared over time. There is little to commend it as a means of picking the best people to make policy. The principle of heredity was dealt its severest blow by the increasing influence of Enlightenment thinkers, such as John Locke, who championed the idea that government could only gain its legitimacy from consent given freely by the citizens as expressed through the ballot box. This claim about perceived legitimacy has nothing directly to do with whether elections provide incentives to discipline rulers; instead, it's a claim about the importance of selection to a well-functioning political system.

In the modern world, most autocrats rule by force rather than inheritance. Autocracy's selection rule is to pick those leaders who can muster the greatest loyalty from coercive institutions such as the army and/or police. While autocracies display a fair amount of heterogeneity in their performance, it seems fair to say that the most brutal regimes in human history have typically been of this kind. Selection by force does not appear to be an effective method either for selecting people who will offer wide-ranging political representation or those who will be the most competent to hold public office. Jones and Olken (2004) offer some evidence that the low-quality government under autocracy is rooted in selection problems. They look at economic growth before and after the death in office of world leaders to provide evidence on whether leader quality matters. Their main finding is that the death of an autocrat leads to a change in growth. Democratically elected leaders show no corresponding pattern. This finding is consistent with selection by force having a disadvantage in selecting good leaders compared to democratic selection.

Elections are now the most commonly used institution for selecting a political class, but enormous diversity exists across electoral institutions. There are differences in the wages paid to politicians, the kind of public duties that are required, and the kind of policy discretion that the politician enjoys. There are diverse rules about who can stand for office, such as age, wealth or literacy requirements. Rules about the conduct of elections also differ across democratic systems, including whether there are primaries for multiple candidates from the same party or runoffs between the top two candidates. Rules also differ with regard to the conduct of campaigns and the kind of financial support that candidates may receive.

This institutional diversity makes it difficult to draw general lessons about selection in democracies. The details of electoral rules are likely to matter. In the next section, we will discuss how elections work in selecting policymakers.

Making Elections Work

Most polities impose explicit rules that restrict who can run for elected office. Age and residency restrictions are most common. For example, candidates for the U.S. presidency must be American-born and at least 35 years of age. Such barriers are, however, on the whole less stringent than in the past. For example, Britain and France traditionally used wealth tests for candidates, which were much more stringent than those required to be allowed to vote.

Some barriers to entry can be justified on grounds of promoting candidate quality. However, others, like wealth tests, are of more dubious standing. While wealth could be a guarantor of independence or a mark of success in private life, it could equally well be correlated with a taste for personal enrichment. It is an interesting question, which probably deserves more attention, as to whether there are grounds for restricting candidature beyond the qualifications for voting.

Supposing that a substantial pool of potential candidates for public office pass any tests to become a candidate, we need then to understand what makes it more likely that good candidates will put themselves forward for election. We will look at this selection process in four stages: 1) the 'attractiveness ratio,' which considers the motivation to run for office; 2) the 'success ratio,' which is the likelihood that good candidates succeed in elections; 3) the 'opportunity cost ratio,' which captures the relevance of outside options on the decision to run for election; and 4) the 'accountability ratio,' which captures the relative reelection rates of good and bad politicians.

The Attractiveness Ratio

Who will have a high level of motivation to run for office and why? Rewards to holding public office come in three main forms: formal compensation (like wages, benefits, travel allowances), public service motivation and other rents. Good politicians are attracted by public service motivation and wages, while bad politicians care about rents and wages. Then a key ratio for determining who will be attracted to run for office in a political system is the *attractiveness ratio,* defined as

$$A = \frac{\text{rents} + \text{wages}}{\text{public service motivation} + \text{wages}}$$

When the attractiveness ratio A appears large to many people, the pool of bad politicians who would like to run for office will be larger. The attractiveness ratio is higher, for example, when available rents are higher. When A appears small to many people, the pool of good politicians who would like to run for office will be larger. The attractiveness ratio will be lower when society has a strong public service ethic.

Any system of selection depends on the qualities of the pool of citizens who are potential candidates. Societies comprise individuals with a range of values that are learned in schools, community organizations and families, which have a bearing on how they behave in positions of trust. If relatively few individuals in the population take such responsibilities of trust seriously, then finding such individuals to fill elective offices is likely to be more difficult. A body of recent work on 'social capital' has argued that there has been a decline in civic values that manifest themselves in reduced participation in certain social activities. Putnam (2000) argues that this decline in social capital is linked to other social forces in society. In his earlier work on civic traditions in Italy, Putnam (1993) argued that greater civic virtue in northern Italy helped to make democracy work better there compared to southern Italy.[6]

The attractiveness ratio determines the pool of people who are willing to run for public office. It offers a structure for thinking through how various changes will affect who decides to run. For example, it depends on how the design of political institutions affects rents. Thus, improved checks and balances that reduce rent extraction should tend to improve political selection. Greater scrutiny of political behaviour by the media should also reduce the value of the attractiveness ratio. Rewards to political office may also be reaped after leaving politics. Diermeier, Keane and Merlo (2005) estimate a return of this form. Although these opportunities after political life can in theory be described as nothing more than high returns from an accumulation of human capital, in practice they often seem to be closer to rents. Thus, a substantial number of high-paying opportunities for former politicians will tend to raise the attractiveness ratio and to attract more bad politicians.

The effect of wages on the attractiveness ratio A depends on whether public service motivation is more or less important than rents in attracting an individual to political office. If rents are higher than public service motivation for many individuals, then increasing wages improves the ratio above raising the relative attractiveness of political office to the good politicians. If public service motivation is very strong, then the converse is true and it becomes preferable, other things equal, to have an unpaid political class. For example, the United Kingdom resisted paying its members of parliament until 1911, when an allowance of £400 was introduced.

With this insight in mind, it is interesting to look at the ratio of the salary of a U.S. senator compared to the average salary of a law firm partner. This comparison makes intuitive sense given that lawyers are the most significant occupational group among politicians. Table 1 shows that in 1954, a U.S. senator earned a 22 percent premium over the average law partner, but by 2002, a senator earned just 25 of the average law partner's salary. This change is likely to have yielded a decline in the quality of politicians if public service motivation is weak.

The scope of authority enjoyed by an elected politician may also affect the attractiveness ratio, although the channel may occur either through enabling greater rent seeking or through enhancing public service motivation. If politicians have little influence on outcomes, then political life may not attract individuals who are intent on public service motivation. Thus, we might expect that directly elected chief executives such as presidents, governors and

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6 Social capital can also be important if it affects the extent to which individuals are confronted by those who are willing to offer them bribes *after* they have been elected.

mayors will more often be drawn from those with high public service motivations than the rank and file and legislators who have less direct power. One piece of evidence on this point is that Veronese (2004) finds that a move to directly elected mayors in Italy led to selection of a group of mayors with higher levels of human capital.

Table 1

Relative Wage of U.S. Senators and Law Firm Partners

Year	*Senators' yearly salary (1)*	*Average salary for a law firm partner (2)*	*(1)/(2)*
1954	12,500	10,258	1.22
1976	44 600	55,000	0.81
2002	150,000	593,800	0.25

Sources: Senators' salary is taken from the U.S. Senate website: _http://www.senate.gov/artandhistory/history/common/briefing/senate_salaries.htm_. Average salary for law firm partners is taken from Liebenberg (1956; 1954 data), American Bar Association Journal (1977; 1976 data), and Internet Legal Research Group: _http://www.ilrg.com/employment/salaries/_ (2002 data).

The Success Ratio

The attractiveness ratio shapes who will seek to gain political office. But voters care about finding the best politicians in the available pool. If voters are able to filter out bad politicians completely, then it does not matter how attractive political office is to such politicians. Hence, the attractiveness ratio needs to be multiplied by the *success ratio* defined by

$$S = \frac{\text{probability of election of bad politicians}}{\text{probability of election of good politicians}}$$

.

In an ideal world, the success ratio would be equal to zero, and bad politicians would never be elected. But the ratio is not zero, for a number of practical reasons. Voting involves a multidimensional decision, involving both a judgment about political competence and also about policy agreement. In some cases, some voters may prefer a low-quality candidate who shares their own policy preferences to a high-quality candidate from the other group. This factor limits the effectiveness of elections in filtering out bad candidates. This insight could explain why ethnically factionalized societies seem so often to spawn bad politicians, like when the break-up of the former Yugoslavia brought Serbian leader Slobodan Milosevic´ into office.

Candidates are typically chosen by political parties. This fact raises the question of why a party would ever put a bad candidate up for election. One possibility is that if rents are earned

by parties as well as successful candidates, and protection of those rents is dependent on selecting bad politicians with little public service motivation, then the party may have an interest in putting up bad candidates. The problem that parties face in making this choice arises from the risk that voters will choose the other party. A striking example of how the absence of competition reduced politician quality is the recent history of the U.S. south, where the near monopoly on power of southern Democrats gave less incentive to select good candidates. Besley, Persson and Sturm (2005) argue that the pattern of policy formation in the U.S. south before and after the Voting Rights Act of 1965 is consistent with a significant improvement in the quality of state governors in the region as a consequence of the increase in political competition.

The selection procedures within parties may also influence the likelihood that a bad candidate is chosen. In many party structures, candidate selection is structured to maximize the power of party elites, with candidate selection being a highly secretive procedure where personal connections could play a large role. This process could allow bad candidates, intent on using political office for private ends, to use their influence. The trend in modern democracies has largely been toward more systematic and transparent systems of selection. If party members who don't share in the victory rents get a say in picking candidates, then the tendency toward low-quality candidates is diminished. The advent of the primary election in the United States is a case in point, with candidates forced to compete for the party nomination. If parties have relatively homogeneous policy preferences, then the main remaining basis for within-party competition should be candidate quality.

Information is also a key determinant of the success ratio. Laws that affect media freedom can be important institutional determinants of political selection. The media can assist voters in identifying the quality of candidates and conversely, political selection will often work poorly in countries where the media is repressed. It is no surprise, therefore, that low-quality leaders frequently try to repress the media. This was famously a feature of Peru under Alberto Fujimori. The importance of press freedom is confirmed by studies such as Brunetti and Weder (2003), which finds a negative correlation between corruption and press freedom. Repression of the press is more difficult when there is a plurality of relatively independent media (Besley and Prat, 2004). Similarly, Djankov, McLeish, Nenova and Shleifer (2003) find that countries with state-owned media tend to be more corrupt.[7]

The rules governing campaign finance can also affect the success ratio. But exactly how such rules work depends on who is contributing to campaigns. Campaign contributions by special interests are likely to do most damage to politician quality (Coate, 2004). However, broad-based contributions may have the opposite effect by leading to greater advertising of the qualities of good candidates. Political reservation of the kind seen in India also affects the success ratio. By restricting the domain over which candidates are picked, it could make the pool of good candidates smaller. On the other hand, political reservation may limit the extent of policy disagreement between the competing candidates, making it more likely that political

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[7] This view of the media may be somewhat rosy-eyed. The intrusiveness of the media could also be viewed as a negative filter. Moreover, the media could be more aggressive in doing this than they used to be. For example, President John F. Kennedy's personal transgressions were famously overlooked, in contrast to President Bill Clinton's more recent experience.

competence is a deciding factor. In a study of local government in south India, Besley, Pande and Rao (2005) show that political selection in reserved and unreserved seats is very similar — in both cases politicians tend to be from wealthier, politically connected and more educated backgrounds.

Opportunity Cost Ratio

The opportunity cost of becoming a politician will also affect the relative incentives of good and bad politicians to run for office. This factor is summarized in the *opportunity cost ratio*:

$$O = \frac{\text{outside option of bad politician}}{\text{outside option of good politician}}$$

.
This ratio is important if the characteristics that make for good or bad politicians are rewarded differentially in private life.

A lot depends on the prevalence of 'natural entrepreneurs,' who will seek profit whether in public or private life. Economies that repress the private sector will tend to encourage such individuals to seek profits in the public sector. In this sense, a booming private sector might be good for political selection. However, an economy with a strong private philanthropic sector will tend to reduce the pool of good politicians available.

High opportunity costs should make it unlikely that business elites choose to enter politics. But many countries — modern day Russia and Thailand being striking examples — have experienced a preponderance of businessman candidates. Gehlbach and Sonin (2004) argue that businessman candidates reflect the immaturity of certain democratic systems and the weakness of institutional mechanisms for businessmen to influence election outcomes through mechanisms like campaigning or lobbying, without actually standing for office themselves. In this view, selecting a businessman candidate offers some credibility about the policies they will support if elected.

Accountability Ratio

A final selection issue involves the relative probability that bad and good politicians get re-elected after serving a term in office, which is the *accountability ratio*:

$$R = \frac{\text{probability of re-election of bad politicians}}{\text{probability of re-election of good politicians}}$$

.
If actions that politicians take while in office perfectly reveal whether they are good or bad and such actions are observed by voters, then bad politicians would have little chance of being retained. But again, there are sound reasons why this outcome is unrealistic. Most observable actions, such as voting records, are a poor indicator of politician quality. Moreover, voters often have poor information about politicians' track records.

A more subtle line of reasoning recognizes that bad politicians may change their behaviour depending on the likelihood that voters will punish them for poor performance. Besley and Smart (2004) argue that a trade-off between selection and incentives emerges in this context. If politicians are better behaved in office, then there is less chance of filtering out the bad ones. Whether this trade off is advantageous for voters depends on the longer-run consequences of keeping bad politicians in office. If there is costly end-game in which bad politicians are term limited or decide to retire, the voters will eventually pay. But otherwise, it may be better for voters that bad politicians recognize they must be on their best behaviour to retain their position. The importance of such factors is borne out in evidence from political life cycles that exploit the fact that some politicians periodically face term limits (for example, Besley and Case, 1995).

Democracies offer fairly limited means for entrenchment by incumbents.[8] However, the possibility of re-election does allow bad politicians to strike bargains with special interests in exchange for campaign contributions — a pattern that will tend to favour bad politicians and hence raise the accountability ratio. However, the range of devices for entrenchment in autocratic settings is larger than in electoral systems. Indeed, autocratic politicians may emasculate the electoral process by limiting press freedom and intimidating opposition politicians. For example, Daniel Arap Moi of Kenya created a *de jure* one party state in 1982. In similar vein, Zimbabwean leader Robert Mugabe has all but eliminated the possibility of his removal from office by electoral means.

Concluding Comments

Economic models of markets typically bring together individual preferences and the incentives that individuals face. However, modern political economy has tended to focus only on the incentives faced by politicians for good or bad behaviour, while neglecting the importance of selection. But no society can run effective public institutions while ignoring the quality of who is recruited to public office and what they stand for. By reclaiming the selection agenda for political economy, we find not only a tool for improving government, but a rich agenda for economic research. Theoretical models of political competition are at last being developed to recognize the importance of selection, and empirical evidence is bearing out the relevance of these ideas in practice. A huge amount remains to be done in assembling more data on the qualities of the political class and then relating these qualities to the institutions that shape political selection.

The focus here has been on politicians. However, issues of selection run into all aspects of public service. Similar issues arise, for example, in understanding the performance of public bureaucracies. Here, too, attention must be paid to selection of those who are competent and motivated toward public service as well as to traditional concerns about incentive design. For example, the National Commission on the Public Service (2003) discussed how to rekindle the values of public service in America. Commission chair Paul Volcker remarks in the

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[8] However, there is the possibility that a low-quality political class can affect future outcomes. For example, Caselli and Morelli (2004) suggest that, by influencing future rewards to political office, this can lead to path dependence in candidate quality.

preface (p. 4): 'Too few of our talented citizens are seeking careers in government or accepting political or judicial appointments.' One interesting question that seems poorly understood involves when elections rather than some other form of selection mechanism is able to select a better cadre of public servants.

Selection may also be important in the conduct of business. A key issue is whether socially responsible business decisions can be achieved without socially responsible managers. A recent op-ed piece by Robert Shiller (2005) observes that 'the view of the world that one gets in a modern business curriculum can lead to an ethical disconnect. The courses often encourage a view of human nature that does not inspire high-mindedness.'

Finally, economists and other social scientists should pay more attention to the origins of civic virtue and the possibility of increasing the number of trustworthy public servants. While economists often resist the idea that values can or should be taught, their importance is manifest in the operation of public and private institutions — from Watergate to Enron.

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Slovakian Strategies for Fighting Corruption: What works and what does not

Emília Sičáková-Beblavá and Miroslav Beblavý

Introduction

This paper compares three Slovak Governments in the fight against corruption: the 1994–1998 Government of Vladimír Mečiar, the 1998-2002 Government of Mikulas Dzurinda and the 2002–2006 Government of Mikulas Dzurinda. During the last eight years, Slovakia has undergone extensive modernization as part of its ambition to become a successful industrialized country and a member of the European Union. The anti-corruption drive of the Dzurinda Governments has been part of these efforts. On one hand, it has been successful in improving nearly all the key anti-corruption systems and has, also more recently, started to operate special repression bodies to prosecute corruption cases. Slovakia even recorded a decrease of the level of perceived corruption. On the other hand, it has not been able to establish strong public trust in anti-corruption institutions and significantly deal with the political corruption cases. Corruption has remained one of the top issues on the public and political agendas during the last eight years and is likely to do so in near future. A coalition of anti-corruption politicians with NGO activists and the media is shown to be a key ingredient in successful structural reforms together with supplementary influence of the EU accession requirements. Progress in dealing with politically sensitive areas and, in fact, with grand corruption has been limited.

The paper consists of seven sections. The first section provides short country overview, the second gives insights on Vladimir Meciar Government in relation to the corruption issues. The next section is focused on several aspects of anti-corruption initiatives adopted by two Mikulas Dzurinda Governments and is followed by chapter dealing with description of related anti-corruption reforms. The fourth section deals with achievements and their effects on corruption and the next one shortly looks at dealing with the past. The sixth one describes overall outcomes and current status. The last section summarizes lessons learnt.

Short Country Overview

Political System

In 1918, Slovaks and Czechs formed Czechoslovakia. After the World War II, Czechoslovakia became a Communist nation within Soviet-influenced Eastern Europe. Soviet influence collapsed in 1989 and Czechoslovakia, federation since 1968, became free. The transition to democracy in the former Czechoslovakia therefore started in 1989. The

Slovaks and the Czechs agreed to separate peacefully on 1 January 1993 and the Slovak Republic was formed.

Since then Slovakia has been a parliamentary democracy with president as the formal head of the state. There is one chamber in the Slovak parliament and the parliamentary elections are held every four years. Slovakia has proportional electoral system in place and that is one of the reasons why Slovakia has had coalition governments since its formation. After some initial political instability, there have been regular elections in 4-year intervals since 1994. Between 1994 and 1998, the Government of Vladimir Mečiar ruled. Since 1998, with partial change after the elections of 2002, the Government of Mikuláš Dzurinda has been in place.

Administrative System

Since 1990 Slovakia has established the so-called 'dual system' of public administration. Public administration consists of two parts — state administration managed by ministries from Bratislava and local and regional self-government. They have separate competencies and also in organizational terms, they operate separately.

Slovakia has fourteen ministries, most of which have a regional network of offices (e.g. tax administration, the police, social benefits and employment services), eight regions with their regional self-governments and approximately 2900 municipalities. Each region and each municipality has a directly elected chairman/mayor and council of deputies, with division of power between the executive and the 'legislative' branch.

Since 2000, Slovakia extensively decentralized political power, finances and competences. Municipalities and regions have taken on new powers in organizing and co-financing education, utilities, housing, transport, health-care and other essential services. The decentralization has led to new challenges in the area of corruption.

Judicial System

Slovakia has a bifurcated judicial system with both the Supreme Court and the Constitutional Court. The Supreme Court is the highest appellate body; the Constitutional Court decides specific issues related to the interpretation of the Constitution. Additionally, Slovakia has regional and district courts. This court structure is currently undergoing reorganization.

Slovak judges are appointed for life; only the judges of the Constitutional Court have a fixed term. Judges are paid the same salary as MPs and enjoy wide-ranging independence. Many powers over the judiciary are now held by the Judicial Council, composed of representatives of judges, the parliament, the president and the government. While this has insulated the judiciary more from the ruling Government of the day, it has also lessened accountability.

The Slovak judicial system is highly fragmented and there has been limited success in unifying the adjudication, leading to a highly discretionary system. Additionally, the system has been badly managed and overburdened, leading in many cases to enormous backlogs in the work of the judiciary.

Meciar´s Legacy

The 1994–1998 Slovak Government led by Vladimir Meciar was known for extensive corruption in public sector. This section therefore presents focus on official attempts to deal with corruption and official prosecutions, opinion polls and a special subsection devoted to privatization.

The Extent of Corruption – Official Prosecutions

The lack of commitment is reflected in official figures on the state of corruption in Slovakia. The picture of officially recognized extent of corruption is displayed in the following table that concerns § 160 of Criminal Code (criminal deed–bribe taking):

Table No. 1 – Survey on Corruption Developments in Slovakia

Year	Investigation	Indictment	Sentence
1992	40	35	–
1993	18	15	13
1994	24	22	2
1995	30	29	12
1996	28	24	17
1997	23	21	13
1998	35	33	16

Source: Office of Attorney General of SR

The number of persons prosecuted for bribery was at that time far from the real extent of corruption existing in Slovakia. Above given numbers reflected the capacity of police, prosecution and judiciary to effectively deal with corruption cases. All these three institutions were under enormous political pressure as a part of the institutional struggle between the Government and other political and civil society actors that took place during the years 1994–1998 and led to Slovakia being excluded from the first round of EU enlargement negotiations because it did not fulfil the Copenhagen criteria on democracy and rule of law.

The Extent of Corruption – Privatisation

Discussion of corruption during the Vladimir Mečiar´s Government is incomplete without a special focus on the privatization process. This is not to say that during this government, doctors or university administrators did not take bribes; however, suspicions of grand corruption related to the privatization dominated the public discussion.

The privatization process started in 1990 and its course ever since has proved to have been one of the areas most affected by non-transparency. Transfer of enormous property into private hands without developed capital markets, capitalists or other institutions of a sophisticated market economy is bound to be arbitrary and prone to corruption, particularly since the so-called one-shot nature of the process decreases any inhibitions individuals or institutions might feel in corrupt or arbitrary conduct.

Until 1994, the voucher method of privatization dominated. Whatever the merits of this method, it was quite successful in prevention of corruption as there was a limited role for exclusive information or discretionary decision-making. In addition to the voucher method, auctions were used for small property. When the Government took a discretionary decision on privatization, it had to be the decision of the Cabinet, with full political accountability and this was utilized only in a limited number of cases.

When the Mečiar Government took power in 1994, it rearranged the authority over privatization to make it highly non-transparent and to exclude the public from any control over privatization. This was done by transferring the power over privatization decisions from the Government to a quasi-governmental institution – the National Property Fund, by not allowing external audit of the NPF and by preference for direct sales without any tenders or bidding. Thus, nine people from the ruling coalition (members of the NPF board) had been given an exclusive power to decide who (and at what price) was to get the state property. No register of privatized assets was established in order to provide information about privatized property to all those concerned.

Between 1995 and 1998, direct sales of state enterprises to Slovak individuals and corporations started to totally dominate, being favored by Government officials as a method 'serving to create a domestic entrepreneurial class.' Critics of this method questioned from the very beginning both transparency of such method and its impact on restructuring of the Slovak economy. During the privatization, small groups, political leaders included, were given preferential treatment.[1]

In the 1995–1997 period, the board of the NPF decided on 887 direct sales, transfers of shares of state companies, or state asset transfers with total book value of SKK 103bn (USD 3bn at the time). Their purchase price was, however, only 48 percent of their regular book value. During the whole period, actual NPF privatization-related revenues reached only 28.7 percent of the book value of privatized assets[2]. Risks of corruption and unlawful conduct were therefore mostly linked to the direct sales of privatized property where there was a complete discretion of the NPF board over sales of some of the largest enterprises in Slovakia without any ability for outsiders to remove the curtain of secrecy.

The Extent of Corruption – Opinion Polls

Since numbers on official prosecutions do not capture the reality of corruption, we also look at the results of research based on opinion polls conducted during the 1998–1999 period. In the first, poll opinions of the Slovak elites on corruption and crime were elicited as part of research conducted simultaneously in 9 CEE countries and three Caucasian states and was ordered by InterMedia. Within the whole research, 3,600 respondents-elite representatives-were contacted in the respective countries (political decision makers, leaders, entrepreneurs, media representatives, people from the fields of culture and science, opinion makers, etc. In the second poll, targeted at business community with respect to corruption and other aspects of business environment, 850 respondents were approached. The return rate was 25 percent.

1 Weiss, P. (1997).

2 FINI67-Internet daily focused on economics and capital market at home and abroad, August 11 1998.

Public opinion research on bribery and corruption was conducted by FOCUS agency for the Center for Economic Development through a network of skilled data collectors with the sample of 1,045 Slovak citizens aged over 18 years. The data were collected through personal standardized interviews recorded in the questionnaires.

The main findings point at the fact that at the time of the surveys:

- corruption was perceived to be widespread in Slovakia;
- two thirds of the interviewed have already encountered the problem in person at least in one sector/institution;
- corruption in health care was seen as being most wide spread by the electorate
- according to businessmen, corruption at ministries and other central state administrative bodies was the most critical, followed by customs authorities, and (with a certain lag) local state administration and courts as well as municipalities;
- university graduates, creative and expert professionals and businessmen (i.e. those targeted within the group of elites and business community) were more sensitive to corruption;
- there was an extensive (and ever increasing) presence of all corruption forms in Slovakia during the whole of transition.

Based on the research results on corruption perception, corruption was at the time most widespread in Russia and Slovakia, followed by Ukraine and Bulgaria, with Romania and Czech Republic occupying the two bottom rankings. This result has been calculated based on the answers to four questions mapping the size of corruption. In this regard, it is worth reminding that perception of corruption extent does not necessarily equal its actual existence. If there is a debate about corruption in the society, or if corruption cases are revealed as a first step on the path of fight against it, general public may get the impression that corruption is much more frequent and wide spread than in countries where it is done latently.

As for the CPI in 1998, Slovakia had, in comparison to other Central European countries, the worst score, as shown in following table:

Table No. 2: CPI 1998 in Central Europe

Country	CPI 1998
Slovakia	3.9
Czech Republic	4.8
Poland	4.6
Hungary	5.0

Source: www.transparency.org

Attempts to Tackle Corruption by Vladimir Mečiar´s Government

The first attempt to solve the problem of corruption in Slovakia took place in 1995 when the Government adopted the 'Clean Hands' (*Čisté ruky*) anti-corruption program. Although the program proposed a number of new laws or amendments, it faded away with few specific results or evidence of genuine commitment by the Government. On the contrary, bribe-giving

ceased being a crime after a 1995 amendment to the Penal Code, contributing to a permissive environment with regard to corruption.

Based on described situation concerning corruption in Slovakia during the Meciar´s Government fight against corruption became part of the election agenda held in 1998 and 2002 and it was agenda demanded by the electorate. What strategies two subsequent Governments of Mikulas Dzurinda chose to decrease corruption is described below.

Anti-corruption Initiatives of Two Dzurinda Governments

In 1998, the opposition overwhelmingly won the parliamentary elections (with approximately 60 percent of the vote) with the rule of law, the EU integration and the corruption being among the key topics where the electorate felt a need for change. Therefore, the future Government figures felt a strong commitment to deal with corruption issues. However these dealt nearly exclusively with privatization (e.g. the future Prime Minister Mikuláš Dzurinda made repeated statements on the need to reclaim property which was privatized improperly for very low prices). During the pre-election time, there was an extensive debate as to what extent should the privatization decisions be reversed and what other steps should be taken in this area. Wider debate about anti-corruption strategies was missing from the policy mainstream.

On the other hand, the revulsion of the population and the elites was already strong (as evidenced by surveys mentioned above) and it is not coincidental that it was at the same time that the local chapter of Transparency International was founded in Slovakia.

In other words, while at the time of 1998 elections, corruption was a politically salient topic only within the context of privatization; Slovakia was ready for a much more wide-ranging change both in attitudes and policies.

The strategies taken by those two Governments are not identical and following section will provide analyses on taken approach in several aspects of anti-corruption strategy:

Designing a Realistic Plan of Action

Start-up difficulties In the 1998 experience, the Slovak Government did not have any serious pre-prepared plan to tackle this agenda after the election. There were also a minimal amount of staff in the public sector that had the clear picture on the anti-corruption agenda. Among others it was the legacy of the previous Government and it took some time to introduce higher quality of public sector employees. The anti-corruption know-how was provided to the Government by the NGO — Transparency International Slovakia *(*hereinafter referred as *'TIS')* — as asked by the prime minister in 1999. That among others delayed the real anti-corruption action. Many other NGOs helped with formulation of needed anti-corruption measures as well. As the result the *National Program for the Fight against Corruption was adopted by the Government*[3].

3 More details on National Program see in subsection 3.2.

In 2002, the Government did not face the same challenge after the election in 2002 as mentioned above because the basic anti-corruption know-how was already formed. The main question moved from '*what to reform*' to '*sequencing, laws drafting and difficulties with their pursuing*'. Also the personnel — human capacity — was of a less challenge. That contributed to quicker start of performing of anti-corruption activities.

How the sequencing was determined 1998 experience: During the first Dzurinda Government the activities on anti-corruption field started relatively late — *the National Program for the Fight against Corruption* was adopted in June 2000. The Slovak Government had therefore about 2 years to implement quite an ambitious program. As it takes time to prepare particular anti-corruption measures, adopt them by the Slovak Parliament (hereinafter referred as '*SP*') or by the Government and than implement them, to expect decrease in the perception of corruption in two years was not very realistic. Especially in the areas that required serious structural and organizational reforms, for example, healthcare, education, police or judiciary.

Together with the anti-corruption blueprint its implementation framework is determinant of its success. The coordination of anti-corruption program implementation performed by the Central Coordination Unit (hereinafter referred as '*Unit*') became highly bureaucratized. This Unit did not become pro-active leader in the fight against corruption but rather the 'checking list body' that formally checked the fulfilment of the tasks defined in *the National Anti-corruption Program*. The Unit therefore was more a bureaucratic body and less knowledge based anti-corruption institution than formally proclaimed and expected. The particular decisions (on where to put stress when fighting corruption) could have been distorted by insufficient knowledge on the issues.[4] The lesson from this experience was the need to clearly define the roles of formal anti-corruption institutions and its correct communication in order not to create false expectations.

One more comment on this issue: the perception on corruption is influenced among others by the number of cases that are publicly discussed and should be dealt with by court and sanctioned, including the political corruption cases. Without the serious reform in repression bodies — police, prosecution, judiciary — the criminal sanctioning is highly unrealistic. In this period minimal progress has been achieved in mentioned area and even the perception concerning corruption in those repression bodies increased. That should be taken into account when preparing and sequencing plan of action as well.

4 The Unit for example received aid from the European Union (hereinafter referred as 'EU') and part of it was used for media campaign – for example the anti-corruption billboards were put around Slovakia. A lot of doubts were expressed concerning this activity due to several reasons – for example the EU aid is limited and it is for serious discussion whether the media campaign with the main motive 'corruption is bad' is the best possible anti-corruption investment. Especially in the period when this issue and its negative aspects are already widely discussed. This kind of campaign can raise the skepticism especially in situation when no politician is formally penalized. The uniqueness of the EU aid makes the requirement to carefully judge how to deal with it.

2002 experience: Possibilities for more anti-corruption achievements were on place as the Government from the very beginning recognized the fight against corruption as one of its important topic. Already in December 2002 the anti-corruption agenda has been discussed at the Government session and basic decisions have been made.

As for the organizational aspects the Central Coordination Unit was replaced by the Office for the Fight against Corruption (hereinafter referred as '*Office*'). The Office decided to shift from more bureaucratic public body to institution which is involved in formulation and pursuing of approved anti-corruption agenda. The Office, either on its own or in cooperation with individual ministries, has drafted and submitted several anti-corruption bills and initiated several other activities aimed at curbing corruption. Its position, presentation and communication in media became clearer. However, the Office also failed to regularly come up with an updated proposal of urgent tasks in the field of combating corruption that would react to the changing state of affairs. The Office did not put a lot of energy at involving other public bodies in the fight against corruption and perform also its coordinating role. Its capacity, involvement and enthusiasm was slowly decreasing.

Getting some quick wins versus longer term 1998 experience: It is argued that, based on experience in this period, it is important to point out the need to combine the quick wins with long time anti-corruption reforms.

That is because some changes can not be done without the deeper reforms but on the other hand the public expects the changes — as usually promised by politicians. The quick wins can be achieved in areas, which do not necessarily require legislative changes — but rather the change in particular public administration bodies. The Slovak example of the quick win is the introduction of higher transparency to licenses granting — formation of the web page where relevant basic information on licensing granting are publicly available. However, during the transformation process and related position of public sector development, major anti-corruption changes are required as well — and they can bring the fruit in long term: *it is usually not enough to throw away the spoiled fruit from the wet basket — the new fruit will soon be spoiled as well.* Therefore the correct communication about the need for serious longer-term reforms is more than needed.

Flexibility versus clear-cut rules 1998 experience: The Slovak Government has adopted the anti-corruption program and the particular ministries prepared the action plans consisting of the anti-corruption tasks. It had its advantages as well as disadvantages:

- advantage — it was relatively easy to monitor the formal accomplishment of the agreed tasks.
- disadvantage — the particular public institutions did not evaluate the real changes in their environment and did not come with new proposals. They took their role in this exercise quite formalistically.

The less formalistic approach is possible when there is strong political anti-corruption leader with appropriate team to do the work and the capacity to perform relevant evaluation of the on-going situation.

2002 experience: Although implementation approach was a bit different and the Office had capacity to develop anti-corruption measures, it did not form capacity to reflect changing circumstances and involve and coordinate other relevant stakeholders in the fight against corruption.

Keeping up the Reform Momentum

There were and still are several actors who played specific role in making and keeping the fight against corruption in public agenda. The particular roles are changing over time. Therefore, keeping the reform momentum has its own dynamics. Following text is dealing with relevant actors:

Domestic Political Forces – Ruling Coalitions

1998–2002 Demand for anti-corruption agenda: The 1998 Dzurinda Government was partly elected in hope for change in the Slovak society, including the hope for higher transparency. The 1998 Government did not have any robust explicit anti-corruption pledges stated in its Government Manifesto. However, the pressure requiring anti-corruption actions to be taken by the Government has increased after the first bigger corruption related scandal at the Ministry of Telecommunication of the Slovak republic. In summer 1999 also the conference prepared by The World Bank and TIS took place, where data on corruption were publicly presented. The EU started to watch Slovakia from that perspective more closely as well.

Reaction As the result of above defined pressures and events Dzurinda asked TIS to prepare the first proposal of anti-corruption program that was later called *National Program for the Fight against Corruption.*

On 21 June 2000, the Slovak Government approved a *National Program for the Fight against Corruption (*hereinafter referred as *'Program')*[5]. The final version of Program was developed by the Office of the Deputy Prime Minister of Economic Policy on the basis of a proposal prepared by TIS and submitted in February 2000 as a draft for public discussion. Ivan Mikloš — the Deputy Prime Minister of Economic — became responsible for the anti-corruption agenda. He formed the Unit in December 2000 mainly to co-ordinate specific plans for implementing the Program and screen complaints and proposals received from citizens. The other institution — an anti-corruption steering committee — was set up in July 2000 at the Office of Government to monitor implementation of the Program. This steering committee included representatives from ministries, other state administration, NGO's and international donors. As of June 2002, however, the steering committee had not met since March 2001.

The Program itself was based on the general objectives of increasing transparency, limiting the scope for abuse of discretionary powers, reinforcing control and audit mechanisms, enhancing the quality and impartiality of the civil service and strengthening law enforcement. Ministries and central administrative bodies were charged with the task of drafting Action Plans by September 2000. Based on these, the Government approved an overall Action Plan[6]

5 Government Decree No. 461, 21 June 2000.

6 The Action Plan can be found at <www.government.gov.sk/bojprotikorupcii>.

on 22 November 2000, containing around 1,600 tasks divided between all state authorities and with a significant proportion falling under the Slovak Ministry of Economy.

Implementation According to Government officials, around 600 tasks remained at the end of February 2002. A number of important changes remained at the stage of preparation or discussion prior to 2002 election. The implementation of the Program and the work of the Central Co-ordination Unit for the Fight against Corruption lost flexibility, did not reflect changing environment and became bureaucratic. Important changes in the legislative framework for the judiciary and law enforcement bodies were not yet translated into visible improvements in their ability to precede corruption cases, especially important high-level cases.[7]

TIS has voiced several criticisms on Government anti-corruption policy: for example many tasks defined in the Program were only formal; many did not deal with restricting corruption; the process of Program implementation became over bureaucratized; co-ordination between various ministries and other central authorities has been poor; deadlines have not been always met and that the steering committee was not functioning.

Although the 1998 Government has broken clearly with the style of the previous rule, and ministers in this Government have had to resign as a result of more-or-less corruption related scandals, there appeared to be a perception that the Government itself did not set the right example. This may be the result of the fact that ministers continued to employ advisers with a bad reputation, or the fact that even when officials under suspicion are removed they are not punished or soon appear in a different position.[8]

2002–2006 Demand for anti-corruption agenda: prior to 2002 election TIS has tried to make the anti-corruption agenda one of the most important election issue. It organized activity called *Anti-corruption minimum.* In practice TIS with the group of experts evaluated the fulfillment of Government anti-corruption pledges and formulated fifteen clear recommendations on what is the most needed to be done in next for years to decrease corruption. TIS asked all relevant political parties to sign the anti-corruption minimum and incorporate them to their political programs.

Reaction 12 out of 15 relevant political parties have agreed with anti-corruption pledges. Most of the recommendations were reflected on political parties programs and later also in the 2002 Government Manifesto. The other important factor that contributed to higher political attention paid to this agenda is the experience and lesson leant from 1998 Dzurinda

7 For example, after a scandal broke in spring 2001 over the misuse of PHARE funds, the official under suspicion was not questioned for a month and then only under media pressure. As of March 2002, it appeared doubtful that charges would be pressed. At the beginning of November 1999, the first trial related to organized crime began, but neither this case nor numerous other investigations into alleged fraud, corruption and abuse of power connected with the previous Government have yielded any convictions.

8 One of the more blatant examples of this was the appointment of Jaromír Košín as Director of the State Fund for Market Regulation in 1999, despite the fact that all parties in the governing coalition were aware of indictments against him for embezzlement, fraud and other offences as a previous director of a private company. See Národná obroda daily, 17 September 1999.

Government. The anti-corruption know-how was on the table and therefore it was already known what is to be done to tackle corruption.

Implementation The anti-corruption activities started to be conducted and discussed by 2002 coalition Government relatively soon after the September election — in December 2002. As the Unit and the steering committee were criticized, the Government introduced some organizational changes. Instead of I. Mikloš — the Deputy Prime Minister of Economic — the new anti-corruption leader became Daniel Lipšíc — the Deputy Prime Minister of Legislation. The Office for the Fight against Corruption at the Office of the Government started its activities in March 2003.

In May 2003, the Government and the SP adopted so called *Anti-corruption Program,* in which activities are defined for particular ministries.

The Government Manifesto and Anti-corruption program define many tasks for tackling corruption — in the area of repression as well as prevention. Most of them have been adopted and brought value added to the tackling corruption. The Government has not been able to fulfil its pledges in the area of decreasing immunity of MPs.

Initial post-election anti-corruption activities have been slowly loosing its initial dynamics. The fight against corruption was getting more complicated in relation to the fact that in order to decrease the corruption in some public sectors — like for example education or health care — structural reforms are required and the fruit of this work will come in mid-term. Therefore to deliver the change in a short time in these public sectors is questioned. The public is also sceptical because the repression process takes time — work of police, prosecutors and judges. There are many scandals brought and publicly discussed by the media, however minimum criminal sentences by the courts. It concerns especially the political corruption cases.

Domestic Political Forces – Opposition

The political opposition is concentrated in the SP. The ST can deal with the fight against corruption in two ways — directly or indirectly. Directly, by preparing anti-corruption laws and pursuing them in the SP, asking the Government do conduct certain anti-corruption activities, conducting parliamentary inspections in relevant public institutions, indirectly, by vote for the anti-corruption acts prepared by the Government.

1998–2002 The political opposition was not sufficiently active actor in the anti-corruption arena in this period. The opposition MPs did not prepare and pursue almost any anti-corruption laws. The opposition parties did not even support the changes in conflict of interest legislation submitted to the SP.

2002–2006 The attitude of political opposition changed in the beginning of the new term — at least formally and its involvement in the anti-corruption agenda decreased till the end of the term.

In March 2003, the political opposition together with one coalition party ANO called the special parliamentary session of the SP to discus the anti-corruption agenda. The SP asked the Government to prepare the laws dealing with e.g. lobbing, conflict of interest, MPs

immunity, financing of political parties etc. The Government submitted the required report with defined tasks and related schedule and — as already said in section dealing with Government — the Government adopted so called *Anti-corruption program.*

This SP´s activity can be seen as quite a formal activity — due to the fact that no real action was followed by the SP and opposition politicians in this area afterwards. The MPs even did not support some of formally agreed measures — e.g. decreasing of their immunity. Since 2002 the development of anti-corruption laws by opposition MPs is rare. Some of proposed measures were refused by coalition MPs. The biggest failure of MPs can be seen in very lax implementation of conflict of interest law although the relevant parliamentary committee is led by an opposition MP. That simply proves that some part of anti-corruption agenda has not clear coalition-opposition interests divide and in fact unites political class.

On the other side, particular cases related to corruption phenomena became the issue of political battle against coalition. That among others helps to keep this agenda alive on political field.

Domestic Political Forces – Local Politicians

Decentralization of public administration brings many challenges, including the increased risk of decentralizing corruption. However, the public pressure to adopt stricter anti-corruption measures was often inhibited by many municipality representatives, especially those united in the Association of Slovak Towns and Villages (hereinafter, referred as '*ZMOS*'). They were for example active in lobbying against legislation that seeks to regulate conflict of interests of local elected representatives, strengthen control mechanisms of local self-governments through the SAO and bind local elected representatives to provide sufficient information and enhance transparency of handling funds at the level of local self-governments. Therefore political representation of local or regional self-government is not so far considered to be valuable anti-corruption actor. Rather local self-governments oppose changing the current *status quo.* Therefore so far they could be seen as resistance actor and counter-reform element.

Domestic Forces – Slovak Civil Society

The non-governmental sector in Slovakia plays an important role in the development of anti-corruption policy. Since 1998 elections, a major shift towards co-operation between civil society groups and public authorities is recorded.

There are two major orientations of NGOs in the anti-corruption area — the think-tank activities (focused mainly on anti-corruption related systemic changes) and watchdog activities (focused mainly on monitoring the implementation of relevant anti-corruption legislation, advocating for changes and opening up the corruption-related cases).

For example:

- NGO campaigns were instrumental in securing the adopting of the *Freedom of Information Act* in 1999, and have played an important part in lobbying for and influencing *Acts on the Ombudsman, Public Procurement Act* and *Civil Service Act*.
- The Government's anti-corruption strategy itself was formulated on the basis of a proposal written by TIS and the draft strategy was opened to comments from civil society organizations.
- NGO's have played an active part in implementing the strategy: for example, the Institute for Economic and Social Reforms organized and led the Audit of Central State Administration carried out in 2000.
- The NGO *Alliance – Stop Conflict of Interests* was created in 2001 to lobby for more effective conflict of interest legislation.[9] The new law dealing with conflict of interest was adopted in 2004.
- Monitoring of political parties finances in 2002 parliamentary election by Alliance – fair play.
- TIS plays a crucial role in introduction the anti-corruption agenda to curricula of secondary schools.

As already mentioned, in part dealing with Government coalitions the NGOs have played critical role also in keeping the anti-corruption agenda to be one of the most discussed issues in 2002 parliamentary elections. They also do analyses and provide crucial feedback on taken steps.

Most of above stated activities have been performed by NGOs positioned in the Slovak capital – Bratislava. To certain extent that reflects the public policy-making in Slovakia and the administrative setting that has been in place for longer time. However, as decentralization is conducted in Slovakia, more locally oriented NGOs are necessary to work on anti-corruption issues in their respective places. Therefore, TIS have initiated various activities to support development of local watchdogs. Their involvement and sustainability is not certain yet. The other major challenge is the financial sustainability of anti-corruption NGOs activities. That is caused by decreasing of international aid provided to Slovakia for those purposes, relatively low interest of EU in this agenda and almost no funds provided by the Slovak Government for the work of anti-corruption NGOs.

Domestic Forces – Private Sector

Most corruption scandals in Slovakia and elsewhere occur at the point where the public and private sectors meet (i.e. public procurement, privatization, licensing, etc.). The country's media have exposed a number of corruption scandals indicating the existence of clientelist connections between entrepreneurs, politicians, public administration bodies and even some media. Any corrupt transaction has a supply side and a demand side, regardless whether it involves individual citizens or legal entities[10].

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9 More on <www.konfliktzaujmov.sk>.

10 In March 2003, TIS in co-operation with the FOCUS agency conducted a survey among 100 top corporate officials, i.e. owners, legal representatives or executives of legal business entities

Further possibilities for improvement are also on the supply side of corruption; however, initiatives designed to tackle this side of corruption are still in their infancy. Entrepreneurs and business organizations are taking the first steps to organize themselves around this issue and conduct some activities. As for the future, they can be an important anti-corruption actor.

Slovak Domestic Forces – Media

During both Dzurinda Governments the media could be seen as active pro anti-corruption reform oriented actor. Although there are several weak links in the media anti-corruption activities[11] media regularly open up corruption-related cases, discuss anti-corruption measures and challenge the Government as well as opposition.

International Community – EU Integration

The problem of corruption in Slovakia was repeatedly criticized in annual evaluation reports elaborated by the European Commission (hereinafter referred as '*EC')*; throughout the accession process, it represented a serious obstacle to Slovakia's eventual entry to the EU. In its final complex evaluation of individual candidate countries released in November 2001, the EC observed that corruption was a 'serious problem' or 'the reason for serious worries' in five of ten candidate countries from the region of Central and Eastern Europe (Bulgaria, the Czech Republic, Poland, Romania and Slovakia).

The EC's annual evaluations provided the necessary impetus for particular candidate countries to wrestle corruption. Since most candidates considered them vital for satisfying their future EU ambitions, these reports encouraged their inevitable political will to improve the existing *status quo*. By forcing the Government to think about the issue, these reports played some role in the process of adopting and implementing anti-corruption measures in Slovakia (Reed 2002).

However, EU's influence on the Slovak government's anti-corruption policies declined after Slovakia became a full-fledged EU member. The EU does not champion any specific common policy in the field of anti-corruption; consequently, it has no tools to require its member states to fulfil certain explicit anti-corruption standards. In other words, Slovakia's status changed from that of a pupil to that of a full-fledged partner. And although the future process of adopting common European legislation may have a positive impact in terms of curbing the space for corruption in Slovakia's public sector, EC is not longer perceived as important anti-corruption player in the country.

(e.g. limited liability companies or joint stock companies). One of the questions asked in the survey was: Who is the most frequent instigator of corrupt practices? Entrepreneurs seem to admit their part of the blame, as 18 percent of respondents said it was private firms or businesspeople. But even more entrepreneurs (34 percent) charged that civil servants and clerks were the strongest corruption agent. One in five entrepreneurs (22 percent) believed corrupt practices were most commonly instigated by a third party, i.e. mediators or lawyers. According to 11 percent of respondents, politicians are to blame.

11 For more information see Sičáková-Beblavá (2005).

International community – international organizations and bilateral help

The Council of Europe, OECD or UN have or develop various instruments to decrease corruption in the member states. Their impact on the Slovak anti-corruption framework varies. Among others the instruments they provide can serve as the benchmarks of the anti-corruption measures. These benchmarks can be seen of value for countries that start with anti-corruption agenda. That is not the case also in Slovakia.

As for the bilateral help, it has been of higher value during the 1998 Dzurinda´s Government, in various terms by providing reform navigation and aid, and discussing anti-corruption issues with Government etc. It is changing since Slovakia became EU member state and the role of international community as an anti-corruption actor will even decline more in near future.

Reforming Dysfunctional Institutions

Slovakia introduced several changes in its legal framework to form less corruption prone environment. Following section provides the overview over changes adopted in addressing political corruption, reshaping and depoliticizing civil service, reforming judiciary, police and financial control mechanisms.

Addressing Political Corruption

Addressing political corruption can be looked at through following mechanisms:

- adoption of preventive measures and
- formal and informal sanctioning of corruption-related behaviour.

The following will be discussed in this section:

- conflict of interest and asset monitoring,
- immunity,
- lobbying,
- sanctioning.

Conflict of Interest Regulation and Asset Monitoring

The main regulation of both conflict of interest and asset declarations was till October 1, 2004 the *1995 Act on Prevention of Conflict of Interest in Performance of Tasks of Constitutional Officials and High-Ranking Officials.*[12] This Act laid down various duties and forbids some activities for the high-ranking public functionaries. The Act applied to around 230 public functionaries.[13]

12 Constitutional Act no. 119/1995.
13 Under this Act, functionaries had to submit annual declarations of:

According to this Act declarations were submitted to the Chairman of the SP, and could be checked by the SP Committee for the Incompatibility of Public Officials' Functions. The Act has not been very effective in practice and there were many loopholes. For example, the Committee did not have access to tax returns, relatives of the functionaries covered by the law did not have any obligations to declare assets and state companies and companies with state ownership were not covered by the Act. Moreover declarations of assets and interests were not publicly available, which largely ruled out public scrutiny, although some MP's decided to make their declarations publicly accessible. Although the SP could vote to force a functionary who violated the Act to stop illegal practices, and even punish refusal to do so by removing him/her from office, these proceedings have not been used.

During the 1998 Dzurinda Government, several attempts have been done to adopt new conflict of interest law. Despite the public political declarations various political failures have been recorded. MPs themselves were in conflict of interest when adopting stricter rules in this area. The resistance could be seen throughout the whole political spectrum. One of the main resistances was built up against introducing conflict of interests rules for local Government functionaries. The main pro-reform oriented actors were NGOs joined in Alliance – Stop Conflict of Interests[14] and media.

2002 Dzurinda Government and new SP brought again issue of reforming conflict of interest rules in Slovakia. A steady stream of scandals provided a great impetus for change, and a number of civil society coalitions have developed to campaign on the issue. *The Alliance – Stop Conflict of Interest* worked with Minister of Justice Daniel Lipsic to present a draft bill to SP in January 2004. Amendments to the draft bill by parliamentary committees led Lipsic to withdraw the bill in early 2004, but the initiative had generated greater impetus for this reform.

The bill was eventually adopted by the SP in May 2004. Although the adopted legislation was drafted by deputies, it was largely based on a legislative proposal elaborated by a task force led by Minister D. Lipšic. However, while debating the bill in parliament, deputies incorporated a number of substantial amendments to it, reducing its vigour and stringency. Therefore adopted Act is much weaker than that presented by Lipsic and replicated some of the failings of the existing legislation both in terms of scope and implementation.

The legislation took effect on October 1, 2004. For the time being, perhaps the weakest spot of the law's implementation is the vague approach of the Parliamentary Committee for Incompatibility of Public Officials' Posts, which is the main body to enforce the Act. The

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1. compliance with the above provisions restricting activities, any positions or functions held in addition to their official one, all incomes from such activities, any changes to these within 30 days of the change;
2. assets and property, including any real estate and movable property with a value exceeding €34,850;
3. any gift accepted with a value exceeding the minimum monthly salary.

14 TIS initiated the formation of the Alliance - Stop Conflict of Interest, an informal association of more than 240 NGOs. For more information see www.konfliktzaujmov.sk.

committee is not proactive and very conservative in dealing with cases received and using legally defined rights and duties. This approach can be partly explained by the political character of this body.

Immunity

Parliamentary immunity is generally regarded as excessive: MP's are immune from prosecution or pre-trial detention unless the SP votes to lift immunity on the basis of a proposal of the Mandate and Immunity Committee.

During the 1998 Dzurinda Government, an attempt has been recorded to decrease the scope of immunity. As part of the amendments to the Constitution passed in 2000, there were proposals to include the narrowing of MP's immunity, but these were rejected. There has been no apparent progress on this issue as part of the Government's Anti-corruption Program.

The 2002 Dzurinda Government and the SP came again publicly with this agenda that is frequently demanded by NGOs and media. There were several attempts to deal with the immunity also during the 2002 Dzurinda Government. The first one was approved. It was proposed by the coalition MP and was widely accepted in the SP. This initiative was not in accordance with Government's Anti-corruption Program because it broadened MPs immunity. The other attempt prepared by the D. Lipsic with the aim to decrease immunity was not supported in the SP. In March 2005 MPs again discussed immunity in the SP and they did not decrease it.[15]

Lobbying

The 1998 Dzurinda Government adopted changes in Government public-policy-making. It is a positive example, which opens the policy-making to general public. Proposals of generally binding regulations (acts, Government decrees, ordinances, rulings) as well as the most important documents approved by the Government (strategies, concepts, decisions) must be published on the mover's web page as well as on the central web page of the Government. Any natural or legal person is entitled to submit comments. As for the legislation, comments may be submitted within fifteen working days; for other documents, the minimum period by which comments may be submitted is ten days. However, these terms are not always upheld, especially when there is political pressure to speed up the process. Each comment must be dealt with by the mover, and the comment must be either accepted, or if not, explained in an appendix to the document as to why the comment was not accepted and incorporated. Should the comment be submitted by a major player (for example, a consumer association) or several hundreds of individuals represented by a single person, the mover is obliged to discuss the comment with them. In case they fail to reach agreement, it must be mentioned as such in the document. The material may not be submitted to the Government for discussions until all these steps are fulfilled. This procedure was introduced in 2001 and it is one of the most open systems ex ante transparency (i.e. prior to the Government decision) in Europe. It results from the practice that the system above is applied by non-governmental players in all those areas where they are traditionally well organized, for example in the field of the environment. However, as for the field of water services, it has not been applied to any major extent.

15 Daily SME, 17.3.2006.

Based on this the Unit has prepared a draft *Act on Regulation of the Access of Interest Groups to the Decision-making and Legislative Process*, based on the duty of all state bodies involved in the preparation of laws to publish proposed laws before they are approved. In addition, the Unit has prepared a set of Principles for the Legal Regulation of Lobbying, which would define lobbying, lobbyists and lobbied subjects, define the rights and duties of lobbyists and establish sanctions for violations of these duties. Neither of these proposals were adopted yet.

During 2002 Dzurinda term, the SP adopted similar rules as stated above for the local self-government and opened up more the process of public policy making on this level. The incumbent administration however has failed to fulfil its commitment to adopt the Lobbying Act.

Sanctioning of Corruption Related Behavior of Politicians

Sanctioning of corruption can have various forms. Before 1998 no attempts have been recorded to focus on this issue more closely. But afterwards situation slowly started to change.

The 1998 Government faced a lot of criticism from media and NGOs for various kinds of suspicious activities in the fields like public procurement, privatization, financing of political parties or conflict of interest. No MP faced any formal sanction related to breaching 1995 conflict of interests act during this term. Also no politician has been sentences for corruption. But, for the first time, the ministers that were alleged of not-ethical behaviour had to resign. There were 4 of them and they returned to the SP. They also received informal sanction: no one of them came back to the SP after 2002 parliamentary election.

After 2002 parliamentary election, one of the major anti-corruption issue became the reform of repression bodies — police, prosecution and courts. The perception concerning the corruption in those institutions increased and they seem to be one of the weakest links in the efforts to sanction and decrease corruption. The SP adopted the law establishing special anti-corruption prosecutor and court. One way in which the initiative was weakened was by interest groups within the legislature limiting which public officials are to come under the scope of the institution. The wording of the Act was also weakened so that the Act only applies to activities directly related to execution of a public official's job. In practice, this means that criminal acts committed by a public official before or after his period in office remain under the purview of the general prosecutor. Concerns have also been raised over the office of the general prosecutor and its relation to the office of the special prosecutor. The law provides that the special prosecutor was to be chosen by the SP of the SR from a selection of candidates forwarded by general prosecutor. The office of general prosecutor was also strengthened by the provision that the prosecution of a member of the SP by the special prosecutor requires the consent of general prosecutor and the SP. Concerns over the role of the general prosecutor led to fierce political debate, particularly from the political party SMER who objected to the possible abuse of power the law provides against parties that are not in the Government coalition.

The special prosecution office started to operate since September 2004 and special court in 2005. These special bodies were formed to deal with the corruption cases. There are already several decisions made by the special court involving corruption of politicians — but not valid yet.

Reshaping and Depoliticizing the Civil Service

There have been several changes introduced in this area during 1998 Dzurinda Government. Until 1 April 2002, the civil service was regulated mainly by the *Labor Code*. Based on EU integration pressure as well as the results of Audit of Central State Administration carried out in 2000, a new *Civil Service Act* was adopted and came into effect from 1 April 2002. The Act creates the framework for a merit-based career civil service. A Civil Service Office was formed to exercise overall supervision of compliance with the new Act to ensure both fair and merit-based recruitment and promotion as well as supervision of behaviour of civil servants and disciplinary proceeding. Under the Act, civil servants at all levels must be recruited by competitive selection open to everyone. The Act also contains strong anti-corruption instruments ranging from annual property declarations for each civil servant to a detailed list of proscribed behaviour in the Ethical Code issued under the Act. The results have so far been somewhat lacking behind the legal provision both as a result of administrative weakness of the Civil Service Office and unclear *de jure* and *de facto* boundaries between political and merit-based positions in the civil service.

The Office due to several reasons was not able to fully prevent political nominations to civil service and its credibility was decreasing. In March 2005, MPs even decided to abolish it.

The 2000 *Civil Service Act* required the development of a *Code of Ethics*. Therefore, the Civil Service Office developed a Code of Ethics for the Employees of the State Administration in 2002. Some civil servants duties are dealt with directly in the Civil Service Act, too. The need for the Code of Ethics did not come from bottom. It is rather perceived as the measure defined by the Civil Service Office that did not find its place within state administration yet. One of the reasons lies in the minimal interest paid to the ethical infrastructure by the Civil Service Office. For example, the ethics education of civil servants is not done in a large scale. Therefore the overall approach to this Code of Ethics is quite formalistic.

As for the local self-government employees, it was already mentioned that their duties are covered by the *Act on Employment in Public Interest.* This Act is also called ‘ethical law’ as it defines basic duties for related employees. As there has not been done serious monitoring of the effects it brings in implementation it is hard to judge its real value so far. There are only few local self-governments that voluntarily adopted the Ethics Code for their employees or elected representatives. Even in those cases the legal binding could be challenged and those Codes have rather declarative position. The ethics education is also minimal on local-government level. Ethics is not seen as integral part of office and personnel management on both levels — state and municipal.

During 1998 Government was *Free Access to Information Act* was adopted. The Act brings more transparency to the processes conducted by the public sector. Its adoption was result of intensive public campaign run by the NGOs and media. The main resistance to actually implement the Act was recorded at several local governments. After more than three years of

its operation the transparency of public administration increased and the respective Act fulfils the expectations. There are still many grey areas which require precedence and court decisions to be made —for example, to clearly stipulate practical dividing line between commercial secret and public information. There are several attempts to amend and shrink the Act. But there is also strong opposition towards the amendment, coming especially from NGOs. Media also support the existing wording of the Act.

It is also important to mention some other measures introduced after 1998 to increase transparency of processes conducted by the public administration — for example, introducing higher transparency to licenses and subsidies granting.

During the 2002 Dzurinda´s Government, there have been several amendments to *Civil Service Act.* In relation to depoliticizing the public sector the *Act on Employment in Public Interest* was adopted that covers e.g. employees of the local governments. The Act defines requirement to recruit the managerial positions by competitive selection. It is also called 'ethical law' as it defines basic duties for related employees. As there has not been done serious monitoring of the effects it brings in implementation it is hard to judge its real value so far.

As for the other public sector regulations adopted after 2002, it is important to mention the amendment of the *Act on Administrative Procedure.* The original wording was from 1967 and for long time it did not react to the needs of modern and transparent public administration. The amendment for example allows for better access to information.

The other change that increases the risk of corrupt behaviour is the amendment to the 1969 *Act on Damages Caused by an Unlawful State Decision or Unlawful State Action*, citizens may claim compensation for damages incurred as a result of unreasonably lengthy proceedings.

Reforming the Judiciary

Perceptions of corruption in the Slovakia judiciary are high, and there is evidence to suggest that they are well-founded. The Slovak Government has started to carry out important reforms to the legal framework for the judiciary, and is in the process of implementing important reforms in court organization.

Since 1998, several steps have been conducted towards higher judicial independence. A new *Judicial Code*[16] was adopted in 2000, and the passage of the *Act on the Judicial Council* in April 2002 was expected to result in a functioning Judicial Council by the end of 2002. That Act was supported by the judges as it creates self-governing structure of judiciary for which judges have been advocating for a long time.

The Ministry of Justice has introduced also other important reform in the organization of court work, based on a pilot project in Banská Bystrica in 2000. The new system introduced principles such as automated allocation of judges, deadlines for carrying out certain acts, and the abolishment of judicial offices and their replacement by assistants. According to

16 Act on Judges and Associate Judges no. 385/2000.

Government officials the changes have reduced the average time taken to deal with a case file from 124 days to 51, as the average number of actions taken in relation to a file has fallen from six to two. Based on this experience the random allocation of court cases is being implemented in other courts as well. The main resistance was recorded on the Supreme Court.

The *2001 Regular Report* from the European Commission noted specifically that,

> The judiciary is not united in approaches to combat corruption. For instance, the attempts of some courts to monitor corruption have been criticized by a number of judges, including the President of the Supreme Court.[17]

Under the Constitution and Judicial Code, judges may not hold any other employment or function with a few exceptions such as educational or scientific activity. In addition, since January 2001, judges have had to submit declarations of interests and asset declarations to the Chairman of the Judicial Council and Minister of Justice within 30 days of taking office and by 31 March of every year. These declarations have not been publicly available for a long time and there has been the publicly discussed case on the judge who refused to submit the declaration. The property declarations of judges start to be provided to public by the Ministry of Justice in 2004.

After the 2002 election, the activities in reforming judiciary became even more intense. The reform of law enforcement was one of the most discussed in pre-election period and the public opinion polls were very critical towards law enforcement effectiveness in Slovakia. The public demand for change was translated to conducting and implementation of the judiciary reforms. As for the stricter anti-corruption measures, the main resistance concerning many proposed changes is recorded from the judges and their self-government. The Judicial Council does not play an active role in fighting corruption and increasing ethical standards of judges. Disciplinary proceedings can be initiated by the Minister of Justice or chairmen of a regional or district court. They have to be decided by disciplinary courts appointed by the Judicial Council. This is an important change to the system previously in operation, under which disciplinary proceedings were solely in the hands of judges. However, the expectations related to the new disciplinary proceedings and related introduction of higher standards of judged behaviour by their self-government have not been met yet. The self-government of judges does not seem to be able to provide self-cleansing mechanisms in their profession. In general, judges have been more able to organize themselves around enumeration issues and less on the fighting corruption in judiciary. But public pressure is still so intense that above stated changes have been adopted do far. From the very beginning also the chairman of the Supreme Court opposed many changes as well. But, he was not re-elected to this position.

Addressing Corruption in the Police

The Slovak Police is subordinated to the Ministry of Interior. Although the 1998 *Act on State Service for Police Corps Members* specifies professional criteria required for appointment to various positions in the police force, and the 1993 *Police Act* forbids police from being

17 Commission, 2001 Regular Report, p. 18.

members of a political party or movement, senior police officials are replaced after every election.

One of a major barrier to fighting corruption by the police and in the police itself after 1998 was the unwillingness of the public to notify cases of corruption. According to a survey conducted by Focus in March 2002, only 17 per cent of respondents would report cases of police corruption, and only four per cent would definitely do so. Eighteen per cent of respondents would not do so for fear of retaliation, while 15 per cent believe that doing so would not lead to any result.[18] The trust in the police was quite low.

The more radical reform of the police was therefore expected after 2002 election. This reform and trust-building in police started to be seen within broader context of better law enforcement. It became one of the most important political agenda of the current Minister of Interior Vladimir Palko. Special bodies and institutions have been formed within the police structure to tackle corruption. Within the Ministry of Interior, the Bureau of Control and Inspection is authorized to use special operative measures to detect criminal activity in the police. The '*agent provocateur*' is used as well. The trust to police work has increased and they have started to bring more corruption-related cases.

Improving Financial Control Mechanisms

The 1998 Dzurinda Government adopted the *Financial Control and Internal Audit Act* in 2001 as a part of its EU entry pledges and it also focused on introduction of the Treasury system to improve monitoring of financial flows in the public sector. However, utilization of mechanisms foreseen by these mechanisms has been slow and has only been picking pace since 2004 when the Treasury system actually started to operate for most of the Slovak public sector and the EU entry on May 1, 2004 required a functioning financial control and internal audit system as opposed to just passing a law. Nonetheless, this is one of the areas where the EU accession has been most beneficial in anti-corruption efforts.

In the area of spending public funds, public procurement rules are important. The first *Public Procurement Act* has been adopted in Slovakia in 1993. Market and public sector developments in Slovakia and EU integration were main factors, which influenced the fact that the law has been changed already several times. Current legal public procurement framework is in line with the standard public procurement systems used in other EU countries. Among others it defines basic public procurement methods; the Public Procurement Office has been established that performs oversight over the system; objections can be submitted and dealt with by Public Procurement Office; professional procurers have to organize the procurement; higher transparency through different tools has been introduced etc.

As for the pressure to 'standardize' the public procurement system — the main actors have come from domestic and international cycles. The public procurement is widely discussed in media (especially related scandals) and it is of interests for several years of various NGOs, which come with the proposals on what should be changed. The main influential international actor has been EU and the integration process.

18 Focus Marketing and Research, Záverečná správa [Final Report], pp. 5-6.

Currently the main challenge does not necessarily lies in pursuing of the formal legal changes. Rather the challenge is seen in the implementation of the existing legal framework to the everyday life of public bodies. And that can not be done in one or two years.

Dealing with the Past

Before and after 1998, a lot of discussions concerning corruption in Slovakia focused on Meciar Government, especially on several privatization cases approved by his Government. After 1998 some companies voluntarily agreed to pay additional money for privatized property and there are several cases of privatization that have been cancelled in Slovakia. This happened especially because the 1998 Dzurinda Government promised to look at privatization cases and its 1998 election rhetoric was based on making the changes in this area. However, there is no privateer in prison so far, although some cases are still peddling at courts. This situation partly decreases legitimacy of incumbent Government to oppose Meciar´s Government in corruption arena and brings dissolution to public trust.

Overall Outcomes and Current Status

To provide the overview on what is the current situation after eight years of attempts to fight corruption extent of corruption will be described, main obstacles and main opponents to the anti-corruption reform, main success factors, reform drivers and current challenges.

Extent of Corruption

The issue of corruption is not longer '*taboo*' in the Slovak society. It is publicly discussed topic that attracts the attention of NGOs, media and politicians. Relevant actors conduct anti-corruption activities with varying success.

Since 1998 the Slovak Government declares the fight against corruption one of its priorities. The aim of the anti-corruption policies is decreasing corruption in the various public sectors. Therefore the tools chosen by the Government are of two forms:

- the first form: performing of relatively big structural, system changes in the particular Slovak public sector, e.g. in judiciary, public finances management, public administration etc. It is expected that those reforms will have also anti-corruption effects.
- the second form: the governments also adopt special anti-corruption programs (1998 Dzurinda Government in 2000 and 2002 Dzurinda Government in 2003).

How are those efforts reflected in practice? Do those reforms and programs bring any tangible anti-corruption fruit for the citizens? There are a few indicators of the scale of corruption in the particular country — e.g. the number of revealed cases by the police and the number of people sentenced in relation to the corruption-related criminal offences. The

following table provides the information concerning the revealed and sentenced corruption cases in recent years:

Table 3: Corruption Developments in Recent Years in Slovakia

Year	Prosecuted [a)]	Indicted [a)]	Convicted [b)]
2001	83	78	51
2002	139	118	57
2003	148	97	49
2004	207	163	66
2005	135	89	25

[a)] Information provided by the Ministry of Interior, as of September 30, 2005.
[b)] Information provided by the Office of Attorney General, as of September 30, 2005.
Source: Ministry of Interior, Office of Attorney General

The first impression may suggest that the corruption has increased — as more cases are revealed by the police. However, we suggest that it rather reflects e.g. better institutional framework for dealing with corruption cases, higher transparency that allows for disclosing them, higher awareness that demands the penalization of this kind of behaviour. The situation, as seen from the table, is far from ideal. That is demonstrated for example by the fact that the criminal proceeding takes quite a long time to move from police to prosecution and to the court. The number of sentenced is lower than the revealed. That might be also caused by existing corruption in these institutions.

The second indicator is the perception of the corruption development as reflected by the public polls/surveys. In the course of 2005, a number of agencies conducted various surveys examining the corruption issue; these public opinion polls will be the focus of the following analysis.

According to a public opinion poll conducted in October 2005 by the MVK agency for the *Sme* daily, the Slovaks perceive corruption as the fourth most pressing social problem politicians should tackle.[19] On the list of most urgent problems, corruption trailed only peoples' unsatisfactory social situation, unemployment and health service problems. Voters of the Freedom Forum (SF), the Alliance of a New Citizen (ANO) and the Slovak Democratic and Christian Union (SDKÚ) are particularly insistent in demanding politicians to tackle the corruption problem.

As every year, the Institute for Public Opinion Research at the Statistical Office of the Slovak Republic[20] conducted a survey aimed at examining bribery prevalence in particular areas; Table 4 compares the latest data with findings from previous years.

19 For further details, please see Sme daily, October 31, 2005.
20 For further details, please see http://www.statistics.sk.

Table 4: Areas in which people believe it is necessary to bribe officials or seek preferential treatment (%)

Institutions	1996	1997	1998	1999	2000	2001	2002	2003	2004
Health service	66	67	69	67	67	72	75	71	71
Education system	30	29	34	28	32	34	36	31	31
Judiciary	30	23	24	26	26	38	34	41	34
Privatization	34	23	22	13	12	12	10	14	14
Business	26	18	18	16	16	14	15	19	19
Police	17	14	17	14	17	19	24	23	18
Regional, district and local authorities	11	14	13	14	13	13	10	12	16
Employment agencies	–	8	8	7	8	6	7	8	8
Banks	12	9	8	5	5	4	3	7	4
Tax offices	10	7	7	8	7	6	4	4	7
Customs offices	11	5	6	7	6	6	5	6	5
Trade offices	4	4	3	3	3	3	2	3	4
Regional authorities	–	–	–	–	–	–	–	–	4
Elsewhere			3	5	3	5	4	6	7

Source: Institute for Public Opinion Research at the Statistical Office of the Slovak Republic

When comparing the results from surveys prepared by the agency *FOCUS* for *TIS* in 1999, 2002 and 2004 following 3 trends can be identified:

- the perception of corruption has not been significantly changed in the area of health care,[21] judiciary, ministries etc.
- the number of respondents who perceive the corruption to be very widespread slightly increased in the area of local Government (from 25 percent in 2002 to 28 percent in 2004).
- the decrease of the perception of corruption is the most significant in the work of police (from 50 percent in 1999 and 55 percent in 2002 to 43 percent in 2004). Slight decrease is also in the work of customs (from 42 percent in 1999/2002 to 39 percent in 2004) and education (from 38 percent in 1999 and 41 percent in 2002 to 35 percent in 2004).

There are several explanations of the above given information. Many reforms have been partly conducted but not fully implemented yet (e.g. the judiciary reform). And adopted public policies use to face various challenges in implementation process (e.g. in judiciary it is the failure of self-government of the judges — independency does not mean irresponsibility). Some of the other reforms were only partly adopted by the SP (e.g. the health care system). Therefore expecting immediate changes when deep structural reforms are conducted in unrealistic. Increasing decentralization of corruption is related to on-going decentralization of

21 For several years the health care belongs to public institutions with high perception of corruption – 66 percent of citizens think that the corruption in this area is very widespread.

public power and finances on local level without introducing sufficient anti-corruption safeguards. There are also very positive examples that prove that it is worthy to finalize reforms and perform their implementation. It is because, among others, the conducted reforms might mean decreasing of corruption. The example is the reform of bank sector performed by the 1998 Dzurinda government. The perceived corruption in his area moved from 29 percent in 1999 to 18 percent in 2004. Therefore it seems to be very important not to stop on the half way in the process of conducting structural reforms. Otherwise in some areas of public sector significant changes in the corruption potential and its perception is hardly to achieve.

Other corruption related trends based on perception surveys show following:

- The Corruption Perceptions Index (CPI) awarded to Slovakia by Transparency International in 2005, along with a joint survey by the World Bank and EBRD or a survey conducted by the *Trend* business weekly indicate a declining trend in people's perception of corruption prevalence in Slovakia.

In 2005, Slovakia was included in an international CPI comparison for the eighth time; the country's CPI value[22] for 2005 was 4.3, the highest in the history of its participation (please see Table 5). This is the first index that reflects public perception of corruption during the second Mikuláš Dzurinda administration's tenure, as the CPI value reflects perception of corruption over the past three years; also, Slovakia's CPI recorded a solid increase for the second consecutive year and has been on a slow but steady rise since 2000.

Public perception of corruption prevalence in original European Union (EU) member states and in new democracies that joined the EU in 2004 is gradually converging. Some of the new member states show that corruption can be curbed. Countries such as Estonia, Slovenia, Hungary or Lithuania are practically on the same level with Portugal, Italy or Greece. Corruption perception in three Visegrad Four (V4) countries — the Czech Republic, Slovakia and Hungary — saw slight improvements in 2005. The CPI value of the Czech Republic reached its historical low in 2002 but has been improving ever since and in 2005 it was on the same level as that of Slovakia. The worst V4 country in terms of corruption perception is Poland, which is the only V4 country whose CPI value has been slumping since 1998.

Table 5: Comparison of CPI development in Slovakia and other Visegrad Four countries

Country	CPI 1998	CPI 1999	CPI 2000	CPI 2001	CPI 2002	CPI 2003	CPI 2004	CPI 2005
Slovakia	3.9	3.7	3.5	3.7	3.7	3.7	4.0	4.3
Czech Republic	4.8	4.6	4.3	3.9	3.7	3.9	4.2	4.3
Poland	4.6	4.2	4.1	4.1	4.0	3.6	3.5	3.4
Hungary	5.0	5.2	5.2	5.3	4.9	4.8	4.8	5.0

Source: Transparency International Slovakia

22 In 2005, CPI survey included 159 countries. The value of CPI fluctuates from 0 to 10; the higher the CPI value, the less corrupt the public sector of the given country.

- The findings of a joint survey conducted by the World Bank and the European Bank for Reconstruction and Development (EBRD) are even more optimistic. They suggest that in terms of combating corruption, Slovakia made the greatest improvement since 2000 out of all 26 transition countries (*Financial Times*, November 15, 2005).[23] At the same time, a number of international organizations praise Slovakia for implementing many crucial structural reforms. It is even possible to draw a conclusion that the overall improvement in the country's CPI index is driven by areas in which reforms are being implemented. From the viewpoint of curbing corruption, many of the currently implemented reforms are already starting to yield their fruits.
- A *Trend Barometer* survey conducted by the *Trend* business weekly[24] asked 120 important personalities from the Slovak economy following question: *'Judging by your personal experience, how has corruption prevalence changed over the past two years?'* Majority of those surveyed recorded a decreased perception of corruption.

Main Obstacles and Main Opponents to the Anti-corruption Reform

In general, as stated above, the corruption is publicly discussed issue and the public demands the change. Therefore, there is no political party that would publicly reject an anti-corruption agenda. But when looking deeper at real practices, the following observations can be put together:

- Deep structural reforms belong to important elements on the way to achieve decreasing of corruption. To conduct them the political will and to certain extent political stability is required. If the governing coalition does not posses the relevant majority in the SP the Government becomes to certain extent powerless and anti-corruption declarations face the risk of staying only on the paper. That is one of the obstacle Slovak reforms related to decreasing corruption face. Even the MPs from governing coalition do not necessarily support all structural reforms and explicit anti-corruption changes.
- Declared political will of the Government is sometimes different to what is practiced in the SP. Especially when dealing with issues of MPs personal interests like immunity or stricter rules on conflict of interests. As the former director of the Office, Jan Hrubala, said for Daily SME[25] *'people negatively perceive the situation when politicians do not make stricter the acts that govern the behaviour of themselves'*.
- The other group of partial opponents comes from the camp of representatives of local governments.
- The failure and low interests to deal with corruption can be recorded also in the self-governed organized groups that received part of independence in order to govern their profession. Corporatism is still quite strong in some professions, for example, judges, notaries, attorneys, university teachers etc. The trade unions are highly politicized and do not perform any anti-corruption activities as well.
- Various scandals are discussed in the media without providing the quick feedback and related sanctions in short time. It concerns e.g. the area of public procurement,

23 For further details, please see www.ebrd.org/pubs.
24 Weekly Trend, 25.10.2005.
25 June 26, 2004.

financing of political parties or political clientelism in selection of political nominees for various 'professional' public positions. The public therefore becomes pessimistic about the real interests to fight corruption.

Main Success Factors, Reform Drivers

There are four key factors that have driven anti-corruption reforms over the past 8 years.

The first one is strong and sustained public pressure. The public has consistently rated corruption as one of its key preoccupations in all opinion polls and continued to reward (in poll ratings) politicians that are seen as corruption fighters. In the vigorous and dynamic Slovak democracy, this has been crucial in keeping the interest of the political elite in the issue and in emergence of senior political figures who base their credibility on their anti-corruption efforts.

The second factor of success is the overall environment of rapid reforms on all fronts in Slovakia since 1998. This environment is important for two reasons. First of all, it contributes to the overall feeling that when change is possible in so many areas, it should be also possible to do something about corruption. More importantly, deep structural reforms of key elements of the public sector have made it possible to remove or diminish, at low political cost, some of the structural underpinnings of corruption.

Thirdly, anti-corruption pressure groups, particularly NGOs, have been well-researched, well-organized, articulated and media-savvy, thus making a vital contribution both to continuing political and public interest in the issue and providing recipes for specific action.

Last but not least, preparation for the EU membership has helped in many areas both through infusion of know-how (e.g. in financial control and audit mechanisms) as well as creation of pressure for change (e.g. in the passage of *Civil Service Act*).

Current Challenges

The fight against corruption has its dynamics. The improvement in one field might bring new corruption-related challenges in other public sector fields. Immediate challenge is to make the anti-corruption rules work as it is simply not enough to just let me pass by the legislators. Many areas of the public life are under reform process and the better anti-corruption equilibrium is expected to be achieved. So called '*petty*' corruption in health care, in education, every-day operation of public administration may decrease in a few years. However, as seen also from the situation in older EU member states or other OECD countries, the '*grand*' corruption is much harder to diminish (especially political forms of corruption).

The public sector changes its faces and public services are delivered by state firms (e.g. in the legal form of shareholding companies) or in the partnership with private companies (so called '*PPPs*' are formed). The challenge is to make those companies and partnerships more publicly accountable (they enjoy much lower accountability also in other OECD countries).

The other challenge is related to perceived increasing of the *'decentralization of corruption'*. Mainstream media put much higher attention to what is done on central level and for long time municipal activities have been out of the main public focus. Although there are several exemptions, the local media are usually in the hands of municipalities. Increasingly municipalities are becoming very important public actors in the Slovak public life and the challenge to monitor them also increases. In order to solve public action failure in this area, several attempts are taking place to form the network of local watchdogs. And there is the interests expressed by many civil society leaders to get engaged in this activity. But the sufficient finances are not in place to help them to establish themselves so far.

This is related to following challenge — the decreasing finances for anti-corruption activities of NGOs in general. Slovakia became EU member and majority of the donors left the country. Domestic sources almost do not exist. The main partner for EC is the Slovak government. If the NGOs want to keep the watchdog position and necessary independence from the Government to perform the anti-corruption monitoring and other relevant activities, the Government funds are hardly the adequate replacement for the support provided by the left donors.

Evaluation and Lessons Learnt

The Slovak case shows that corruption can be decreased. But it is important to stress that although according to several indicators has decreased — it became concentrated. It decreased in areas where the state became less active and less influential and where market defines the rules of the game — e.g. in banks (which were privatized) or in natural monopolies (which were also partly privatized). It means that the business environment since 1998 became more standardized and it brings positive effects as far as corruption is concern. Corruption also decreased in areas where structural and organizational reforms were adopted and where political will existed to fight corruption — it concerns mainly law enforcement areas (e.g. police, customs, tax administration). Decrease of corruption was not recorded in the provision of those public services where reforms were not conducted or where it takes longer time to implement them and enjoy anti-corruption reform results. Cleaning of business environment among others causes concentration of rent-seeking opportunism and therefore increase of perceived corruption is areas where public sector interacts with the private one — public procurement, subsidies granting, financing of political parties etc. The resulting lesson is that processes which contributed to decreasing of corruption were not dominant agenda of special anti-corruption units. Governmental anti-corruption units dealt mainly with political visible issues which are on-going problem and require on-going high attention of relevant anti-corruption stakeholders.

The Slovak experience of 1998–2006 shows that sustained effort can bring about significant improvements in corruption if it is linked with overall reform of the economy and governance structures. However, such efforts need to tread a careful balance between focus on rooting out structural reasons of corruption and vigorous pursuit of corrupt individuals by the law enforcement. In Slovakia, the 1998–2002 period has seen extensive activity on the structural reform front, but the public perception has not reflected this. On the other hand, since 2002, when the law enforcement angle has been more pronounced, trust by the public that 'something is happening on the corruption front' is higher.

The third lesson of the Slovak experience is that reform can rarely be expected to be an insider job. Even if there are politicians who place emphasis on fighting corruption, they need strong external allies if they are to overcome obstacles in their path. Therefore, the coalition of the media and the NGOs that keeps the spotlight on corruption is essential to preserve public attention and support.

The forth lesson is that politics of the anti-corruption are among the most complex ones. Since measurement of actual corruption is extremely difficult and even perception indices are strongly influenced by the level of public information and interest, there are highly perverse incentives for any Government to deal with symptoms rather than with the problem — spotlight on corruption is likely to be damaging to the public trust even if it is accompanied by increased vigour in the Government action and actual results. Additionally, difficulty of measurement and the moral aspect of the problem make for symbolic rather than systematic politics, again creating incentives to focus on few high-profile arrests rather than detailed day-to-day structural work.

Last but not least, again because of difficulty of measurement and the strong moral angle, there is a very thin line between detailed scrutiny and disillusion to tread for NGOs, media and other publicly active institutions in discussing corruption. If the media and activists give the same level of public criticism and attention to minor infractions and questionable practices as to major scandals, they risk confusion among the electorate, foster feeling that 'they are all the same' and 'nothing changes'.

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Ethics and Effectiveness: the Fabric of Leadership[1]

Joanne B. Ciulla

Abstract

This paper is about the various ways in which the ethics and effectiveness of a leader are intertwined. The paper argues that corrupt leaders are sometime not simply bad people, but people who lack the ability, knowledge, and imagination to lead ethically.

Introduction

The moral triumphs and failures of leaders carry a greater weight and volume than those of non-leaders.[2] In leadership we see morality and immorality magnified. Leaders are human. That is their strength and their weakness. As humans, they are unpredictable creatures, capable of extraordinary kindness and cruelty. They are wise, generous, caring, foolish, reckless, and arrogant — sometimes all at the same time. As the philosopher Immanuel Kant notes: '…from such warped wood as is man made, nothing straight can be fashioned'.[3] Individual leaders vary across cultures and within cultures. They may have different leadership styles, attitudes, values, beliefs and practices, depending on the culture, institution or organization. Yet, all leaders do similar things as leaders. They initiate activities, they motivate people, and they move people towards various goals. Some use persuasion, others force. Some are democratic and aspire to promote the greatest good, while others are autocrats who aim to maximize their own vision of the good or kleptocrats who only care about themselves and their relatives and cronies.

Today, we generally think of leaders as special people with unique talents and abilities. Yet, when we look at the countries around the world, it is extraordinary how many are run by leaders who are personally corrupt and/or fail to respect the interests and human rights of their subjects. If you compare the Transparency International Corruption Perception Index for 2005 with the population figures of countries in 2005, you discover that the majority of people in the world live in places where corruption thrives.[4] Since Transparency International defines corrupt as the misuse of entrusted power for private gain, one may also assume that

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1 This paper was commissioned by Public Sector Governance Program (Poverty Reduction and Economic Management Unit) of the World Bank.

2 Ciulla, J.B. (2003). The Ethics of Leadership Belmont, CA: Wadsworth.

3 Kant, I. (1983). 'The Idea for a Universal History with a Cosmopolitan Intent'. (Ed. and Tr.) T. Humphry, Perpetual Peace and Other Essays. Indianapolis, IN: Hackett Publishing Company, p. 34.

4 http://www.transparency.org/policy_and_research/surveys_indices/cpi/2005
The Economist. (2006). Pocket World in Figures. London: Profile Books.

the leaders who run corrupt countries either are corrupt or are unable or unwilling to stamp out corruption.[5] The other striking thing one sees in the corruption index is that the majority of people who live in corrupt countries are poor. If the job of a leader is to care for the interests and well being of his or her followers, then corrupt leaders are also incompetent leaders. This paper explores the relationship between ethics and effectiveness in leadership. To do this, it will also look at some of the ethical challenges that are distinctive to leadership.

What is Leadership?

A number of scholars have debated the definition of leadership, but these debates are really not about what leadership means, but about the values related to leadership.[6] For example, Joseph Rost collected 221 definitions of leadership, ranging from the 1920s to the 1990s.[7] All of these definitions generally say the same thing: leadership is about a person or persons somehow getting other people to do something, such as work, fight, or pray. The definitions differ in how leaders motivate their followers, their relationship to followers, who has a say in the defining goals of the group or organization. Leadership scholars who worry about constructing the ultimate definition of leadership are asking the wrong question but trying to answer the right one. The ultimate question about leadership is not, what is the definition of leadership? We are not confused about what leaders do, but we would like to know the best way to do it. The whole point of studying leadership is to answer the question, what is good leadership? The use of the word 'good' here has two senses, morally[8] good leadership and technically good leadership (that is, effective at getting the job-at-hand done). The problem with this view is that, when we look at history and the leaders around us, we find some leaders who meet both criteria and some who only meet one. History only confuses the

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5 http://www.transparency.org/news_room/faq/corruption_faq

6 Ciulla, J.B. (1995). 'Leadership Ethics: Mapping the Territory'. The Business Ethics Quarterly, 5(1), 5-28.
Ciulla, J.B. (1999). 'The Importance of Leadership in Shaping Business Values'. Long Range Planning 32.2, 166-72.

7 Rost, J. (1991). Leadership for the Twenty-First Century. New York: Praeger.

8 Some people like to make a distinction between ethics and morality, arguing that ethics is about social values and morality is about personal values. Like most philosophers, I use the terms interchangeably. As a practical matter, courses on moral philosophy cover the same material as courses on ethics. There is a long history of using these terms as synonyms of each other, regardless of their roots in different languages. In De Fato (II. i) Cicero substituted the Latin word 'morale' for Aristotle's use of the Greek word 'ethikos'. We see the two terms defining each other in The Compact Oxford English Dictionary. The word 'moral' is defined as 'of or pertaining to the distinction between right and wrong, or good and evil in relation to the actions, volitions, or character of human beings; ethical' and 'concerned with virtue and vice or rules of conduct, ethical praise or blame, habits of life, custom and manners.' Similarly the dictionary defines ethics as 'of or pertaining to morality' and 'the science of morals, the moral principles by which a person is guided.' Aside from linguistic considerations, it is not useful to divide ethics into public and personal ethics. Ethics is about relationships with other people and living things and, as such, the personal is the public. If we start separating public and private ethics, we find ourselves sliding into ethical relativism, which makes for tough going when leaders have to make real decisions about what is right and wrong both at home and in international contexts.

matter further. Historians do not write about the leader who was very ethical but did not do anything of significance. They rarely write about a general who was an ethical human being but never won a battle.

Ethics and Effectiveness

History defines successful leaders largely in terms of their ability to bring about change for better or worse. As a result, great leaders in history include everyone from Mahatma Gandhi to Adolph Hitler. Niccolo Machiavelli was disgusted by Cesare Borgia the man, but impressed by Borgia as the resolute, ferocious and cunning Prince.[9] While leaders usually bring about change or are successful at doing something, the ethical questions waiting in the wings are the ones found in the various definitions mentioned earlier. What were the leader's intentions? How did the leader go about bringing change? And was the change itself good?[10] While this may seem like stating the obvious, the problem we face is that we do not always find ethics and effectiveness in the same leader. Some leaders are highly ethical but not very effective. Others are very effective at serving the needs of their constituents or organizations but not very ethical in other ways.

This distinction between ethics and effectiveness is not a crisp one. Sometimes being effective is being ethical. For example, consider the case of a law firm, whose office occupied five floors of the World Trade Center. On 9/11, immediately after watching the towers fall to the ground and checking to see whether his employees got out safely, the head of the firm got on the phone and within three hours had rented four floors of another building for his employees. By the end of the day he had arranged for an immediate delivery of eight hundred desks and three hundred computers. The next day the firm was open for business with a desk for almost every employee, who wanted to work.[11] We don't know whether this man's motives were altruistic or avaricious. He may have worked quickly to keep his law firm going because he didn't want to lose a day of billing, or he may have wanted to make a point to terrorists. Nonetheless, by quickly reconstituting his office, he filled the firm's obligations to its various stakeholders. We may not ever know his personal reasons for acting, but in this scenario, the various stakeholders might not care if the firms acted to serve their interests.

In other cases, leaders act with moral intentions but because they are incompetent, their solution to the problem creates an unethical outcome. For instance, consider the unfortunate case of this well-intended NGO. Its goal was to free an estimated 200,000 Dinka children who were enslaved in Sudan. The leaders decided to do this by buying the children out of slavery. As a result of this initiative, the price of slaves went from $35 to $75 a head and the demand for them went up. The unintended consequence of their actions was that by creating a market for slavery, they actually encouraged it. Also, some cunning Sudanese found that it paid to pretend that they were slaves; they could make money by being liberated again and

9 Prezzolini, G. (1928). Nicolo Machiavelli, the Florentine. Tr. R. Roeder. New York: Brentanos.
10 Ciulla, 1995.
11 Schwartz, J. 'Up from the Ashes, One Firm Rebuilds'. The New York Times. September 16, 2001: Section 3, p. 1.

again.[12] This deception made it difficult for the charity to distinguish those who really needed help from those who were faking it. No one would argue with the morality of the charity's intention, but the means that it used to achieve its goals — buying slaves, which means entering into an immoral practice — and the results of their actions — encouraging and increasing slavery — were unethical. Cases like this illustrate the old saying that sometimes the road to hell is paved with good intentions.

What then can we say about leaders who do good things for unethical reasons or bad things for ethical reasons? In modernity we often separate the inner person from the outer person. John Stuart Mill saw this split between an individual's ethics and the ethics of his or her actions clearly. He said the intentions or reasons for doing something tell us something about the morality of the person, but the ends of an act tell us about the morality of the action.[13] This solution doesn't really solve the ethics-and-effectiveness problem. It simply reinforces the split between the personal morality of a leader and what he or she does as a leader. If the various stakeholders knew that the head of the law firm had selfish intentions, they would think less of him but not less of his actions. This is often the case in business. When a business runs a campaign to raise money for the homeless, it may be doing so to sell more of its products or improve its public image. Yet it would be a bit harsh to say that the business shouldn't hold the charity drive and raise needed funds for the homeless. Sometimes it is unethical (and just mean spirited) to demand perfect moral intentions. Nonetheless, personally unethical leaders who do good things for their constituents are still problematic. Even though they might do things that provide for the greatest good, once their unethical intentions are public, people can never really trust them, even if they benefit.

We morally assess leaders (and everyone else) on three criteria. We look at whether they do the right thing, the right way, for the right reason. In other words we are interested in the ethics of their actions, how they do them and why they do them. The problem that we have with evaluating the ethics of leaders is that they are sometimes ethical in one area but not others. If, for example, the lawyer got his law firm up and running quickly because he was greedy, we would not find his intention morally admirable. Yet, we may find his care for the firm's clients and employees morally admirable. If however, he forced his traumatized employees to come to work the next day, our moral opinion of him would change, even if his intentions were admirable. Sometimes, leaders are only ethical in one or two of the three areas. There are times when this is enough and times when it is not, depending on the case. Many leaders have a mixed record concerning what they do. When the media fails to give the public the information that it needs or there is no free press, followers have a difficult time holding their leaders accountable. The confusion can lead to apathy, cynicism or the dismissal of important matters as just politics.

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12 'A Funny Way to End the Slave trade; Slavery in Sudan'. The Economist. February 9, 2002, p.42.

13 Mill, John Stuart (1987). 'What Utilitarianism Is'. Ed. A. Ryan, Utilitarianism and Other Essays. New York: Penguin Books, 276-297.

Moral Luck

The historian's assessment of good leaders is sometimes contingent on what philosophers call 'moral luck'. Moral luck is another way of thinking about the free will/determinism problem in ethics. People are responsible for the free choices they make. We are generally not responsible for things over which we have no control. The most difficult ethical decisions leaders make are those in which they cannot fully determine the outcome. Philosopher Bernard Williams describes moral luck as intrinsic to an action based on how well a person thinks through a decision — i.e., whether his or her inferences are sound and contain all available information. Intrinsic moral luck is based on moral and intellectual competence. He says moral luck is also extrinsic to a decision.[14] Events such as bad weather, accidents, malfunctioning technology, and so on can sabotage the best-laid plans. Moral luck is an important aspect of ethics. Leaders are usually held responsible — praised and blamed — for everything that happens on their watch, regardless of whether they had any direct role in an event or the outcome of an event.

Let us look at the following two examples. First, imagine the case of a leader who confronts a situation in which terrorists threaten to blow up a plane full of people. The plane is sitting on a runway. The leader gets a variety of opinions from his staff and entertains several options, given to his by experts. His military advisors tell him that they have a plan. They tell him that there is a 50/50 chance that they will be able to free the hostages safely. The leader is morally opposed to giving in to terrorists but also morally opposed to risking innocent lives if it is not necessary. He quickly, but carefully, works through his duties to a variety of stakeholders and long-term and short-term moral obligations. He weighs the moral and technical arguments carefully and chooses to go ahead with attack, but he is unlucky. A member of the attack team slips and loses his weapon to the terrorist, more things go wrong, and some of the hostages get killed.

Now let us look at another leader in a similar situation. In this case the negotiations are slowly making progress. His advisors tell him that an attack is highly risky. The leader is impatient with the hostages and his cautious advisors. He does not carefully review the facts or consider the moral arguments. For him it is simple: 'I don't give a damn who gets killed; these terrorists are not going to get the best of me!' He orders the attack. This leader is lucky. The attack goes better than expected. One terrorist trips, loses his weapon, and is subdued. The other terrorists are overpowered and the hostages are freed without harm.[15]

Some leaders are very careful about risking human lives, but they are unlucky, whereas others are not very careful about risking human lives but they are very lucky. Most really difficult moral decisions leaders make are risky, because they frequently have imperfect or incomplete information and lack control over all of the variables that may affect the outcome. Leaders who fail at something are worthy of forgiveness when they act with deliberate care and for the right moral reasons. According to attribution theory, followers make attributions about the intentions of their leaders. If they know or sense that the leader has good intentions,

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14 Williams, B. (1981). Moral Luck. New York, Cambridge University Press.

15 Ciulla, J.B. (2004). 'Ethics and Leadership Effectiveness'. Eds. J. Antonakis, A.T. Cianciolo, and R.J. Sternberg. The Nature of Leadership. Thousand Oaks: Sage Publications, 302-27.

they are more willing to forgive leaders who fail.[16] Americans did not blame President Jimmy Carter for the botched attempt to free the hostages in Iran. (It wasn't his fault that the helicopters broke down.) Nonetheless, the incident was one more thing that shook their faith in his leadership. He was unlucky because, if the mission had been successful, it might have strengthened people's faith in him as a leader and improved his chances of retaining the presidency. Kant said that, because we cannot always know the results of our actions, moral judgments should be based on the right moral principles and not contingent on outcomes.[17] Because Carter seemed to act on the right principles, the public was sympathetic to him as a person, but not as a leader.

The irony of moral luck is that leaders who are reckless and sometimes unethical are celebrated as heroes when they succeed at bringing about an important change. In the United States and many other cultures believe that great leaders are decisive. This may be because attribution works both ways. People attribute good intentions to leaders who get good results. The reckless, lucky leader does not demonstrate moral or technical competency, yet, because of the outcome, often gets credit for having both. Since history usually focuses on outcomes, it is not always clear how much luck, skill, and morality figured in the success or failure of a leader. Some people use history to conclude that a leader's ethics are not very important.

Moral Standards

People often say that 'leaders should be held to a higher moral standard', but does that make sense? If true, would it then be acceptable for everyone else to live by lower moral standards? The curious thing about morality is that, if you set the moral standards for leaders too high, requiring something close to moral perfection, then few people will be qualified to be leaders or will want to be leaders. For example, how many of us could live up to the standard of having never lied, said an unkind word, or reneged on a promise? Ironically, when we set moral standards for leaders too high, we become even more dissatisfied with our leaders because few are able to live up to our expectations. We set moral standards for leaders too low, however, when we reduce them to nothing more than following the law or, worse, simply not being as unethical as their predecessors.

Some people believe that democracy is the magic bullet for getting rid of unethical leaders. In theory, followers are supposed to be able to throw out leaders who do not serve their interests. However, in democratic countries that have a high level of corruption, leaders face another problem. Accusations of corruption have become a form of political assassination. This confuses the public debate about ethics. Citizens become cynical because they cannot tell if their leaders are really corrupt or whether charges of corruption are just politics. This results in a paradox for leaders who want to be reformers. In a corrupt system, they may have to use corrupt means to get elected. While it is rare to find leaders who use corrupt means to get elected and then go on to fight corruption, it is possible. However, leaders who do this

16 Hall, A.T., Blass, F.R., Ferris, G.R. and Massengale, R. (2004). 'Leader Reputation and Accountability in organizations: Implications for Dysfunctional Leader Behavior'. The Leadership Quarterly, 15. 4, 515-536.

17 Kant, I. (1993). Tr. J.W. Ellington, Foundations of the Metaphysics of Morals. Indianapolis, IN: Hackett Publishing Company.

often face charges of corruption from other corrupt leaders who simultaneously raise the bar of morality — by demanding that the leader be completely above the fray, while lowering the bar of morality — by attacking the ethics of a leader to keep him or her from going after corruption. Furthermore, leaders do not gain more public trust when the press and public closely monitor them. In his research, T.H. Strickland found that when people are forced to monitor leaders, rather than increasing their trust in leaders, they tend to trust them less.[18]

The larger ethical problem for leaders stems from the fact that leaders sometimes do not think they were subject to the same moral standards of honesty, propriety and so on as the rest of society. One explanation for this is so obvious that it has become a cliché — power corrupts — but that only tells part of the story. David G. Winter and David McClellend's work on power motives and on socialized and personalized charisma offer psychological accounts of this kind of leader behavior.[19] Socialized charisma focuses on social goals, whereas personalized charisma focuses on the leader's psychological needs. Michael Maccoby and a host of others have talked about narcissistic leaders who, on the bright side, are exceptional and, on the dark side, consider themselves exceptions to the rules.[20] Others have written about the way success corrupts leaders.

E.P. Hollander's work on social exchange demonstrates how emerging leaders who are loyal to and competent at attaining group goals gain 'idiosyncrasy credits' that allow them to deviate from the groups' norms to suit common goals.[21] As Terry Price has argued, given the fact that we often grant leaders permission to deviate or be an exception to the rules, it is not difficult to see why leaders sometimes make themselves exceptions to moral constraints.[22] This is why we should hold leaders to different or higher moral standards than ourselves. If anything, we have to make sure that we hold them to the same standards as the rest of society. What we should expect and hope for are leaders who will fail less than most people at meeting ethical standards, while pursuing and achieving the goals of their constituents. So when we say leaders should be held to a higher moral standard, what we really mean is that leaders must be more successful at living up to the moral standards by which we all must live, because the price of their failure is greater than that of an ordinary person.

The Bathsheba Syndrome

The moral foible that people fear most in their leaders is personal immorality facilitated by abuse of power. Usually it is the most successful leaders who suffer the worst ethical failures. Dean Ludwig and Clinton Longenecker call the moral failure of successful leaders the

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18 Strickland, T.H. (1970). 'Surveillance and Trust'. Journal of Personality. 26, 200-215.

19 Winter, D. (2002). 'The Motivational Dimensions of Leadership: Power, Achievement and Affiliation'. Eds. R.E. Riggio, S.E. Murphy and F.J. Pirozzolo, Multiple Intelligences and Leadership. Mahwah, NJ: Lawrence Erlbaum Associates, 196-207.
McClelland, D. (1975) Power: The Inner Experience. New York: Halsted Press.

20 Maccoby, M. (2000). 'Narcissistic Leaders'. The Harvard Business Review 78.1 69-75.

21 Hollander, E.P. (1964). Leaders, Groups and Influence. New York: Oxford University Press.

22 Price, T.L. (2000). 'Explaining Ethical Failures of Leadership'. The Leadership and Organizational Development Journal, 21.4, 177-84.

Bathsheba Syndrome, based on the biblical story of King David and Bathsheba.[23] Ancient texts, such as the *Bible*, provide us with wonderful case studies on the moral pitfalls of leaders. King David is portrayed as a successful leader in the Bible. We first meet him as a young shepherd in the story of David and Goliath. This story offers an interesting leadership lesson. In it, God selects the small shepherd David over his brother — a strong soldier — because David has a good heart. Then as God's hand-picked leader, David goes on to become a great leader, until we come to the story of David and Bathsheba (2 Samuel 11-12).

The story begins with David taking an evening stroll around his palace. From his vantage point on the palace roof, he sees the beautiful Bathsheba bathing. He asks his servants to bring Bathesheba to him. The king beds Bathsheba and she gets pregnant. Bathsheba's husband, Uriah, is one of David's best generals. King David tries to cover up his immoral behavior. He calls Uriah home and attempts to get Uriah drunk so that he will sleep with Bathsheba. Uriah refuses to cooperate because he feels it would be unfair to enjoy himself while his men are on the front. (This is a wonderful sidebar about the moral obligations of leaders to followers.) David then escalates his attempt to cover things up by ordering Uriah to the front of a battle where he gets killed. In the end the prophet Nathan blows the whistle on David and God punishes David.

The Bathsheba story has repeated itself throughout history. Scandals ranging from the President Clinton and Monica Lewinski affair, to Enron all follow the general pattern of this story.[24] First, we see what happens when successful leaders lose sight of what their job is because they are coasting on success. David should have been focusing on running the war, not watching Bathsheba bathe. He is literally and figuratively looking in the wrong place. Second, because power offers privileged access, leaders have more opportunities to indulge themselves and, hence, need more willpower to resist indulging themselves. David can have Bathsheba brought to him by his servants with no questions asked. Third, successful leaders sometimes develop an inflated belief in their ability to control outcomes. David gets involved in escalating cover-ups.

The most striking thing about leaders who get themselves in these situations is that the cover-ups are usually worse than the crime. In David's case, adultery is not as bad as murder. Also, it is during the cover-up that leaders abuse their power as leaders the most. In Clinton's case, a majority of Americans found his lying to the public far more immoral than his adultery. Lastly, leaders learn that their power cannot keep their actions invisible forever. Whistleblowers like Nathan in King David's case or Sharon Watkins in the Enron case, call their bluff and demand that their leaders be held to the same moral standards as everyone else. When this happens, in Bible stories and everywhere else, all hell breaks loose.

Read as a leadership case study, the story of David and Bathsheba is a cautionary tale about success. What is most interesting about the Bathsheba Syndrome is that it is difficult to predict which leaders will fall prey to it, because people get it after they have become successful. When leaders are successful, followers tend to monitor their behavior less. Business and political leaders tend to get in more trouble when things are going well, then

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23 Dean Ludwig and Clinton Longenecker, 'The Bathsheba Syndrome: The Ethical Failure of Successful Leaders'. The Journal of Business Ethics 12 (1993): 265-273.

24 Winter gives an interesting psychological account of Clinton in Winter, 128-9.

when they are going badly. In good times, people don't ask many questions. This is why leaders who started out as revolutionaries who fought on the side of the people against their oppressors sometimes start behaving worse than their oppressors. Their followers are grateful and give leaders latitude to do what they want.[25] Then as leaders they lose sight of the moral obligations of their job and they become overly confident in their ability to do and take whatever they please.

Altruism and Self-interest

If we accept the definition of corruption as misuse of entrusted power for private gain, one might argue that *uncorrupt* means use of entrusted power for public gain. Some leadership scholars have taken this one step farther and argued that ethical leaders are altruistic, meaning they benefit others at a cost to themselves.[26] Altruism is a motive for acting, but it is not in and of itself a normative principle.[27] Requiring leaders to act altruistically is not only a tall order, but it does not guarantee that the leader or his or her actions will be moral. For example, stealing from the rich to give to the poor, or, what I call, 'Robinhoodism', is morally problematic.[28] A terrorist leader who becomes a suicide bomber might have purely altruistic intentions, but the means that he uses to carry out his mission — killing innocent people — is not considered ethical even if his cause is a just one.

Great leaders such as Martin Luther King, Jr. and Mohandas Gandhi appear to have behaved altruistically, but their leadership was ethical because of the means that they used to achieve their ends and the morality of their causes. We have a particular respect for leaders who are martyred for a cause, but the morality of King and Gandhi goes beyond self-sacrifice. Achieving their objectives for social justice while empowering and disciplining followers to use nonviolent resistance is morally good and, some would say, morally awesome leadership. People often regard these leaders as great because they did the right thing, the right way, and for the right reason.

It is interesting to note what Confucius explicitly calls altruism is the Golden Rule. When asked by Tzu-Kung what the guiding principle of life is, Confucius answers: 'It is the word altruism [shu]. Do not do unto others what you do not want them to do to you.'[29] The golden rule crops up as a fundamental moral principle in most major cultures.[30] The golden rule tells us how to transform knowledge of one's self-interest into concern for the interests of others. In other words, it provides the bridge between the extremes of altruism and self-interest.

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25 Wernerfelt, B. (1988). 'Reputation, Monitoring, and Effort'. Information Economics and Policy, 3, 207-218.

26 Kanungo, R. and Mendonca, M. (1996). Ethical Dimensions of Leadership. Thousand Oaks, CA: Sage, 35.

27 Nagel, T. (1970). The Possibility of Altruism. Oxford: Clarendon Press. Also, Ozinga, J.R. (1999). Altruism. Westport, CT: Praeger.

28 Ciulla, J.B. (2003). 'The Ethical Challenges of Non-Profit Leaders'. Ed. R. Riggio, Improving Leadership in Non-Profit Organizations. Mahwah, NJ: Erlbaum, 63-75.

29 Confucius (1963). 'Selections from the Analects'. Ed. and Tr. Wing-tsit Chan, A Source Book in Chinese Philosophy. Princeton: Princeton University Press, 44.

30 Wattles, J. (1996). The Golden Rule. New York: Oxford University Press.

Plato believed that leadership required a person to sacrifice his or her immediate self-interests, but this did not amount to altruism. In Book II of the Republic, Plato writes:

> In a city of good men, if it came into being, the citizens would fight in order not to rule ... There it would be clear that anyone who is really a true ruler doesn't by nature seek his own advantage but that of his subjects. And everyone, knowing this, would rather be benefited by others than take the trouble to benefit them.[31]

Rather than requiring altruistic motives, Plato argues that leadership is not in your immediate self-interest if you are a just person. Leadership will take a toll on you and your life. He goes on to say that the only reason a just person accepts a leadership role is out of fear of punishment. He tells us: 'Now the greatest punishment, if one isn't willing to rule, is to be ruled by someone worse than oneself. And I think it is fear of this that makes decent people rule when they do.'[32] Enlightened self-interest, not altruism motivates a just person to rule. Plato sheds light on why we sometimes feel more comfortable with people who are reluctant to lead than with those who really want to do so. Today, as in the past, we worry that people who are too eager to lead want the power and position for themselves, or that they do not fully understand the responsibilities of leadership. Plato also tells us that while ethical leadership is not always in the leader's immediate self-interest, it is in his or her long-term interest. (Plato goes on to say that it is in our best interest to be just, because just people are happier and lead better lives than unjust people.)

While we admire self-sacrifice, morality sometimes calls upon leaders to do things that are against their self-interest. This is less about altruism than it is about the nature of both morality and leadership. The practice of leadership is to guide and look after the goals, missions and aspirations of groups, organizations, countries or causes. When leaders do this, they are doing their job; when they do not do this, they are not doing their job. Looking after the interests of others is as much about what leaders do in their role as leaders as it is about the moral quality of leadership. When a mayor does not look after the interests of a city, she is not only ineffective, she is unethical for not keeping the promise that she made when sworn in as mayor. When she does look after the interests of the city, it is not because she is altruistic, but because she is doing her job. In this way, altruism is built into the way we describe what leaders do. While altruism is not the best concept for characterizing the ethics of leadership, scholars' interest in altruism reflects a desire to capture, either implicitly or explicitly, the ethics-and-effectiveness notion of good leadership. One of the distinctive ethical challenges of leadership is that it takes more effort to care about strangers than it does to care about oneself and one's family.

Nepotism and Competence

One reason why some people believe that leaders are born and not made is because the majority of leaders throughout recorded human history have been born into families of leaders. From pharaohs, to emperors, to kings, to leaders of a number of countries today,

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31 Plato (1992). Republic. Tr. G.M.A. Grube. Indianapolis, IN: Hackett Publishing, 347d.
32 Ibid. 347c

leaders have sought to keep leadership in their gene pool. This is how they look after their families, friends and, it is hoped, their constituents. Family ties also play a role in the way leaders build coalitions and enlist cooperation. Families matter when we talk about leadership because many countries in the world (democratic or undemocratic) are ruled by family dynasties. It is also easy to forget that most businesses in the world are owned and run by families. Almost 95 per cent of American businesses are family owned, including 40 per cent of the Fortune 500 companies.[33] In Asia, family dynasties control 46.6 per cent of the GDP in the Philippines, 84.2 per cent in Hong Kong and 76.2 per cent in Malaysia.[34]

Nepotism is a complicated problem for the ethics and effectiveness of all leaders. People who are not in leadership positions are free to aid their family members in any way they desire. One might argue that they have a moral obligation to do so. Leaders have an obligation to put the interests of their constituents ahead of their own interests and the interests of friends and families (although in many cases these interests coincide). Chinese leaders recognized the problem with nepotism a long time ago. In the words of an old Chinese proverb: 'When a man becomes an official, his wife, children, dogs, cats, and even chickens fly up to heaven.'[35] Confucius discussed at length the problem of how to balance the duties of filial piety with duties to the public and principles of merit.

When we look around the world today, we often see the tension between leaders' obligations to family and clan and their obligations to organizations and others outside the clan. By clan, I not only include family, but friends of the leader and the leader's family. For example, imagine that you are the regional director of a large multinational manufacturing concern who oversees operations in several foreign countries. A year ago, you promoted a talented, hard working, local employee to run one of your factories. On a visit to the region you decide to stop in and visit the factory. When you arrive at the manager's office, you notice that the secretary has the same last name as the manager. You mention this to him and he tells you that she is his sister. He takes you on a tour of the plant and as you walk around the manager is greeted by various people working there as 'uncle', 'cousin' and 'father'. You ask him: 'Is this some sort of custom or are all of these people your relatives?' He replies: 'Yes, I have a duty to take care of my family.' You then discover that, of the 80 employees on the payroll over half are members of the manager's extended family.

The first reaction of an American might be that the manager is unethical. Hiring one's relatives is wrong because they may not be the most qualified workers. One might also argue that the factory manager does not own the factory and therefore does not have the right to keep the jobs within his family. However, the main concern one may have about this manager is that he is putting the interests of his family before the interests of the firm, even if his family is also hard working and smart, like the manager.

One might argue that nepotism in business is different from nepotism in politics because a family business is private. Author Adam Bellow argues that people do not mind if leaders appoint relatives to jobs as long as they are competent.[36] William Ford runs the Ford motor

33 Bellow, A. (2003). In Praise of Nepotism. New York: Doubleday.
34 'Keeping It in the Family'. Economist (2001) p. 6.
35 Bellow, 2003, p. 95.
36 Ibid.

company, Jane Lauder heads Estée Lauder, and Bill Wrigly manages his family's chewing gum business. On the one hand, we do not think that it is unfair that William Ford is CEO of Ford; he has a right to do so because it is his family's business. On the other hand, it would matter if an incompetent family member ran Ford because his or her incompetence would have a negative impact on a number of stakeholders.

Some might think that nepotism is only a problem in developing and/or undemocratic countries, yet, it is common in the Western world too. Consider what happened in the aftermath of the 2000 presidential elections in the USA. The election pitted a son of a president against the son of a senator. When George W. Bush won, he appointed Michael Powell, son of Colin Powell, chairman of the FEC, and Eugene Scalia, son of Supreme Court Justice Antonin Scalia, the chief labor attorney. In addition to these appointments, Bush made the vice president's daughter, Elizabeth Cheney, deputy assistant secretary of state and her husband chief counsel for the Office of Management and Budget.

If the primary obligation of the leader is to make choices based on the greatest good for the organization or state, there is, in principle at least, nothing wrong with appointing family members and friends' family members to jobs, as long as they are the best qualified. In other words, leaders are ethical when they appoint their relatives if their relatives are best qualified to be effective on the job. The Bush appointees may be well qualified for their jobs, but there may also be others out there who, if given a chance to compete for the job, would be better. When qualified people do not have equal access to compete for a job on merit, it undermines public trust and perceptions of fairness.

One intriguing question is whether we get better or worse leaders as a result of nepotism. If genes shape our dispositions, perhaps leadership might be a genetic predisposition like music or art? The Bach and Brueghel families produced great musicians and artists. Leadership, like music or art, may be like a family business. Families of artists or leaders often provide the right combination of nature and nurture to foster certain talents in their children. Unlike art and music, leadership requires a complex set of social skills that involve working with strangers. Family connections and power may keep a person from developing important leadership skills. Leaders may actually develop better social skills such as persuasion, building trust, making friends, etc. when they have to make it on their own. Some leadership scholars have noticed that a striking number of leaders had one or both of their parents die when they were children. For example, Howard Gardner notes that 60 per cent of British prime ministers lost their fathers when they were young. He suggests that children who lose a parent when they are young are forced 'to formulate their own social and moral domains.'[37]

The ethical problem with nepotism is not that it is wrong to care for your friends and family. In democratic societies the problem with nepotism is that it is unfair and undercuts the ideal of equal opportunity, but the bigger problem with it is that it may keep the most competent people from holding leadership positions. Nepotistic leaders treat leadership as if it is a private business rather than a public trust. Privacy (or lack of transparency) provides a fertile ground for corruption and can also hamper innovative problem solving. The physical environment thrives on diversity. We know that, when societies close themselves off from

37 Gardner, H. (1995). Leading Minds: An Anatomy of Leadership. New York: Basic Books, 24.

outsiders, they become neurotic, vulnerable and weak, like an inbred dog.[38] As we look around the world today, we also see that in a number of cultures, the longer a leader is in power the more likely there is corruption in the leader's administration. This is because of several things discussed earlier, the danger that luck and success can make leaders believe that they are exceptions to the rules and that they can control outcomes.

Blinding Morality

We want leaders who possess strong moral convictions, but there are times when leaders' moral convictions are so strong that they undercut both their ethics and their effectiveness. Leaders with overzealous moral convictions can be far more dangerous than amoral or immoral leaders. Consider the initial response of the Catholic Church hierarchy to cases of sexual abuse. Some Church leaders still held the medieval view that they could play by different rules than the rest of society, in part because they were the good guys. The sexual abuse of children is one of the most heinous crimes in any society; however, some church leaders treated it differently because the molesters were men who do God's work. Overly moralistic leaders sometimes confuse working for God with being God, usually with disastrous results. This kind of moral self-righteousness can also blind leaders to the more mundane things that they need to do in order to be effective.

Leaders sometimes become so impassioned about their cause that they forget what they have learned in other areas of life or fail to learn or get the expertise they need to do their job. The story of the explorer Ferdinand Magellan is one such case. Magellan convinced King Carlos of Spain that the Río de la Plata in Brazil went all the way across South America and would provide a shorter route to the Spice Islands. The king funded Magellan's voyage and Magellan sailed up the Río de la Plata. Unfortunately, the river came to a dead end. He then took his three ships down the coast of South America, around the treacherous Terra del Fuego, and then 12,600-miles across the Pacific Ocean to the Philippines. When he arrived in the Philippines, he undertook a new job — spreading Christianity. Magellan began baptizing native leaders and gaining their allegiance to Spain. This meant that the enemies of a baptized leader were also the enemies of Spain. Magellan's religious fervor became so great that he began to think that he could cure people by praying over them. His men tried to set him straight, but he would not listen to them.

Magellan decided to champion the cause of a baptized chief in an unnecessary battle against an un-baptized chief named Lapu-Lapu on the island of Mactan. He invited other chieftains to watch the battle from a distance so that he could prove the superiority of Christians. His seasoned soldiers would not fight with him so he recruited a ragtag group of cooks and other apprentices who were willing to follow him into this pointless encounter. As the historian William Manchester observes: Now in late April of 1521, on the eve of this wholly unnecessary battle, Magellan was everything he had never been. He had never before been reckless, impudent, careless, or forgetful of the tactical lessons he had learned during

38 Diamond, J.M. (1997). Guns, Germs & Steel: the Fates of Human Societies. New York: W.W. Norton.

Portuguese operations in East Africa, India, Morocco, and Malaya. But he had not been a soldier of Christ then. [39]

Magellan led his band of men in small boats to the island. The plan was that when they reached the shore his ship would move in and back up the soldiers with its guns. But the ship never came and the guns never fired. Magellan was struck down while waist deep in water, weighed down by heavy armor, and unprotected by his ships that were stranded outside the reef. One of the greatest navigators in the world met his demise because he had failed to inquire about the tides before attacking the island.

The story of Magellan shows us how even brilliant leaders can believe so much in the moral rightness of their goals that they don't listen to others or take mundane precautions to achieve their goals. This case is a dramatic way to think about the mistakes NGO leaders sometimes make, such as having earnest but unqualified volunteers keep the books or assuming that when providing meals for the homeless, it is not necessary to follow standard health procedures in the kitchen. Leaders have a moral obligation to consult with experts, get their facts straight, and take care in planning. This is where ethics and effectiveness converge. Again, the line between being incompetent and unethical is often very thin.

Conclusion

This paper has explored the many ways in which ethics, competence and effectiveness are inextricably intertwined in the fabric of leadership. The discussion is more than just a philosophic exercise. The reason why it is important to understand the many facets of ethics and effectiveness is so that we can develop good leaders for the future and help current leaders do a better job. While there are leaders who are evil, neurotic, or narcissistic in the world today, there are probably as many (or more) leaders who lack the skills and knowledge to lead ethically. These skills include things like knowing how to manage, create, or maintain systems of checks and balances, motivate people, communicate, formulate a vision that includes everyone in it, instill ethical norms in their staffs and constituents, manage the economy, etc. Leaders often enter government after being revolutionary or military leaders or business people. They may or may not have the mixtures of competencies they needed to run a country, especially if that country is rich in resources that are in high demand in the global marketplace.

It might seem naive or wishful thinking to argue that if leaders were more competent, they would be more ethical. Nonetheless, it is just as naive to think that greed and power are the only explanations for corruption. Human behavior is far more complex. Baring leaders with personality disorders or truly evil individuals, we should not underestimate the fact that ethical and effective leadership increases a leader's social prestige, which can be as personally rewarding to some people as Swiss bank accounts are to kelpocrats.[40] The hypothesis that I would like to see tested in future empirical studies is that leaders who know how to run a country competently are less likely to abuse the rights of their people and pillage the treasury than those who do not. I have not discussed the role of various cultural traditions

39 Manchester, W. (1993). A World Lit Only By Fire. Boston: Little Brown, 276.

40 Ridley, M. (1996). The Origins of Virtue. New York: Penguin Books, see chapter 6.

in corruption in this paper. But I will say that while the cultural context of a country may encourage or facilitate bad leaders, it is difficult to imagine that the majority of people in any society would actually want to have corrupt leaders, especially if, as I have argued, corrupt leaders are usually ineffective.

In this paper I have offered a different answer to the question: Why do some leaders abuse entrusted power? While some leaders *don't want to serve the public trust because they want to serve themselves*, I have argued that there are other leaders who *don't know how to serve the public trust so they serve themselves*. Leaders have ethically and technically difficult jobs. They are entrusted to consider the well being of more people than the rest of us. They have moral obligations to people that they do not know and maybe do not even like. Leadership requires an abundance of knowledge, intuition, energy, and moral imagination.[41] They are entrusted with responsibility for the big picture and the details in it. Good leadership is difficult to sustain over time and under the pressures of the job. We don't often hear much about good leaders, which is unfortunate because it makes it seem as if they are all too rare in today's world.[42]

41 Ciulla, J.B. (2004). 'Moral Imagination'. The Encyclopedia of Leadership Studies. Sage/Berkshire Press.

42 I would like to offer a special thanks to the students in my 'Leadership in International Contexts' class for their research on the current (2006) leaders 160 countries.

Transformational Leadership and Economic Development[1]

Richard A. Couto

The ethics of leadership approaches its topic with a concern for what is the right thing to do? Borrowing from Joanne Ciulla (1998:17) we may ask, Right in what sense; in the sense of moral values or effectiveness? Obviously, a concern with only effectiveness brings us to the slippery slope of ends justifying means. Just as clearly, right values may be necessary but not sufficient if effective and positive change is not forthcoming. Therefore, we are invited to the middle ground: doing the right thing effectively.

Once there we discover models and theories of leadership that vary in their approach to values and effectiveness. A modest implicit element in the studies on leadership, from Confucius to contingency theory, became a major explicit element in the late 1970s. The focus on leadership shifted from a linear, one-direction relationship from leader to follower, often called subordinates to reinforce the hierarchical and power relationships involved, to a process-oriented, reflexive relationship of mutual influence among all members of a group regardless of their position or authority. Robert Greenleaf instructed us that those who would be leaders must be servants first and that the real task of servant leadership is the personal growth of people (Greenleaf 1977:27). James MacGregor Burns (1977), building on the earlier work of Edwin Hollander (1964), discussed leadership as reflexive relationship in which people without position or authority exercised influence on those with them. Burns also made leadership a moral action that brings all people in its process to a higher degree of human development. Much earlier, Mary Parker Follett had raised similar themes with her distinction of *power with* and *power over* (Tonn 2003:180-83). These works transformed leadership from hierarchical pyramids to horizontal circles and raised the bar for effectiveness. It moved from getting things done by administrative arrangements to democratic processes that got things done and developed people in the process. We will refer to this recent emphasis as leadership-that-transforms.

Leadership-that-transforms represents a change of thinking that prepares us to think about economic development as doing the 'right'thing in the 'right'way. We shall find among models of development-that-transforms a similar emphasis on reflexive relationships; a strategy of addressing human and social needs directly rather than outcomes from the trickle down of projects; and a choice of means that incorporate their ends. The most transforming leadership and development attempts to use the same human capabilities it intends to develop. In terms of practice, this means striving for the highest, appropriate forms of representation and participation of those to be 'led' or 'developed' in decision making and

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1 This paper was commissioned by Public Sector Governance Program (Poverty Reduction and Economic Management Unit) of the World Bank.

implementation. The means and ends of development have a mutual relationship; the values underlying the means of leadership and development are its ends in the making.

Transform(-ational, -ing, -istic, -ative) Leadership

The recent study of leadership has a major component concerned with transformation that expects leadership to transform something or someone for the good. Public officials and agencies in developmental roles at varying levels — community, regional, national, or international — especially face the high expectations of others. It is after all their role to transform slums, poor health care, severe poverty, unemployment, premature and unnecessary death, public corruption, and other conditions into something better. They are expected to do the right thing, effectively.

We discuss transformation, however, almost as casually as we use the term leadership. We have an array of suffixes for the term transform: –ational, -ing, -istic, -ative, etc. Each of them is also a term of art describing a specific model of leadership. Bernard Bass and then he and Bruce Avolio developed transformational leadership (Bass 1985 and 1988; Avolio 2004; Avolio and Yammarino 2003) that serves as a point of departure for a discussion of the leadership-that-transforms.
Bass and Avolio offer three forms of leadership styles:

- laissez-faire, which is ineffective leadership by people with authority;
- transactional leadership, which crosses the line into effective leadership if there is active management by exception and if the manager/leader constructs an environment of worker satisfaction and higher productivity.
- transformational leadership, which has four stages — individualized consideration; intellectual stimulation; inspirational motivation; and idealized influence or charisma. At this last level, leaders are expected to do the right thing effectively.

Bass derived his term from the work of James MacGregor Burns and the latter's distinction of transactional and transforming leadership. Burns's transforming leadership induces awareness in others of their wants and needs to move up Maslow's hierarchy of values. Burns's transforming leadership is moral action and entails leaders and followers moving up some scale of values and human development where followers may become leaders (Burns 1978:19-20; 2003).

Burns presents transforming and transactional leadership as a dichotomy based on two separate realms of values — end and modal. The end values in Burns's work are the same ethic of absolute values in the terms of Max Weber (1958): peace, liberty, freedom, equality, etc. Modal values are those that govern the transactions of everyday life — trust, honesty, integrity — values within the ethic of responsibility. Burns offers styles and models of transforming leadership — intellectual, heroic, reform — but not the means to pursue it. One might think that transforming leadership is the pursuit of end-values with modal ones but Burns's dichotomy is too wide to bridge in this manner; modal and end values reside in two distinct realms.

Gill Hickman (2004; 2006) offers a transformistic style of leadership that seems to bind end and modal values together. Hickman, citing Peter Drucker and others, anticipates that organizations face the social imperatives of interdependency, including linking their organizational success with the survival and well-being of society, because their environments require them. Applying her analysis to formal organizations — schools and businesses — she holds hope that organizations may attain profit, and in other ways be effective, while improving their current uses of human and environmental resources which of course, at least partially, stimulate the imperative for transformation. Her transformistic style requires

> …intense global concern and competition; intra-organizational relationships and collaboration; a focus on democracy, substantive justice, civic virtues, and the common good; values orientation; empowerment and trust; consensus-oriented policymaking processes; diversity and pluralism in structure and participation; critical dialogue, qualitative language and methodologies; collectivized rewards; and market alignments.
>
> (Hickman 2006:103)

We now have terms of art in the language of leadership and transformation. The models we offer all:

- assume that conducting change is the task of leadership;
- involve values;
- imply a relationship among people, e.g. 'leaders' and 'followers' those with formal authority and those without it;
- assume some development of people — a change in their wants and needs — in the leadership relationship; and
- express high and moral expectations of leadership.

Values in the Leadership-that-transforms

These models of leadership-that-transforms also differ from one another in several ways. Burns and Bass place a great deal of emphasis on the initiative of a leader as the stimulant for change. Hickman, along with other writers, broadens leadership beyond persons in positions of authority; they become only one source of initiative. She correctly points out that leadership, as the task to transform, happens in a system in which many people, with and without formal authority, take initiative.

All three models suggest that leadership-to-transform entails moral values but differ about the nature and origins of those values. Bass works with formal organizations and an authoritative and hierarchical structure and holds on to a remnant of their top-down styles. Values are those of the leader who inspires others to follow them as a means to an organizational purpose. This varies from Burns and Hickman. For them values relate to moral development of others, including their development as leaders, and spring from the mutual human needs and wants of everyone in the leadership process. If values relate primarily or exclusively to

corporate values and to increased profit or productivity, however ethical, then Burns and Hickman depart company with Bass.

For them, leadership is moral activity in which the development of people, as followers, is the primary purpose. In Bass's transformational leadership, people, as followers, are always a means and their moral enhancement may or may not be a goal of transformation, depending on the purposes of the leader. People remain in roles and followers are consumers or producers for a leader to influence. For Burns and Hickman, people as followers have a connection to leaders greater than an authoritative relationship. Both leaders and followers share a bond of common human aspirations and needs — Maslow's hierarchy of needs for Burns — or by a communitarian bond as members of the same company, classroom, or other social unit for Hickman. Leadership-to-transform, for Burns and Hickman much more than Bass, entails values that apply to both people with and without authority and expresses a reflexive bond among everyone in the leadership process.

In addition to these differences about the origin of values, our three models diverge, on the relationship of modal and end values. Bass and Hickman differ from Burns. They relate modal and end values within their model of leadership. Hickman implies their close integration. Bass specifies a transition from modal to end values as a leader moves to higher levels of his model of transformational leadership. Burns treats the two realms mainly as dichotomous. These modal values, the root of satisfactory transactions among people, will become more and more important in our discussion.

Within these three forms of leadership-that-transforms, as we have already implied, we find differences in the relationship of leaders and followers. All three provide a leader-centric spectrum with Bass being most and Hickman least. In Bass's model, leadership is clearly hierarchical; leaders adopt a style and followers are there to be considered, inspired, and in other ways influenced. For Burns, the leader-follower relationship is mutual, although a remnant of hierarchy remains; followers have a role in whether or not they are inspired or influenced. Hickman is even clearer on a mutual, reflexive, and interdependent relationship of influence. Burns offers the least instrumental and most reciprocal view of leadership. Indeed, Burns suggests that followers make moral agents out of leaders. Bass and Hickman place leadership within formal organizations and their goals that tether both leaders and followers, who never quite gain a totally reciprocal relationship because of the hierarchy required to pursue organizational values.

Innovative Narratives of Adaptive Work

Are we any closer to understanding what is the right thing to do and what is the right way to do it? Yes and no. We know that we cannot simply use the term transforming and assume that this right kind of leadership will know the right thing to do and the right and effective way to do it; the ideal of Plato's philosopher king and Confucius's 'genuine man.' It is insufficient merely to invoke 'transforming' and then to ignore the variations in goals that the leadership-to-transform might take. If we wanted to form leaders who transformed conditions ethically, we would have to decide what they would transform and how they should go about it; a not so thinly disguised variant of the problem we began with: what is the right thing to do and what is the right way to do it?

Yet, we are closer to an answer because we may now recognize that we need to place leadership-that-transforms into some broader context to account for its variants. We may make progress in answering our fundamental question, especially in terms of development, if we zoom out a bit and consider the nature of leadership-that-transforms as part of a broader facet of all leadership practice and theory with important implications for social and economic development. The works of Howard Gardner (1995) and Ronald A. Heifetz (1994), when synthesized suggest a model of innovative leadership of adaptive work that may incorporate other models of leadership, such as leadership-that-transforms, and lend greater insight into them.

Gardner, a psychologist at Harvard University who developed the theory of multiple intelligences, provides us the 'innovative' term of our leadership formulation. The keys to Gardner's views are narrative and domains. Domains range from small and highly specialized groups — such as developmental economists, staffs of development banks, and leadership scholars — to large and very diffuse groups — such as the poor residents of a region or the constituents of development bank shareholders. In between these domains comes a domain with organizations and groups of people with shared values and experiences — grantees of development loans, shareholders of development banks, and students of leadership.

Gardner concerns himself with leaders who cross the borders of domains, from one set of groups to another, and attempt to lead more general and diffuse publics in change efforts for new human possibilities. He concerns himself less with outstanding leaders and creative people in a single domain. Thus, for Gardner, James Scott, although a brilliant analyst of economic development, offers less direct leadership than Jeffrey Sachs, who not only studies economic development but directly attempts to influence others — lenders and members of government — to adopt policies consistent with his analysis. It is this movement across domains, the effort to influence broad audiences about a course of action that Gardner examines. Amartya Sen falls in-between Scott, whose indirect leadership attempts to influence the thoughts and a slightly broader domain than his academic one, and Sachs, who attempts direct leadership in his efforts within developed and developing nations and international organizations such as the United Nations to shape policy. Sen's ideas have spilled over from the academic realm to shape the discourse of policy makers, if not their policy.

Gardner asserts that as leaders cross domains from the highly specialized to the general and diffuse, they must appeal to the most basic and fundamental concepts common to the group. Sachs could not lead Columbia University, his academic station, based on his expert knowledge about world poverty. He would have to appeal to some common knowledge that he shared with members of a board of trusts, administrators, faculty, students, staff, and alumni.

In the broadest efforts of social change with the largest group of people in a diffuse public — the Green Revolution for example, Gardner suggests that leaders must appeal to the 'unschooled mind' of people. This mind has well-established theories about the world, social relationship, and values developed by the age of five years and before school. Adults, Gardner contends, continue to theorize about the world with simple truths they developed as

children (Gardner and Laskin 1995: ix-x). Leaders working with a broad and diverse array of people and in efforts to change some fundamental aspect of human relations and conduct have to accept this mind or try to change it. Storytelling provides the primary method to reach the unschooled minds and fundamental, child-like beliefs of followers. Moving from specialized domains, such as development experts, to diffuse domains, such as rural residents in a developing nation, requires revising stories of development and change to the less specialized knowledge of the increasingly large and diffuse domains with less and less homogeneity of specialized knowledge.

Gardner also distinguishes leaders by the stories they relate, which involves embodying stories more than merely telling them (Gardner and Laskin 1995:9). An ordinary leader, for Gardner, 'relates the traditional story of his or her group as effectively as possible.' Their stories repeat the taken for granted assumption of the unschooled mind and unbroken connection of the child-adult theoretical realm — it's a dog eat dog world out there; it's better to give than to receive; etc. Ordinary leaders reinforce the familiar. They do not provide an inkling of how a group will or must change. Innovative and visionary leaders, however, do suggest change. Innovative leadership brings new attention or a 'fresh twist' to a familiar but ignored story, reasserts traditional and familiar values, and institutes change on behalf of those values.

In our discussion of leadership-that-transforms, Burns provided a genuinely innovative narrative of leadership that involved relationships, influence, and motivation of both leaders and followers. Bass took this innovative narrative and combined it with elements of the ordinary narrative of management, 'How do you get things done, effectively?' Hickman combines Burns's narrative of transforming leadership with more visionary elements. She tells stories that are familiar to only a few and relates them effectively so that people reassemble parts of the schooled and unschooled minds. Innovative and visionary leaders permit people to do new theory building about fundamental values and beliefs; which is why we are talking about leadership-that-transforms rather than other more familiar leadership models of command and control.

The formidable challenge confronting innovative leaders, according to Gardner, 'is to offer a story, and an embodiment, that builds on the most credible of past syntheses, revisits them in the light of present concerns, leaves open a place for future events, and allows individual contributions by the persons in the group' (Gardner and Laskin 1995:56). The stories of these innovative leaders, like the stories of visionary leaders, tell of 'potential life experiences' of groups marginalized by the current distribution of social, economic, and political resources (Gardner and Laskin 1995:223). The innovative narratives of expansive social bonds expressing democratic goals and practices are the narratives of the leadership and transformation with which we are concerned in this paper. Other far less moral forms of innovation that appeal to the fears and prejudices of the unschooled mind are possible, of course. We have too many instances of inequity, injustice, and even genocide to turn away from this possibility; ironically, we thus revert to an early interpretation of transformational leadership that posits moral good or evil as transformational outcomes. Regardless of its morality, the common elements of innovative leadership are the stories and values that may be taken from one domain and told in simpler fashion in increasingly broader domains in less and less specialized language. Other distinctions among innovative narratives of transformed social bonds express democratic goals and practices.

If Gardner offers insight into the 'what?' of leadership-that-transforms, Ronald A. Heifetz gives us insight into the 'why?' and 'how?' of that leadership. Heifetz defines leadership as the activity of adaptive work of a group which attempts to reduce the gap between its values and its practice (Heifetz 1994:19-27). Implicitly, the gap of values and practice is a problem; the 'why?' of the narrative. The transforming task of leadership is to raise practice to the level of values, such as expansive social bonds.

Heifetz offers three scenarios of this task using the relationship of physician and patient to explain the difference of adaptive and technical work. The symptoms and signs of illness that a patient presents may provide the physician a clear definition of the problem for which an appropriate treatment may be described. The physician may take care of problem with little effort on the part of the patient beyond applying an ointment or taking the appropriate medicine. This is technical work largely dependent on the expertise of the physician to diagnose the condition and prescribe a remedy.

In other cases, symptoms and signs of illness may provide the physician a clear definition of the problem but the appropriate treatment entails more effort from the patient. Diabetes and heart conditions require behavioural changes of life style — diet, exercise, smoking and drinking, etc. — as well as medication. Part of the solution is mechanical and technical but part of the solution is also the adaptive work of the patient to narrow the gap between the value of increased health and the practices that can improve or imperil health.

In some cases, such as advanced breast cancer, the symptoms and signs of illness signal a problem for which there are no mechanical and technical answers. The illness signals death, which is the real problem, not illness. Dealing with the illness may actually impede the patient's adaptive work 'of facing and making adjustments to harsh realities that go beyond the health condition and the include several possible problems' (Heifetz 1994:76) making the most out of life, providing for children, completing professional tasks, and preparing loved ones. Both patients and physicians have adaptive work in this case including letting go of the illusion that there is a technical fix.

Clear problems and solutions call for technical answers of experts. Unclear problems and solutions call for leadership and a willingness to act, in concert with others, in the face of doubt and the limits of our technical expertise. Part of leadership, for Heifetz, requires the ability to tell whether adaptive work or technical answers are needed. This is an early and difficult task not only for people with expertise or authority but for those without them as well. 'Even the toughest individual tends to avoid the realities that require adaptive work, searching instead for an authority, a physician, to provide the way out. And doctors, wanting to deeply fulfil the yearn for remedy, too often respond willingly to the pressures we place on them to focus narrowly on technical answers' (Heifetz 1994:76).

It is not difficult to switch the patient-physician relationship that Heifetz uses to the child-adult relationship that Gardner uses. In both cases, avoiding the requirement of adaptive work entails the five-year old mind seeking refuge in a leader or expert with a technical fix who gives assurances that the world is black and white, that all questions have answers, and all

problems have satisfactory solutions that may be imposed, in a fatherly — sometimes loving, sometimes firm — manner, by those in authority.

Heifetz thus provides us three scenarios of leadership, or in our terms here, narratives. One scenario assumes the efficacy of technical solutions and two put forward the limits and inadequacy of technical solutions and suggest that a problem exceeds technical solutions. Heifetz leaves one cell of his distribution empty but in fact it is a very common experience of leadership, albeit poor leadership. It is confusing the nature of the problem to keep it within the realm of technical solutions; intrusive medical treatment for a person near death from a terminal illness, for example. Table 1 relates Heifetz's three scenarios and adds a fourth in which our solutions dictate the nature of the problem.

Table 1

Heifetz's Leadership Scenarios Plus One

Problem / **Solution**	
Clear	**Requires Learning**
Clear Type I Technical Work	*Type IV Goal Displacement*
Requires Learning Type II Adaptive Work	Type III Adaptive Work

Adapted from Heifetz, *Leadership Without Easy Answers,* p. 76

Have we tumbled down a rabbit's hole into a land of academic minutiae? Or are we any closer to understanding what is the right thing to do and what is the right and effective way to do it? We have made considerable progress!

Clearly, we know that there are many contenders for the descriptor, 'leadership-that-transforms.' We have covered three of them; there are many, many more (Avolio 2004). Given the work of Gardner and Heifetz, we may now understand the variants of leadership-that-transforms as different innovative narratives of the adaptive work of change. They are innovative because they seem to eschew the ordinary leadership narratives of traits and styles of the 'great person' style of leadership, of the conflation of authority and leadership, and of a one-way direction of influence. They are innovative also because they propose that the problem of leadership is more than getting something done and that the process of leadership entails more than telling people how to do it. We may now recognize that some formulations of leadership-that-transforms offer us close to technical solutions, Bass, but others, Burns and Hickman, provide us with narratives about the adaptive work of leading and transforming.

Our real interest in this is less to examine literally academic differences but to relate the fundamental issues of leadership and transformation to development. Can we apply this knowledge usefully to models of development? Yes! Just as leadership models compete with each other within narratives of adaptive work, so too do models and approaches to development. Likewise, these developmental models will range from close to technical to

Type III narratives of unclear problems and solutions that require learning. We move now to examine competing innovative narratives of the adaptive work of development and lessons about leadership for transformation.

Competing Narratives of Development

The versions of the 'right' kind of development, the 'right' way to do it, and effectiveness have as many answers as respondents; just as our original questions do. Here we take only three narratives of development because they are all innovative narratives but offer different answers to our question. Their answers permit us to think further about the innovative leadership of adaptive work in development; development-that-transforms.

Jeffrey Sachs (2205), James Scott (1998), and Amartya Sen (1999) have all recently criticized the recent past of large scale development and the narratives behind them. They offer critiques of the ordinary narrative of development and bring attention to the problems attendant upon the ordinary practice of development as reasons to undertake innovative leadership of adaptive work.

- There is too little to show for past development efforts and that major problems of development remain or get worse.
- The failure of development efforts are primarily but wrongly attributed to the political deficits of the developing nations — poor governance, excessive government spending, state restrictions on markets, and state ownership of too many of the means of production (Sachs 2005:81).
- Some 'hard-knocks' development policies — belt tightening, liberalization, and privatization have missed their mark by setting market priorities — private ownership of the means of production and less regulation — that notoriously undersupply public goods.
- Some tyrannical national development policies have caused large scale human suffering. and
- Rising tides do not raise all boats nor do trickle down policies reach down to the level where they are needed. In general, the three authors dismiss policies that would feed sparrows by giving more hay to horses. The sparrows need their own attention separate and apart from the horses.

Jeffrey Sachs places most responsibility for the poor state of development on the nations with the resources rather than the nations with needs. He argues that the scale of past development funds have been woefully small and with increased levels of giving, the severe poverty of one-sixth of the world's population could be eliminated. The narrative of the adaptive work of development seems pretty clear as problems and solutions. He comes very close to making development a Type I scenario in Heifetz's terms. Sachs even speaks of making development into technical work akin to clinical economics (Sachs 2005:75-81) with the knowledge and skills to save lives and cure national illnesses. It is not that the problem is unclear but that the ordinary diagnosis of the problem of development is wrong and his innovative diagnosis and its corresponding answer are correct and clear. The problem is poverty and the solution is

investment in human resources to treat and prevent AIDS, TB, malaria, and other debilitating conditions of the poor. His overall framework is the Millennium Development Goals of the United Nations and their full-funding.

Despite his human resources first approach, Sachs remains very much a neo-liberal in his development goals. He cites Adam Smith favourably on the division of labour and the social benefits of the market and about relegating the task of distribution to the same tired invisible hand that has proved inadequate even in the most developed nations. Development funds are best spent by getting a nation's people sufficiently healthy and educated to reach the first rung of the economic ladder, 'After that,' Sachs explains in terms reminiscent of W. W. Rostow's take-off point, 'the tremendous dynamism of self-sustaining economic growth can take hold' (Sachs 2005:73).

Adam Smith offers a much more complex narrative that involves the 'strong arm of the law' in maintaining social inequality developed by market mechanisms as well as the invisible hand. Smith is very clear that markets, by themselves, are necessary conditions for the creation for wealth but not sufficient for its equitable distribution. He was aware of uneven development in his own time among regions within the United Kingdom. Citing the poverty of the Scottish Highlands, Smith noted that those 'who by the products of their labor feed, clothe, and lodge the whole body of people' did not have 'such a share of the product of their own labour as to be themselves tolerably well fed, clothed, and lodged' (Smith 1937 [1776]:79). 'Civilized society' marked the progress of a market economy but that progress was characterized by the destruction of a great part of the children of 'inferior ranks of people' (Smith 1937 [1776]:79).

To mitigate, in our terms 'transform,' these market failures, requires action by civil authority; which in Smith's view was unlikely. 'Civil government, in which the political authority is linked with wealth and inequality, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of all those who have some property against those who have none at all' (Smith 1937 [1776]:674). Smith's 'invisible hand' is grafted to the 'powerful arm of the civil magistrate' (Smith 1937 [1776]:671) to protect the rich from the needs of the poor.

Just as Smith does, James Scott puts civil authority, or the state, front and centre in any consideration of development. Scott explains why development schemes to improve the human condition have failed. Not all development schemes but large scale 'fiascos' such as China's 'Great Leap Forward' or forced villagization in Tanzania, Mozambique, and Ethiopia. At this scale, Scott finds four factors contributing to tragic human disasters in the name of development: the administrative ordering of nature and society; high modernist ideology; authoritarian government to coerce people into the high modernist designs; and a prostrate civil society incapable of resisting the plans (Scott 1998:5). Scott does not oppose bureaucratic planning or high-modernist ideology only their hegemonic imposition that proceeds without incorporating local knowledge and know how (Scott 1998:7). Scott applies this criticism to large-scale capitalism which has become perhaps the 'most powerful force for homogenization' and, ironically, the state as the 'defender of local difference and variety' (Scott 1998:8).

The adaptive work of development in Scott's view provides the means of sustainable economic practices to people. The problem of development can never be clear because of 'the limits, in principle, of what we are likely to know about complex, functioning order' (Scott 1998:7). The solutions to development lack clarity as well except for Scott's insistence that 'formal schemes of order are untenable without the practical knowledge that they tend to dismiss' (Scott 1998:7). For Scott, the adaptive work of development includes incorporating the practical knowledge of local residents who are being 'developed.' How to do this appropriately remains unclear. Scott is clear, however, that people with local knowledge have the capacity to undermine the plans of the powerful with 'weapons of the weak' (1987) and 'the arts of resistance' (1992) when they are acted upon rather than with.

By Scott's logic, development plans should incorporate local knowledge in their own defence, but there are strong forces resisting that inclusion. The high-modernist ideology moves developers to proclaim clarity of problems and answers where there is none. Scott refers to this as *techne*, a Greek word for the knowledge that comes from 'hard-and-fast rules, principles, and propositions' based on maxims that are self-evident because their premises rest on 'hard-and-fast rules, principles, and propositions' (Scott 1998:319). With this knowledge of *techne* all leadership tasks tend to become Type I scenarios: Heifetz's technical work, with clear definition of problems and clear solutions.

Scott offers more insight into Heifetz's typology when applied to development. Given the tautological nature of *techne*, there are times that it must be defended from unclear problems! *Episteme* reformulates systems of knowledge to 'bracket uncertainty and thereby permit the kind of logical deductive rigor' of *techne* (Scott 1998:321). *Episteme* invites *Type VI* problems in which an inapplicable ordinary narrative of an unclear problem provides a false clarity to permit the use of available or preferred tools; the old adage applies: if your only, or preferred, tool is a hammer, everything looks like a nail. Our developmental tools may hinder our perception by wishfully thinking that they are appropriate although they are not.

Such wishful thinking stems from and contributes to irreverence for the complexity and interdependency of life, in Scott's view. It substitutes the simplicity of technical answers for the complexity of the problem, a *Type IV* scenario. The explanation of problems because of preferred solutions undoubtedly upsets any effort to reach clarity of more appropriate solutions or understanding of problems. In the terms that we have introduced, *episteme* prevents development from the adaptive work of addressing the gap between the practices and goals of development. That gulf, and thus adaptive work, requires respect for *metis*, the Greek word for practical knowledge. The ordinary narrative of development disrespects the practical knowledge of those to be developed that can reach disdain and destruction. Here Scott cites Jane Jacobs about the human capital of the workforce lost with high-modernist designs (Scott 1998:349) but he might have cited Adam Smith and undermined another part of the ordinary neo-liberal narrative of development.

Smith was clear about the human consequence of market 'efficiencies' in production, such as the division of labor in his own time and perhaps by analogy Scott's factors of administrative ordering of nature and society and high modernist ideology. Smith understood the social and economic origins of the 'inferiority' of groups of people in the transformations of

development in a manner akin to the disdain and destruction of culture and the lived world of most of the world's poor.

The man whose whole life is spent in performing a few simple operations, of which the effects, too, are perhaps always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention, in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become….His dexterity at his own particular trade seems, in this manner, to be acquired at the expense of his intellectual, social, and martial virtues.

> In a civilized state [industrialized economy]….all the nobler parts of the human character may be, in a great measure, obliterated and extinguished in the great body of the people.
>
> (Smith 1937 [1776]:943)

Amartya Sen, like Scott, unites the political, social, and economic elements of development by his assertion that freedom is the means and the end of development. Whatever clarity his view sheds on development, it is unlikely to make it into a Type I technical problem or a *Type IV* wishful thinking problem: there are simply too many questions about what freedom is and how to pursue it effectively. Clearly, however, one cannot freely pursue freedom without the use of and respect for the practical knowledge of those to be developed. Similarly, and for the first time, we find a clear union of means and ends; a means that is our end in the making, as Gandhi prescribed. Freedom is the end and means of development.

Sen does distinguish between instrumental freedoms — political, economic facilities, social opportunities, transparency guarantees, and protective security — and constitutive freedom — the purpose of development. This freedom is an intrinsic value. Most likely, it will bring people to the economic ladder, as Sachs's investments would. Sen and Sachs both agree that one does not have to get rich before being entitled to adequate social services (Sen 1999:49). In Sen's scheme, however, freedom does not serve as an instrumental means to the ordinary economic goals of development. Freedom is the means to freedom. We begin to hear echoes or see the shadows of the differences among our theorists of leadership-that-transforms — people's development as a means or an end, the values of the leader or of the development cohort.

As is common with innovative narratives, Sen spends a great deal of time bringing to light the overlooked views of Adam Smith in the ordinary narratives of development. He takes time to invoke the Adam Smith who criticizes markets and advocates public goods (Sen 1999:126-31). Sen disputes portrayals of Smith as 'the single-minded prophet of self-interest,' invokes Smith's promotion of 'humanity, generosity, and public spirit' in dealing with the market problems of distribution and equity, and champions a many-sided approach — which Sen finds in the 'comprehensive development framework' of James Wolfensohn, former president of the World Bank (Sen 1998:271-71; 126).

The Elements of the Leadership and Development-That-Transforms

In their critique of current practice and outline of innovative practice, our three development authors suggest some common elements of development-that-transform. Their narratives caution about large scale development efforts and about premises of development agencies that make development into a Type I leadership case in which the problem and the remedy are clear and require little learning other than matters related to implementation. Reliance on unmitigated market mechanisms, on the other hand, suggest a *Type IV* scenario in which certainty about remedies, or at least over-reliance on one or another of them, prevents modesty in the face of complex problems and a willingness to learn about their nature and remedies.

These narratives call, implicitly and explicitly, for dramatic shifts in development practices from large scale infrastructure and technological projects toward local, sustainable, and interdependent development based on the relationships of humans to the earth and to each other. The process of achieving these goals entails respect for humans, culture, and their value, assets, communities and dignity.

Like all narratives, this innovative narrative of development requires embodiment of the goals and a realization that the innovator does or does not manifest them. For Scott 'all socially engineered systems of formal order,' such as large scale infrastructure and technological development schemes, take place within a larger system of 'antecedent patterns and norms of social trust, community, and cooperation' (Scott 1998:351), typical of local, sustainable and interdependent development. Sen also places development within an antecedent system or more precisely understands Smith as putting the agent of humanity and justice, in our terms the agent of leadership and development-that-transforms, 'right in the middle of a society to which he belongs' (Sen 1999:271).

These narratives of development-that-transforms parallel the narratives of the leadership-that-transforms. In particular, both sets of narratives require transformed processes, not new goals or administrative measures. They call for the participation and representation of 'followers' 'those to be developed' in decision making as well as implementation; they do as well as are done unto. Again, the narratives have a backdrop of a variety of expressions about empowerment that most often involve a range of forms of participation and representation (Couto 1998).

Like so many other concepts and factors of leadership and development, however, empowerment derives different meanings in different contexts. Empowerment may vary from instrumental, provided by those in position and authority for their purposes or that of their organization, and constitutive, acquired by those without position or authority, by their own effort, for their own purpose, and expressive of their enhanced capability.

A. Alexander Chauncey (1967) suggested three types of representation — technical, modal, and socio-political. The first two are indirect forms of representation: technical, an expert with knowledge about a group, and modal, individuals who share demographic or other characteristics of a group.

The social movements of the 1960s provided a better understanding of participatory forms and their relationship to forms of representation. Sherry R. Arnstein (1969) assembled a ladder of participation that extends from citizen control down to manipulation. In-between were degrees of effective and ineffective participation. The three degrees of effective participation — control, partnership, and delegation — coincide with direct forms of socio-political representation. The latter may include modal and technical representatives, if they are selected by the group they represent and have accountability to them. The false promise of partnership that ends up on the lower rungs of the participatory ladder — placation, consulting, and informing — and involve indirect representation or even cooptation of modal or technical representatives of a group results in what Joanne Ciulla calls 'bogus empowerment' (1996). This mismatch of participatory and representation forms fall on the lowest participatory rungs — therapy and manipulation.

The ladder image of various levels of participation, when combined with forms of direct and indirect representation differentiates degrees of influence and power or measures of genuine empowerment. As represented in Figure 1, the three top rungs of participation entail degrees of power and the next three entail degrees of recognition that imply some power. The last two rungs, therapy and manipulation, are forms of control by those in authority and of nonparticipation by those served by programs. As depicted in Figure 1, forms of representation vary with forms of participation. The highest forms of participation require some degree of direct representation in which people act on their own behalf or as delegates for others; socio-political representatives.

The most complete form of empowerment involves a group taking control of some aspects of decision making, implementation, planning, or production or entering partnership with those previously in complete authority. This form of participation would also involve direct representation of the group through people they elect and may hold accountable to their purposes. We may call this psycho-political empowerment because all empowerment has the psychological intent to increase the sense of agency of a group but empowerment with direct representation and full participation entails a political change in the control of authority and resources; genuine transformation.

The lower forms of empowerment entail indirect modal or technical representatives of a group, selected or appointed by those with authority, with no accountability to the group they represent. There is a psychological intent to these forms of representation and participation to give group members symbols of concern and shared authority.

Figure 1

Comparison of Models of Participation, Representation, and Forms of Empowerment

Ladder of Participation	Forms of Representation	Forms of Empowerment
Full Participation Control Delegated Power Partnership	*Direct* Sociopolitical Delegated (Elected modal and technical representatives)	*Psycho-Political* Changed relations among actors and new allocation of resources. Individual and group changes. New forms of decision making. Additional information and new knowledge.
Partial Participation Placation Consultation Informing	*Indirect* Modal Technical (Selected modal and technical representatives)	*Psycho-Symbolic* Changes in individual and group attitudes within an unchanged system of decision making and resource allocation, e.g. coping, stress management.
Non-participation Therapy Manipulation	*Indirect-Coopted* Modal Technical (Appointed modal and technical representatives)	

In hierarchical and authoritative contexts, in which leadership and management share blurred boundaries, empowerment is most likely to be psycho-symbolic and always instrumental. In these settings, empowerment most often comes down to hierarchical authorities delegating some authority and decision making and thus expanding the boundaries of discretion and autonomy of followers (Offerman 2004). The organizational practice of using teams, especially self-managed teams, presents another form of empowerment that is clearly but not exclusively instrumental (Yukl 1998: 351). It is a means to further the goals of an organization and to achieve them more effectively. The increased sense of agency and satisfaction among followers is a positive externality but not sufficient to continue this or other forms of empowerment if they proved ineffective in promoting organizational goals.

We find the fullest and least instrumental forms of empowerment in the context of social movements. Indeed, hierarchical relationships and authority become problematic in this context; empowerment may mean breaking dependence and trust in leaders (Zola 1987; Rappaport 1985). This independence accompanies an increased sense of self-efficacy and

incompatible goals with authority. The development of a more positive self-concept has two companions: the development of more critical or analytical understanding of a political or social environment and the development of collective resources for social and political action (Kieffer 1984). These assessments of empowerment within social movements for profound change combine psychological and political factors, as Figure 1 depicted, with participatory forms of control and partnership and direct socio-political forms of representation.

The empowerment of social movements expand the boundaries for action immensely and people who had been 'followers' may begin to see themselves as agents of history, self-empowered to take collective action for the benefit of ordinarily unthinkable social change. This dramatic sense of the chance to change politics and history exceeds the psychological benefit of this form of empowerment, however great, precisely because this empowerment is not instrumental to existing institutions, organizations, or their goals.

Our narratives of development-that-transforms has elements of representation and participation and hence empowerment. Sachs suggests the benefits of an indirect representation of a project's beneficiaries for the purpose of consulting and informing (Sachs 2005:226-43). Scott raises the ante with calls for direct representation and partnerships among developers and those to be developed. By insisting on the process and on the derivative and intrinsic importance of freedom, Sen would seem to make the highest forms for the opportunity of direct representation and participation a central part of the development-that-transforms. It is difficult to understand freedom without the opportunity to have representation and participation in the processes of development.

Both Scott and Sen introduce practices that transform based on relationships of all the people in the process of leadership or development. Leaders and led, developers and those to be developed are in a mutual and reflexive relationship of some degree. A hierarchy of authority and expertise may continue but rounded out and complemented with recognition of new forms of local authority and practical expertise. Experts are also learners and those to be led or developed bring assets and resources to the tasks that may inform experts as learners. This reflexive relationship and transformation as process and as outcome are more likely to occur the more the leadership or development tasks are seen as Type II and Type III situations in which the implementation of remedies, if not the nature of problems, require learning.

Thus, just as our leadership scholars presented us a range of this reflexivity from Bass to Hickman, so too our development scholars offer a range from Sachs who seems to propose a new Type I situation for development to Scott who champions the need for experts to learn from local knowledge. Not surprisingly, Sachs and Scott seem to agree as well as differ. Sachs explains the role of local farmers in 'choosing the right timing for planting and the right combination of [nitrogen fixing] trees and crops' to gain a substitute for chemical nitrogen fertilizer (Sachs 2005:229). He points out that the plan was introduced by a development agency but acknowledges, and this is Scott's major point, that its success or failure depends on local farmers' decisions. They differ substantially in that Scott assumes that the successful implementation of a development practice requires some use of local knowledge before its introduction and not merely after.

Not to be overlooked is the similarity of both sets of narratives in turning some of the ordinary narrative on its head. Leadership-that-transforms moved beyond the stories of

leadership as position and authority. The narratives of development-that-transforms use their innovative narrative of Adam Smith to portray him as a moral philosopher and not an apostle of market gospel. Thus they strip away the confidence in and legitimacy of Type I market remedies and the smugness of *Type IV* goal displacement.

Innovative Narratives of Development-That-Transforms in Practice

Like all innovative narratives, those of development-that-transforms already embody practice, however modestly. All three of the development-that-transforms narratives avoid blanket criticism of projects of the World Bank; presumably because they approve of some. Although unmentioned, we can single out a World Bank initiative and focus of interest that embody the narratives of development-that-transforms, especially the processes extolled by Scott and Sen: *Voices of the Poor* and social capital.

Voices of the Poor. In 1999, the World Bank undertook a 'Consultation with the Poor' to inform the 2000/01 *World Development Report*. Some 20,000 people in 23 countries were included in an open-ended survey about their priorities and their practical knowledge of poverty, institutional presence and performance, status of women. These interviews and other such efforts, totalling 60,000 people in 40 countries, are reported in *Voices of the Poor* (World Bank www). The language of the purpose of this consultation echoes Scott's assessment of the expertise of local people and their practical knowledge.

The purpose of the *Consultations With the Poor* study is to enable a wide range of poor people in diverse countries and conditions to share their views in such a way that they can inform and contribute to the concepts and content of the *WDR 2000/01*. The poor are true poverty experts. Hence a policy document on poverty strategies for the 21st century must be based on the experiences, priorities, reflections, and recommendations of poor people, men and women (World Bank 1999:2).

The answers to the survey represent genuine embodied narratives about poverty and echo several aspects of the narratives of the development-that-transforms. A 'good' life has simple ingredients. As one participant in Ecuador had this to say when asked, 'How would you like to live?' 'Simply, I don't like houses with too much inside. To have a bit more comfort. Nothing big. But at least for each child to have a bed, a pair of shoes, a pair of trainers, a canopy [*toldo*]over their heads, two sheets – not to sleep like we do on the ground' (Narayan et al. 1999:10).

From these narratives, analysts distilled five themes with implications for policy. They judged that the condition of the poor would be transformed if changed toward a different direction:

- From Corruption to Honesty and Justice
- From Violence to Peace and Equity
- From Powerlessness to Grassroots Democracy
- From Weakness to Capacity for Action

- From Bare Subsistence to Assets and Security (Narayan et al. 1999:2).

If these are the right things to do, they also describe the right way to do them. That is, we move from corruption to honesty and justice by the practice of honesty and justice; from powerlessness to grassroots democracy — representation and participation; etc.

How to make these transitions effectively surely has no easy answers; they are the difficult adaptive work of leadership-that-transforms. Just as clearly, listening to a group is a modest form of empowerment, based most likely on modal representation and consultative participation, and by itself transforms little. Nonetheless, listening and reporting the voices of the poor provides a start to the adaptive work of leadership and development-that-transforms. Their voices make clear that technical solutions are ineffective without deliberate intentionality to transform the handicaps of the poor — inadequate sanitation, isolation, a lack of education, and weakness of condition due to illness — to capabilities such as the capacity for action. Without technical solutions, adaptive work may then search, in collaboration with those affected by change, to transform their conditions with effective means that express their ends.

Social Capital The World Bank's attention to social capital initiative also embodies the narrative of development-that-transforms. Not surprisingly, as with other terms and concepts, scholars weave social capital in and out of their fabric of economic analysis in many different patterns. It may be a dependent variable related to the number and membership of civic associations (Putnam 1993, 1995), to unemployment and labour force participation (Couto 1999:25-36), to class structure (Bourdieu 1986) or to inequality (Loury 1987). Social capital may also be an independent variable related to civil society (Skocpol and Fiornia 1999) and to measures of economic wellbeing (Putnam 1993; 2000). It may resemble other forms of capital (Putnam 1993; Woolcock 2001), contribute to profitability (Coleman 1988), and provide a prerequisite for economic development (Putnam 1993; Woolcock 1998). It may also be distinct from other forms of monetary exchanges (Cohen 1999; Hirschman 1984). In more critical terms, social capital's resemblance to other forms of capital may be primarily in its reproduction of class differences (Bourdieu 1986). It may also bridge or bond each function with its own bright and dark sides (Fiornia 1999). After surveying the range of considerations about social capital and their range of units of analysis — from the individual to the nation — Michael Woolcock observes that they appear to render social capital 'susceptible to the criticism that it has become all things to all people (and hence nothing to anyone) (Woolcock 2001:3, 5).

Michael Woolcock, senior social scientist with the World Bank's Development Research Group, attempts to render the concept of social capital specific to development. He defines it — 'Social capital refers to the norms and networks that facilitate collective action' (Woolcock 2001:3) — and argues, like Scott, that social capital is central to development efforts for the very poor. It represents 'one asset they [the poor] can potentially draw upon to help negotiate their way through an unpredictable and unforgiving world' (Woolcock 2001:7). Likewise, like Scott, Woolcock understands social capital to be a necessary but not sufficient condition for economic development depending upon the institutional environment and its utilization of social capital (Woolcock 2001:6).

Woolcock explains that social capital approaches also differ from other narratives of development. It is an asset rather than a deficit based approach and sometimes includes culture among the assets for development (Woolcock 2001:8). It extends discussions of development beyond the financial, physical, and human forms of capital (Woolcock 2001:3). It echoes the five trends from conditions to priorities of the poor found in the analysis and synthesis of *Voices of the Poor*. Social capital has a central role in transitioning from unsatisfactory conditions to preferred ones but may be stifled by corruption, violence, powerlessness, weakness, and base subsistence (Woolcock 2001:8). Finally, it emphasizes social relationships in development; much like the work of Burns on leadership (Woolcock and Narayan 2000). Thus we find in Woolcock's work within the World Bank elements of an innovative narrative of development-that-transforms.

In several ways, Woolcock's treatment incorporates elements of the ordinary narrative of development which he clearly outlines and distinguishes from innovative narratives of social capital and relationships (Woolcock and Narayan 2000). His synthesis flirts with those analyses of social capital, including Robert Putnam's (Woolcock 1998:154), based on deficit assumptions about the poor. It incorporates other elements of the ordinary narrative of development by extending the other forms of capital into the social realm. He continues, albeit modestly, an instrumental and reductionist view of social capital. Sen rejected the term human capital because of its implied economic reductionism. He distinguishes, human capital — based on the agency of humans to augment production possibilities, from human capability, based on that agency — substantive freedom — to lead lives they value and enhance the choices they have to do so (Sen 1999:293). In a similar tone, Scott suggests as litmus tests for any planned, built, or legislated form of social life, 'to what degree does it promise to enhance the skills, knowledge, and responsibility of those who are a part of it?' and how deeply are those plans 'marked by the values and experiences of those who compose it' (Scott 1998:355)? Despite these links to ordinary narratives, Woolcock's work clearly places social relationships as the prime factor of doing the right form of economic development in the right way.

Moral Resources and Values as Ends and Means

This question of social capital as ends or means marks the border of ordinary and innovative narratives of development-that-transforms. Social capital may be incorporated into ordinary narratives of Type I technical solutions to development, fostered by experts, or allocated to innovative narratives of Type II and Type III adaptive work scenarios in which experts learn. Examining that border and the distinction of social capital in development approaches may bring us at least to the heart of the leadership and development-that-transforms: moral resources and values as means and ends.

The work of Albert O. Hirschman (1984), seminal to development theories, provides a foundation for discussions of social capital or as we shall term it, social capabilities. Moral resources describe non-instrumental action on behalf of values. They have unique properties that economists misunderstand or ignore, according to Hirschman, by the latter's focus on the ordinary economic activity of instrumental action. Instrumental action, including social and human capital investments to enhance the human agency of production possibilities, hopes to

elicit a monetary return on investments and resources greater than their costs. This focus on instrumental action, according to Hirschman, overlooks non-instrumental activities in which people strive to produce non-monetary outcomes and produce values such as truth, beauty, justice, liberty, community, friendship, love, or salvation.

Expanding the domain of economics to incorporate non-instrumental actions, Hirschman advises, permits an understanding of their rational nature and how they produce valuable outcomes; although different from the consumption and production of monetary goods. People attain non-monetary values such as justice, community, and friendship to some degree by the *process* of striving for the values they pursue and not merely their attainment. Striving on behalf of values imparts an 'intoxicating' quality, the feeling of being a 'real person' and belonging to a group. In economic terms, non-instrumental action represents 'an *investment in individual and group identity*' (Hirschman 1984: 92).

Hirschman's work extends the moral resources of social capital beyond instrumentality for market economics in the same manner in which the narratives of the leadership and the development -that-transforms moved beyond instrumentality. They differ in the degrees to which the non-experts with local knowledge and other assets are represented and participate in decision making and implementation; the degree to which development for health, nutrition, shelter, education, and other elements of the human condition are instrumental to work force participation and productivity or ends in themselves. They differ in the degree to which development-that-transforms expresses a common goal of opportunity for prosperity and security or a concern for justice in the relationship of those with the means to mitigate the suffering and meet the needs of those without resources to do these things for themselves.

Robert Putnam, who popularized the concept of social capital, understands the startling innovative nature of moral resources. 'Like love, kindness, and understanding social capital increases with use and atrophies or dwindles into depleted stock unless it is used' (Putnam 1993:169). Putnam also moves from the innovative portion of social capital's non-instrumental nature of Hirschman's moral resources to their instrumental role. He explains that their investment in individual and group identity, spills over into dense social networks — choral societies, soccer teams. bird-watching clubs, and Rotary clubs — that bolster the performance of the polity and the economy (Putnam 1993, 175-76).

The innovative narratives of social capital, development-that-transforms and the leadership-that-transforms all explain that human capital and a market-related social capital involve human relationships in economic functions, e.g. production, and may contribute economic value. They also include development human and social capability of a group of people, apart from their economic role and apart from direct, economic benefit for the leader. Thus they offer a range from instrumental to non-instrumental. This range coincides with the formal or informal organizational context and most of all with the forms of representation and participation.

Much more important than the differences among them are the differences between them and the ordinary narratives of leadership and development. They may differ among themselves in the instrumentality of their means but they all embody more than just a means and ends relationship and their end values exceed market relationships. Even the leadership or development-that-transforms that intends to improve the relations among people in an

organization as a means to promote efficiency and effectiveness cannot limit what other collective action people will undertake with their networks. When leaders work to create new and increased forms of social capital, they also move their communities up the scales of human values and of social capability whether intentionally or not.

Likewise, these innovative narratives all explain in varying degrees that the means and ends of leadership or development are mutual and reflexive and dependent upon social relationships among people and those who would lead or develop some aspect of their lives. In relation to the good life described by the voices of the poor that one cannot move from corruption to honesty and justice, violence to peace and equity, powerlessness to grassroots democracy, weakness to capacity for action, and bare subsistence to assets and security without being honest and just, peaceful and equitable, democratic and participatory, encourage the action of others, and making groups secure in their assets. End values require modal values that reflect them and the development of economic resources requires the moral ones that make them possible.

Conclusion

Rather than prescriptive of transformational leadership, our discussion intends to be descriptive of elements of innovative narratives of the adaptive work of leadership-that-transforms with implications for the development-that-transforms. It stems from the fundamental insights that three innovative narratives of leadership and development offer. In this manner of listening, leading without authority, respect for the local knowledge of those without positions or power, and improving and increasing forms of representation and participation development-that-transforms resembles leadership-that-transforms. Both reduce the ends and means distinctions such as modal and end values or freedom as the end of development rather than serving as the means to it as well. Both also eschew an exclusive focus on outcome and emphasize the development and utilization of human capabilities in the process of leadership and development.

How then do we know the most effective way to do the right thing? If the means we take to do it incorporate and manifest, in the most appropriate manner and with deliberate intention, the human and social capabilities that are our intended ends. The real transformation entailed in this leadership or development will be the increased recognition that ‘effectiveness’ entails the investment in human and social capabilities by appropriate forms of representation and participation in the design, implementation, and evaluation of change efforts; recognition of the mutual relationships entailed in any change effort; less reliance on the instrumentality of the goals of change; and more reliance on the outcomes of the processes to make the goals of change mutual.

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Africa: The Challenge of Ethical Leadership[1]

Dele

Two years ago I went to visit a prisoner in southern Rwanda to talk about his role in the genocide. He was brought to me in the prison courtyard, and in his pink uniform he looked vaguely like a comedian. It was a pleasant afternoon. Purple clouds drifted lazily overhead. The nearby hills were green and rolling, and the land was beautiful beyond any singing of it.

I asked the man, who was about to be released and sent home after nearly ten years, why he had participated, by his own admission, in killing his neighbours and friends. He said he did not think it was the right thing to do, that he initially even resisted doing so until he finally succumbed to the madness of the crowds. 'All our leaders were saying that it was our duty to stamp out the *inyenzi* — the cockroaches,' he said, a bit haltingly. 'Thinking back now, I can say that we all became mad at that time. Our leaders commanded us to do something terrible, and we did it.'

An individual must be held accountable for her own actions, and 'the devil made me do it' is by no means an acceptable excuse for participation in genocidal murder. Nonetheless, in thinking about the challenge of leadership in our age, I have often reflected on my encounter with the man in pink in the hills of Rwanda, and what his experience teaches us about the central role that leadership plays in fashioning a society — for good or ill.

We can usefully see the Rwandan genocide as the result of a catastrophic failure of moral leadership. In that country we saw a political elite systematically mobilize the population for the urgent task, not of nation building, but of mass murder. When the young thugs armed with machetes got a bit tired of their gruesome assignment, a mayor or a cabinet minister often got on air to urge greater effort. 'The graves are only half-full,' one leader announced grandly on the radio. 'Who will help us fill them?'

It was entirely coincidental that the Rwandan genocide began in April 1994, the same month that millions of South Africans queued for many miles to vote for the first time to end three centuries of racial injustice and elect Nelson Mandela as their president. Unlike the Rwandans, South Africa's leaders, under the inspired guidance of Mandela, worked tirelessly to steer their country away from what nearly everyone thought was its certain fate: a bloody conflagration along racial and ethnic lines. The tremendous moral authority of Nelson Mandela, acquired through a lifetime of service and sacrifice, came in especially handy in the aftermath, when black South Africans had to swallow hard and eschew triumphalism and the

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1 This paper was commissioned by Public Sector Governance Program (Poverty Reduction and Economic Management Unit This paper was commissioned by Public Sector Governance Program (Poverty Reduction and Economic Management Unit) of the World Bank) of the World Bank.

natural urge for vengeance, and instead take the path of reconciliation. As Archbishop Desmond Tutu said at the time, 'if we insist on an eye for an, everyone ends up blind.'

These two starkly different outcomes were both largely dependent on the quality of leadership cultivated by both societies. They help us understand the practical implications of the subject of our conversation these past few days: 'Leadership, ethics, and integrity in public life.'

An Ethical Compass

I was born in a small university town in western Nigeria not that many years ago, into a large polygamous household, a vastly complicated organism that nevertheless seemed to us rather simple and well-ordered at the time, under the mostly wise and often lucky leadership of my father. Our moral universe was an extension of the wider community around us, in which people clearly understood and subscribed to a set of rules governing behaviour. In that world raising us children was a joint venture among the community's adults. Everyone lived under an overriding moral code encapsulated in the simple injunction that you shall not bring your family name into disrepute.

My duty in the household was to fetch the morning papers for my father. The vendor, who evidently had a full-time job elsewhere, always left the newspapers in neat stacks at the street corner. Without fail, day after day and year after year, buyers picked up the papers and left the money in a pile right there by the roadside. It was an honour system, not at all uncommon throughout Africa.

This is the good news. It is the one thing that proves to us that despite the appalling ineptitude and outright immorality that permeates leadership ranks throughout our continent, we are not culturally or genetically predisposed to more often than not produce the most wretched kind of leaders.

The urgent task of improving the quality of leadership in Africa — one that is ethically grounded, self-denying and thoroughly understands the concept of the common good — is evident from the extremely high cost of our current arrangement.

In order to overcome the ruinous cynicism of many Africans about the prospect for enlightened leadership ever emerging in their countries, we must be able to think of the impact of corruption differently.

The first thing to understand is that corruption kills — not metaphorically, not even indirectly. At the end of last year a planeload of school children crashed in southern Nigeria, killing all on board. It was one of several airliner crashes in that country last year, exposing the completely shambolic state of the regulatory agency for civil aviation, the corruption that circumvents normal inspections and the enforcement of rules. So although a government official claimed the crash was an act of God, the reality in Nigeria and much of the continent is that poorly maintained aircraft that would not otherwise pass the test of airworthiness are routinely allowed in the skies by bribe-taking officials.

Corruption literally makes citizens sick, when officials routinely expropriate for personal use the resources allocated to public health.

Corruption also is the principal cause of the mass impoverishment of African people, a grinding, agonizing poverty that shrivels ambition and leaves people susceptible to the sweet whispers of false prophets, who tell us that poverty is a friend of God. Religion has become a tool of the kleptocracy, which keeps the poor in their place by encouraging their sense of powerlessness, their superstition, their belief that their reward is in heaven, and that they will be rescued not by the sweat of their striving, but by divine intervention.

The new evangelism is churning out many more believers in Africa than anywhere else, encouraging the belief that a more just and more equal society would be a product of 'Immaculate Conception', rather than of hard work. God knows I am not an enemy of religion, just the prevailing kind that, to quote a favourite philosopher, seeks to 'spread an easy optimism, under the influence of which people spare themselves labour and trouble, reflection and forethought, pains and caution — all of which are hard things, and to admit the necessity for which would be to admit that the world is not all made smooth and easy, for us to pass through it surrounded by love, music, and flowers.'

The widespread indifference to ethics by much of Africa's political elite has helped reinforce the view that government, with rare exceptions, is primarily an obstacle to ordinary citizens. By and large the elite that took over from the colonial authorities has proved to be made up largely of those described by V.S. Naipaul as 'the mimic men', who see their roles primarily as exploiters in the same way that the colonial rulers did.

While government is essential to development, in many African countries it continues to be perceived, if not as outright illegitimate, at least as something best avoided by citizens whenever possible.

To begin to change the relationship between governor and governed for the better, a new kind of leader is required in Africa. Luckily, the right examples can be found scattered throughout the continent, where leaders are actually visibly and actively engaged in the hard work of building a good society, whether in Botswana or South Africa or, lately, Ghana and a handful of others.

We all know the essential characteristics of ethical leadership: selflessness, honesty, imagination, ambition, moral rectitude, sacrifice, humility, even wisdom. We know as well that, while this is our fondest wish, there can be no guarantees that we will get any such leader.

To best illustrate this point I often quote Karl Popper, the Viennese philosopher, and I will quote him here again without shame, for he most intelligently expresses my attitude to the necessity for constraints on political leadership. Popper says 'it is not at all easy to get a government on whose goodness and wisdom one can implicitly rely. If that is granted, then we must ask whether political thought should not face from the beginning the possibility of bad government; whether we should not prepare for the worst leaders, and hope for the best.'

In other words, we must face the reality that Africa continues to be hobbled by Big Man politics, the all-wise Father-Knows-Best who should stay in power indefinitely. The examples are all around us, in Zimbabwe, Uganda, and now, it appears, an attempt is being made to do the same in Nigeria.

The idea of term limits for political office holders is not necessarily the best option in all circumstances. After all, the United States is almost unique among the industrialized countries for imposing it on its presidency. But in the case of Africa, where state and civic institutions are weak and the president typically wields virtually untrammelled power, term limits are most assuredly an essential ingredient of good governance. The first decade of Robert Mugabe's rule was many times superior to his last 16. Yoweri Museveni, unwilling to relinquish power, is already taking his country downhill. President Olusegun Obasanjo, who has presided over the best government Nigeria has ever had — admittedly coming from a rather low base—is intimating that he would like the constitution changed so that he can remain in power. Like all good African leaders, he has even invoked celestial sanction as justification for why it might be best for Nigeria for him to remain in power. 'My God is not a God of abandoned projects,' he told an interviewer recently in Washington, when asked about whether he would stay beyond the mandatory two terms. In order words, no one else is capable or worthy of leadership. *Apres moi, le deluge!*

Our experience in Africa shows this to be a rotten idea. We know from human experience also that leaders good, just and wise, are hard to find. As Popper says, 'it is reasonable to adopt, in politics, the principle of preparing for the worst, as well as we can, though we should, of course, at the same time try to obtain the best.' The question we must ask is, 'how can we so organize political institutions that bad and incompetent rulers can be prevented from doing too much damage?'

The International Community

As we struggle with these questions, international institutions and powerful governments also can choose to be our allies, not collaborators with those rapacious leaders who seek to strip Africa bare. The dirty secret of the western world is that governments and banking institutions, in Europe and America, find it convenient to let Africa's ruling kleptocracy make off with the family silver, so long as it ends up in bank accounts in London, Washington, and Switzerland. Just a couple of years ago, during an unrelated investigation of Riggs National Bank in Washington, Congressional investigators found that Exxon Mobil secretly deposited more than $700 million in the personal accounts of the president of Equitorial Guinea, Teodoro Obiang Nguema Mbasago. These deposits, which could not be adequately explained as anything other than corruption, never led to any Exxon Mobil executives being tried for contravening U.S. law.

If anything good can be said to have come out of al-Qaida's terrorist onslaught, it is that western governments, pushed by Washington, are no longer so easily turning a blind eye to money laundering. A series of Nigerian governors have been arrested in London with suitcases full of U.S. dollars, and some effort is being made now to stanch the criminal flow of cash from poor countries to western banks. But what would really help Africa is not so

much financial aid, but a serious collaboration to stop the illegal extraction of the common wealth by thieving leaders.

Good things are happening throughout Africa. Fitfully and unevenly, many African countries have entered the reform era, and this promises to have a more lasting effect because, for the first time, it is not happening through the benevolence of outsiders but is being spearheaded by a new generation of Africans. Many Nigerian political leaders, in significant though not yet dominant numbers, are already succeeding in changing their country's direction. The same cries of *reformasi* that we heard in the streets of Jakarta and Surabaya in the late 1990s resounded in the streets of Nairobi and swept away an ossified oligarchy. Ghana is turning the corner, and an elected Senegalese government successfully organized elections that it then lost, peaceably, to the opposition.

To broaden the positive changes we are seeing, and to make them more lasting, Africans must set minimum standards for leadership — as well as maximum tenures.

Speech

John Graham[1]

Well here we are, gathered to take on a problem that's tested every civilization since Babylon.

The challenge of bringing ethics and integrity into public life is global. And as the recent scandals in America demonstrate, we all live in glass houses.

What a wildly idealistic adventure we are on! Can't you almost hear the cynics across the planet laughing at our effort? A Global Integrity Alliance? Are you kidding?

Well, long odds have always excited me. As a young man the long odds I faced were almost all in some kind of physical adventure. I shipped out on a freighter when I was 17. I was a member of the team that made the first direct ascent of the north wall of Alaska's Mt. McKinley — the highest point in North America — at 21. That climb was so dangerous that it's never been repeated. I hitchhiked around the world alone at 22. I am quite lucky to be alive.

But there came a time in my life – we self-absorbed Americans like to call it the mid-thirties crisis — when I discovered that the real risks in my life tested not my body but my soul. They were the risks of looking beyond my own needs, of caring when others might not care back, of being honest, especially emotionally honest, when that was hard, and of risking failure when I so hated to fail.

But here I am — older, wiser and in one piece. It's appropriate that you invited me, since I am President of the Giraffe Heroes Project, another wildly idealistic adventure, one that believes that in every one of us there is the courage and concern for the common good that can help move this planet to a just and compassionate future.

For anyone who may not know, the Giraffe Heroes Project is an international ngo, moving people to stick their necks out for the common good and giving them the tools to succeed. Our strategy is simple: We find people already taking risks to help solve significant public problems (we call these people 'giraffes') and we tell their stories in our publications, on our website, in schools, and in the media.

Giraffes are people like Wangari Maathai, founder and leader of the Greenbelt Movement in Kenya, who was repeatedly jailed for her work to transform women's lives — and her entire

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1 This speech was commissioned by Public Sector Governance Program (Poverty Reduction and Economic Management Unit) of the World Bank.

nation. She encouraged the formation of women's councils all over the country to plant and maintain greenbelts and, in so doing, to gain the confidence and political skills to speak out powerfully for their rights. Honored as a Giraffe in 1991, she won the Nobel Peace Prize in 2004.

We've now found and honored over 1,000 Giraffes, from forty countries. And our strategy works. When people see or hear about Giraffes, many of them are inspired to take on the challenges *they* see, from cleaning up wetlands to cleaning up a city council. Check us out at www.giraffe.org.

So I know from experience that wildly idealistic adventures and wildly idealistic people can make a difference in public life, despite the obstacles.

Obstacles? What are the obstacles for good governance, and for a Global Integrity Alliance? Who could possibly not fly to the support of such a noble venture?

There are, of course, vested interests that profit from the *status quo.*

But I suspect that the most dangerous obstacles are not so much in public view: they are, as we all know, fear of change, bureaucratic inertia, apathy, cynicism, people offering lip service instead of commitments, and, of course, that most famous excuse of all — the lack of political will.

No one here is naïve about the obstacles.

So how do we succeed despite them?

Certainly there's a need to do good research, craft good plans and budgets, raise money, organize training courses and do all the other 'practical' things that will help build ethics in government.

We are smart and clever people. We can do all these things and we must.

But that won't be enough. We can do these practical things and it's still like having a television set and tuning it to only one or two channels.

In my experience, you can't succeed with challenges this tough using your head alone. You have to engage your heart. What you do with your head is important, but it's your heart that adds the passion, courage and vision that are crucial to success.

Where do we find that passion, courage and vision needed, in effect, to change the world?

At my organization, we look to Giraffes for this answer. Consider these stories:

Doris Haddock, otherwise known as 'Granny D,' is a former secretary who is not taking retirement sitting down. To call attention to the huge influence of money in American elections, at age 90, she set out from California to walk across the country. She logged 10 miles a day, through sandstorms, blizzards, blistering heat and torrential rains. And

everywhere she walked, she talked. She told people all across America that the voice of the common citizen is drowned out by companies and associations that shower cash on political candidates and then expect the winner to pay them back by voting as these contributors want them to.

Haddock preached in churches, gave speeches, joined in parades, and appeared in newspapers and on radio and television. Fourteen months after she started walking in California, 'Granny D' arrived in Washington D.C. Partly prompted by her courageous efforts, several states now are reforming their campaign finance laws and the issue now has a much higher profile among voters. In the words of one U.S. senator, 'She's rebuilt our faith in the idea that one person can make a difference.'

As a young civil engineer employed by the city government in New Delhi, Vijay Saluja's goal was to help responsibly develop the capitol city and to improve overall living conditions for its people. It wasn't long, however, before Saluja found money misspent on faulty public buildings, and more money squandered on incompetent road repairs. He saw practices that led to time and cost overruns on projects, often resulting in huge arbitration awards.

Saluja began fighting against the system. He started by writing letters to his supervisors. Then he sent appeals to the leaders of the country. Nothing changed. Instead, Saluja became a target of harassment. False complaints, departmental inquiries, transfers, and suspensions faced him at work. He got a death threat from a contractor that he'd refused to pay for sub-standard and defective work. For nearly 20 years he was denied promotions and benefits, but friends say every action taken against him merely strengthened his resolve to end the corruption.

As I said, we ask Giraffes like these what motivates them to be as brave, passionate and visionary as they are. To work as hard and as well as they do. To take the risks that they do.

Often they'll say that their first motivation was anger and frustration. An urgent problem wasn't being handled and they felt they had to step in.

But then many of them will tell us that that initial anger and frustration, that sense of urgency and duty, changed into something deeper and more stable, something powerful enough to keep them going for what often are years of effort and risk.

The more you talk to them the clearer it gets that Giraffes are motivated to help solve public problems, by a strong sense that what they're doing or about to do is *meaningful* to them — that is, that it satisfies a personal sense of purpose at the core of their beings. Granny D found her purpose in getting money out of politics. For Vijay Saluja, it was stopping the waste of public funds.

It's this meaning-as-motivator that makes so many Giraffes so effective in solving public problems, and in inspiring so many people with their courage, passion and vision.

Of course it isn't just Giraffes who are motivated by a sense of meaning.

Philosophers and spiritual leaders have been telling us for millennia that there's no deeper human need and no more powerful yearning than to live a life we know is meaningful. We all want to be able to look at ourselves in the mirror and know that what we're doing matters, that we're not just marking time.

Look to your own experience. Isn't it true that the more meaning there is in the things you do — work, relationships, volunteer activities — the more alive you feel? You may work very hard and there may be trials, but there's also energy, a sense of excitement, a deep satisfaction of being in the right place at the right time. You're inspiring to others, and they're attracted to join you, to follow your lead. You're much more likely to get the results you want.

And we all know people who seem to operate with very little meaning in their lives, and for them, life looks like slogging through wet concrete.

So if meaning is this important — where does it come from?

What a question!

Many people find meaning in wealth, power and status.

My experience and I'm guessing yours — certainly if you have some gray hair — is that such sources of meaning are fragile, eventually subject to doubt in anyone who has a heart.

The lesson from Giraffes is that real long-term meaning springs from commitment to ideals bigger than we are — ideals of service — of making things better for other people, of solving tough public problems and challenges.

So meaning and service are linked back and forth. like giraffes, we can find meaning for our lives through service. and having found it there, meaning becomes the strongest and most stable motivation and support for that service. Meaning builds the courage, passion and vision we need to tackle the problems that test our times.

It took me a long time to learn this lesson.

I continued my early life of adventure into the U.S. Foreign Service. I was in the middle of the revolution in Libya and the war in Vietnam. I was smart and tough and got promoted rapidly. But even after a lot of promotions, what I was doing for a living began to sit in the pit of my stomach like a bad meal. Something was wrong. Something was missing. Adventure and promotions weren't enough.

In the late 70's, I worked at the U.S. Mission to the United Nations in New York. Part of my job was representing the U.S. on the Security Council committee charged with overseeing the arms embargo on South Africa. I'm aware that there are some South African friends here tonight, and I remind us all that this story is ancient history. But in the 1970's the UN had imposed this embargo because guns sold to the white South African government could be used to enforce apartheid.

But the embargo leaked like a sieve. There were huge amounts of money to be made in the arms trade, and the arms dealers had their friends in legislatures in Europe and in the U.S. congress. so guns and other military equipment slipped through to the south african police and army, and were used against black south africans. The situation reeked of greed and hypocrisy, and my own government, despite its lofty rhetoric on human rights, was looking the other way.

I thought that was wrong. so i worked secretly for months to tighten the embargo. I did that by helping the third world countries on the Security Council increase their pressure against my own government. I told them which strategies I thought would work to force the U.S. and others to tighten the embargo. I even helped some third world countries write their attacks on my own government. Once i saw an emphatic message from an African foreign minister to the U.S. secretary of state that i had helped draft two weeks before.

When all this was moving ahead, i went to my own bosses and told them that the pressure (which i'd helped create) was now so intense that the U.S. had no choice but to agree to a tougher embargo. It worked. With the U.S. on board, the Europeans were forced to go along. a tougher embargo was passed in the spring of 1980. That eventually helped end apartheid. i helped end apartheid, and i feel very good about that.

Had my bosses discovered what i was doing, i probably would have been sacked, although all i did was force my country to honor its own declared policy against apartheid.

Why did i do this? Why did I risk a career that was very important to me? I did it because of one afternoon in South Africa that started in the squalor and oppression of the black township of Soweto. I walked down dusty, garbage-strewn streets and felt dozens of angry black eyes boring into the back of my white head. As a U.S. diplomat, i was invited that evening to a fancy cocktail party in Johannesburg, in a mansion protected by iron fences and guard dogs.

Apartheid stank. From that day on, helping end apartheid wasn't just an important political objective for me. Helping end apartheid *meant* something to me at the core of my soul. i risked my career to serve a cause i believed in. in the end, the motivation was so strong i couldn't *not* do what i did.

The experience was like learning to swim. i couldn't forget what I'd done or how to do it. I couldn't forget the joy and fulfilment i felt in making a difference like that. I'd found the meaning for my life and, like giraffes, I'd found it in service, in bettering the lives of others in helping solve a significant public problem.

The lessons to me, repeated many times since, are:

- that nothing is more important than finding meaning for our lives;
- that service is the surest path to a meaningful life; and that
- having found it in service, meaning gives us the courage, passion and vision to succeed.

What service?

Well, we are here to take on a huge opportunity for service — breathing life and shape into a Global Integrity Alliance. Linking ethics and leadership.

We need to figure out how to do it, and then carry out whatever we plan. But, as I said, we cannot do this just with our heads.

We each need to reflect deeply on why we care about ethics and integrity in government. Do you care enough; does it *mean* enough to you, so that you will offer the very best in your head and your heart? So that you will tap into the courage and passion that will power you past obstacles and take others with you on the journey?

Does good governance mean enough so that you can form in your heart a clear and powerful vision of success?

We can test this now. Go ahead. Humour me.

It's ten years from now, 2016, and the Global Integrity Alliance has been a brilliant success. What does the world, what does your own country, what do international institutions look like because of it? Close your eyes if it will help you find these pictures.

~ See the people whose lives have been enriched or even saved over these ten years;

~ Feel a current of optimism and hope that did not before exist, buoyed by an endless barrage of stories in the media of real heroes who've braved the odds to bring ethics and integrity into public life;

~ Take a tour of major projects that have raised the standard of living for millions of people, projects completed on time and on budget because of anti-corruption efforts and training programs delivered by the Alliance;

~ Put yourself at a polling place on election day in 2016 and feel a new sense of enthusiasm for the political process;

~ Go to a school and hear students talk about their plans to make a difference because now they see that they can;

~ See successes in one country quickly spreading to others, thanks to web links that allow leaders to share what works for them, and to encourage each other.

Create many more of these pictures, unique to your own situation. Make them as real as you can. Do more than just *see* what is possible. Hear it. Sense it.

These are not idle dreams. What you see and hear and sense in 2016 are the results of hard and creative work that you've been a part of.

Visions have enormous power. The vision of Dr. Martin Luther King in the U.S., for example, set in motion a movement on civil rights that changed his country, just as Nelson Mandela's vision of forgiveness and reconciliation changed his.

Tomorrow we can share our visions with each other and be inspired. Then we can use our collaborative visions as the basis for our planning. This is where we bring our heads into play, creating the goals and objectives and budgets that will make our vision real.

Vision first. Then goals and objectives. Never the reverse.

This will not be easy. It would be far easier to just talk about the problems, write learned papers, nibble about the edges and waste the sponsors' money.

And of course, you can stay involved but not really believe that anything will change. Or simply wait for someone else to solve the problems.

If you do that, the challenges will stay unmet, and i'm guessing that your own life will be a little less fulfilled.

The only mistake any of us can make is to ignore the quest for meaning in our lives, to live and die without ever having made a difference. And this work you're invited to do here, to bring ethics and integrity into public life, can be truly meaningful. It can make a huge difference in people's lives all over the world.
Remind yourself of what you care about. What's meaningful to you? Where can you make a difference?

The American poet Mary Oliver asks: 'Tell me, what is it you plan to do with your one wild and precious life?'

It's the most important question any of us will ever ask. See what you can do with your talents, your experience, your resources. Then do it.

Do it to help solve the problems. Do it to help make the world better for all of us.
But also do it for *you* — for the joy and fulfilment of living a meaningful life.

Of course there will be trials and risks. Show me a life without trials and risks and I will show you a life that is unfulfilled.

Not long ago I went back for a secondary school reunion in Tacoma WA. Nearly all my classmates were leading comfortable lives in business or the professions. They worried about the stock market and college tuitions for their kids. To be honest, I was bored to death.

Except for one man. He'd been the class dunce, the butt of our jokes. He had also for 30 years been directing a social service agency in the worst area of Tacoma and had just started a controversial needle exchange program.

He was fascinating. He spoke with the charisma, energy and peace of mind of a person who'd truly found his calling and was answering it with everything he had.

When *we* look back at the challenges we faced in these years, how will *we* have answered Mary Oliver's question: 'Tell me, what is it you plan to do with your one wild and precious life?'

Workshop on Leadership — Syllabus[1]

John Graham[2]

1. The Most Basic Point—*leadership matters*

You can't take leadership for granted. The more serious the challenge, the more leadership matters. Good leadership has good outcomes. Bad leadership has bad outcomes. You can't assume that bad stuff will never happen so there is no need for leadership. You can't assume that God will solve your problem for you, or that the leaders you suddenly find you need will appear out of nowhere.

Leadership is important in very aspect of our lives—at home, at work or in the community. The skills, experience and self-confidence you gain from leading in one area of your life will serve you in all the others. Definition: Leadership is the capacity to move others towards goals shared with you, with a focus and competency they would not achieve on their own. DISCUSSION.

2. What makes a good leader?

Leadership is much more than intellect (thinking, planning). It's much more than so-called "hard skills" (taking charge; being decisive, responsible and accountable; being tough and brave; working hard and persevering; dealing well with pressure). These skills are important. DISCUSSION

But using only your intellect and hard skills to lead is like having only two channels on your television set. If they are all you use, you will miss a lot.
Other parts of leadership are hugely important. They are:

~ *People skills*: focusing on individuals—caring for them, sensing what's going on with them, building trust. DISCUSSION

~ *Non-rational skills* such as using intuition (inner voice), seeing connections, being able to create and communicate a vision. DISCUSSION

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1 Note: this was/is an interactive workshop. Stories, exercises, discussions and role plays are indicated by a NOTE on this syllabus but not described.)

2 Former US Foreign Service Officer, President, the Giraffe Heroes Project. The workshop is based on his book, Stick your Neck Out: A Street-Smart Guide to Creating Change in Your Community and Beyond (2005, Berrett Koehler, San Francisco)

~ *A moral dimension for leadership.* This includes being honest and fair. It includes "doing the right things, the right way, for the right reasons." But there's more.

A key moral dimension is developing a *moral context* for leadership—a positive overarching view of yourself and of your role in the world that provides a more reliable guide for your actions than your own ego. PERSONAL STORY

A moral context—you know it when you see it in others, although you may call it by different names. PERSONAL STORY

Having a moral context means looking up at a starry sky or taking a quiet walk in the woods and understanding that you're part of a much larger reality than just you, and that you have a positive role to play in that reality which, when you find it, guides your leadership and your life. That role has heart; it's rooted in compassion and service.

A moral context helps gives you the courage and commitment to do difficult things. It builds emotional independence, a calm inner strength, completeness. It inspires others to trust you, and to follow your lead. It's a private thing—something you have to develop on your own. It's not something you can get out of a book and not something somebody else can give to you or enforce on you.

How do you develop a moral context? PERSONAL STORY

First, work to clear the psychological clutter of your life. We all suffer from this in one way or the other. In my case, as young man, hooked on adventuring, I had to find out who I really was behind a fog of testosterone and adrenaline.

Second, develop a spiritual life. I'm not talking about religion. I'm talking about a spiritual life. The two are not the same. While looking up at that starry sky or taking that quiet walk in the woods, listen to the "still small voice within." Where do you fit in with these larger realities? Find a relationship with the universe that you're comfortable with in that deepest part of you. What about God? I think you can develop a moral context for your life without God, but I think it's harder to do that way. DISCUSSION

Third, ask: What do I care about? What ideals am I willing to commit to? How can I serve? DISCUSSION/EXERCISE

Moral context has everything to do with good leadership. If all you've got to move people to follow you is a title on the door then you will never lead very well or very far. The people you want to follow you must see not just that you are tough and brave and competent. They must see that you care about them and their needs, and that you are following a pole star brighter than your own ego. They need to see a moral context. DISCUSSION

All aspects of leadership are important—intellect, hard skills, people skills, non-rational skills, a moral dimension. It's not that you use one and then the other. You learn to weave them together, in the right places, at the right times.

Leadership is:

~ not a set of rules but an art;
~ not just skills and techniques, but personality and style;
~ involves not just the body and the mind, but the spirit and character

All this makes leadership not only very complex, but very personal and often sensitive.

We'll spend most of our time looking at leadership with this broader view. We'll focus on issues I think are particularly important and often overlooked.

3. See Yourself as a Leader

If you aren't credible as a leader to yourself, you won't be credible as a leader to anybody else, especially in a crisis.

What you're looking for is a quiet, confident acceptance of you as leader, functioning effectively as head of your group or team. It's that vision of yourself, that acceptance of your role, that squares your shoulders, settles your emotions, prepares your mind and heart to lead—and inspires confidence in others. If you lack a strong vision of yourself-as-leader your moves will be tentative. Others will pick that up. And if there's a crisis, you'll feel blindsided. Your reaction will not be "Let's go!" but "This shouldn't be happening to me!" or "What rotten luck" and you'll undermine your credibility with others, just when you need it most. EXAMPLES/DISCUSSION

A strong vision of yourself-as-leader doesn't come overnight. It grows as a product of training and experience and it becomes sharper the better you understand *why* you lead. Therefore it's crucial to examine your motivations for leadership.

If your motivation is unclear, or shallow, there can be no strong, positive vision of yourself–as-leader, you'll wonder why you're there. You'll focus on the risks of leading and on the drain on your time and energy. All this will undermine your effectiveness, especially in a crisis.

So it's important to ask: Why do I lead? Why do I want to be a leader? Why not just let somebody else solve the problems? DISCUSSION/EXERCISE

Points to consider: First, there are personal benefits to leading: leadership skills are skills for living life, and leading builds personal self-confidence. DISCUSSION

Second, *leadership is service:* it helps solve public problems and it helps others reach their potentials.

Being of service is the surest path to a meaningful life.

We all want to be able to look at ourselves in the mirror and know that what we're doing matters, that we're not just marking time. PERSONAL STORY/DISCUSSION

4. Leadership style

Every leader has a style, formed by his or her own personality, and that style is an important part of his or her leadership. Some leaders are funny, some are stern, and all of it can work. The more aware you're of your leadership style, the better you can make use of its advantages, turn any disadvantages into strengths.

So what's your leadership style? What are its advantages and its disadvantages? EXERCISE

Warning: your leadership style must be authentic; it must be you. If it is, it will make you and your leadership more credible, both to others and to yourself. It will help the people following you feel more comfortable with you and trusting of you as leader—a vital quality, especially if things get tough. I sometimes see people who seem to think they should become different people when they lead—tougher or louder or sterner, for example. The trouble is—if your leadership style *isn't* authentic, others will quickly sense the confusion and insecurity behind the faking, and it'll be much harder for you to gain their trust and cooperation.

A question that relates to style is: "How controlling should I be? If I'm a leader, shouldn't I be telling people what to do?"

It's more complicated than that. At one extreme are people who lead by intimidating and demeaning others. They make very poor leaders. But so are people at the other end of the spectrum, who exert too little control. Have you ever gone into a meeting and had the person supposedly chairing say something like: "Welcome—now who has ideas for our agenda today?" That's ineffective too. DISCUSSION

So how controlling should your leadership be?

Your leadership should be more controlling the *more serious* the challenge you are facing, and the *less competent* the team you are leading. If you remember your math, you can put it in a simple equation: Degree of Control = Seriousness of Situation/Competence of Group.

More control doesn't mean barking orders—in a crisis that could make things worse. It means a firmer, more decisive hand on what's going on. Let's take as an example the aftermath of Hurricane Katrina in the US. The man in charge of government relief efforts proved to be incompetent; his successor was thrown into a horrible situation, facing a huge challenge with a team that was disorganized and ineffective. The appropriate degree of control for him, at least in the beginning, was very high and he had to be capable of some very decisive leadership.

On the other hand, if you're organizing a routine training session, the challenge is not serious and if the team helping you is reasonably competent, the need for control is very low and leadership can be very informal and consensual.

The degree of top-down control required may change quickly. Back to that training session: Initially your leadership can be very informal and consensual. But let's say a key person on your team falls ill, then you find out that the budget has been cut and you can't pay for the

hall. On top of that, the mayor wants to cut your time in half. Now your team is rattled and angry and time is running out. So the need for you to exert more control in this crisis begins to rise. Again, that doesn't mean barking orders—that could make things worse. It means a firmer, more decisive hand on what's going on. PERSONAL STORY/DISCUSSION/EXERCISE

KEY POINT: *How controlling you are as leader should vary according to circumstances.*

In most cases, the need for control is modest. But you should be able to read the situation and adjust your degree of control to fit.

5. Trustbuilding

Building trust is important in two areas—first, with those you lead, the people on your team. People who trust you as a leader will be more comfortable in following your lead—and more likely to give you their best effort, and the benefit of the doubt—if and when things get tough.

Think of a time when you've been on a team or in an organization where you trusted the leader. Now think of a time when you didn't. What difference did trusting make in terms of the energy and commitment you put into that work? DISCUSSION

But gaining trust from your own team is the "easy" part of it. What's tougher, but just as important, is building *mutual* trust with your opponents or potential opponents, in conflict situations or negotiations. Why?

Trust helps defuse anger, fear and resentment. It helps people become less defensive and more able to explore solutions that simply couldn't be seen before in the heat of battle. Anwar Sadat famously said that two-thirds of the problem between Israelis and Palestinians was the steady erosion of trust over decades, fueled by rage. Only one-third, he said, was because of specific policy differences, for example, over borders or the status of Jerusalem.

Do I mean that you should try to build trust with even nasty political opponents? Yes, that's exactly what I mean. I can see the eyeballs rolling up. "Sure, I'd like to trust," those eyes say, "but sometimes you just *can't* act that way in the Real World or you'll get run over. How smart is it to trust when the world is full of people who'll see it as a weakness to be exploited, and who can't wait to manipulate you and put you down?" PERSONAL EXAMPLES

I'm not talking about the degree of trust where you might name your firstborn child after someone. I'm talking about trust where you are in effect saying, "I trust that you've thought about this issue; I trust that you're arguing for what you really think is best; I trust that you'll be honest with me. And I invite you to trust me in the same way."

Isn't even this level of trust naïve? No, it's not naïve. What's really naïve is believing, despite so much evidence to the contrary, that the tired game of attacking and defending will somehow work next time around.

It took me a long time to learn this lesson. In my career in the US Foreign Service, I dealt with wars and revolutions and arms sales. I tangled with some of the worst people on the planet so I'm not naïve about nasty people and the harm they can do. I don't underestimate the difficulty of dealing with them (at the time, some of those people would have told you that I was no angel either).

I started to change only when i realized, as a young diplomat at the United Nations, that a strategy of attacking and defending usually just led to escalating confrontations. At best, there were temporary "victories" that lasted as long as it took the other guys to lick their wounds and come back at me and my country.

So I started experimenting with building trust with people who were supposed to be America's enemies. My first attempt was with the Cubans… PERSONAL STORY Then in the Security Council over apartheid issues… PERSONAL STORY

Has building trust ever helped you lead, resolve conflicts, negotiate successfully? What's your experience? DISCUSSION

So how do you build trust with others, especially opponents? What example do you need to set so they might trust you in return?

Competence builds trust. *Accountability* and *honesty* build trust; people know not only that you can do your job, but that you will. *Respect* builds trust. Valuing other people's priorities, backgrounds, outlooks and styles helps them trust you, especially if they hold views very different from your own.

From my experience, however—the most powerful tool for building trust is *caring* for other people and for their situations. By "caring" i mean what you think i mean.

Caring is putting you in another's shoes. It does not necessarily mean you *like* the other person.

Caring is listening without judging. Caring is not getting stuck on stereotypes that create self-fulfilling prophecies. What stereotypes do others hold of you? What stereotypes do *you* hold of others? EXERCISE

Caring is about making and keeping a series of small personal connections with people—not just a few grand gestures. The explorer Ernest Shackleton kept 29 men alive for 19 months under extreme conditions in the Antarctic, and in large part he did it by *caring* for each one of them. STORY

Caring often means being more open with other people, especially your opponents, than you are comfortable with. Don't hide behind your leadership title. Let others can see you as a human being. Share personal experiences, including pratfalls. Sometimes that means spending a lot of time talking about "safe" issues not related to the conflict. PERSONAL EXAMPLES

Doing small favors expresses caring and can help build trust. PERSONAL STORY Even getting a glass of water or a cup of coffee for a person on the other side of the table might at least tempt them to reevaluate their stereotypes of you.

"So," you say, "all I have to do is get a cup of coffee for the so-and-so I'm negotiating with and he'll melt?" No, of course not. Caring can never be a manipulation; *you have to really care.* Faking caring will backfire—and you'll end up much worse off than before.

Efforts at building trust are risky and don't always work. Most times you'll have to make the first trusting moves, and to deal with suspicious reactions. There are times when the people you're dealing with really are too nasty or the situation is just too far gone to even try.

But it's not all or nothing. You will rarely have enough information at the outset of a negotiation or confrontation to make a good appraisal of whether trust is possible or not. So it makes little sense to *start* with an attack-and-defend strategy. Navigate by positives unless and until it becomes clear that the other persons will not do likewise. Be ready to respond positively to a caring gesture from the other. Yes, if you guess wrong, you'll lose a step—but the risk will have been worth it.

Bottom line: when you're faced with the choice of trying to build mutual trust—or not—assess both the people and the situation you're dealing with. Initially, you may come up with all the reasons *not* to try: the situation is too tough or the opponent too nasty; there isn't enough time or you could be played for a chump.

Now ask yourself whether you're making a true appraisal of the odds—*or conning yourself so that you won't have to risk making the first trusting move.* Yes, I've been burnt making that first trusting move. But far more often I've seen mine and others' efforts to build trust result in breakthroughs, some of them dramatic. From decades of experience and observation, I'm convinced that the risk and effort to build mutual trust with opponents consistently raises the odds for success. DISCUSSION

6. Create a vision—a clear, concrete picture of intended results

A vision is not a vague wish or dream or hope. It's a picture of the real results of real efforts. STORIES/EXAMPLES

A vision:

— inspires action. A powerful vision pulls in the ideas, people and other resources needed to make it real. It inspires people to commit, to persist and to give their best. It creates the energy and will to make change happen.

— helps keep organizations and groups focused and together, especially with complex projects and in stressful times. When people share a vision, it's easier for them to see connections between what they want as individuals and the goals of an entire group.

— is a practical guide for planning, budgeting, implementing and evaluating projects. It works like "true north" on the compass.

— is NOT the same as goals or objectives. Ideally, these flow *from* a vision and help turn it into specific policy steps.

To succeed, a vision needs to:

— Be clear. Make it as sharp and detailed as you can.

— Be positive. Don't try to motivate yourself or others with a vision of bad things that might happen if you don't succeed. A vision based on fear may fuel immediate action, but it can also cripple creative and courageous thinking.

— Include changes in attitudes. The challenge you see in front of you is only the part of the problem you can see—the real challenge is deeper and often involves personal attitudes that may be strongly held. Any strategy that ignores attitudes will likely be a short-term fix—the "solved" problem will reappear, often in a different form.

— Include a clear picture of the impact of your personal role, not just that of your organization. This isn't about ego. It's about you taking full responsibility for helping achieve the results you want. It's you out of the stands and onto the playing field.

— Come from the heart, not the head. Don't try to think your way to a vision. Applying brainpower is vital at the right points in the planning process. But to create a vision that's exciting and compelling, you've got to give yourself the freedom to dream—to use your imagination to see and feel what does not yet exist.

Good leaders must be able to create and communicate a vision of success.
Being able to do this is the single biggest difference between leaders and managers.

Creating and communicating a vision. DISCUSSION/EXERCISE/ROLE PLAYS

7. Negotiation and Conflict Resolution

Basic principles:

~ Winning at the expense of others is a poor solution. Manipulating or overpowering people may get you to your immediate objective, but it's also certain to cause festering resentments that will come back to hurt you and/or your cause.

~ Look beneath the waterline. Every conflict and negotiation is like an iceberg, with seven-eighths of it out of sight. There you may find hidden agendas, strong religious or political beliefs, and prejudices, fears, insecurities or (especially) anger from past hurts and slights. PERSONAL EXAMPLES/DISCUSSION Look beneath your own waterline first.

~ Apologize for past wrongs and hurts. PERSONAL STORY/EXAMPLES. Face up to the past. If pain is not transformed, it is transferred.

~ You're in charge of your emotions, no matter what the provocation. DISCUSSION

~ Building trust is often the key to success. Trust can calm people down—including you—so that they can explore solutions that simply couldn't be seen before in the fog of emotions and ego that conflict can generate. The key to building trust is caring.

~ "Street smarts" are important too:

— Never begin any negotiation without carefully considering your group's bottom line.
— Find out who are they key people and networks.
— Volunteer to write the first draft of reports.
— Work harder than anybody else.

Ten steps to common ground (PERSONAL STORIES/EXAMPLES/DISCUSSION throughout)

~ Understand the perspectives of the people you're dealing with (religion, ideology, politics, gender…). If you don't, you risk becoming a prisoner of your own personal circumstances, operating on your own projections instead of what's really motivating other people.
~ Suspend judgments. Unless and until they prove you wrong, don't look at people with whom you have differences as "opponents." Be aware of any stereotypes or other negative judgments you may have. Never write anyone off.
~ START BUILDING TRUST EARLY.
• *Find non-threatening ways to start dialogues before negotiations even start.*
• *Focus on the most difficult people*—this can often smooth the path of negotiations and defuse potential conflicts.
~ When negotiations begin, outline the differences accurately, calmly and carefully.
~ Explain your position and the rationale for it with more candor than you're comfortable with. If it becomes clear your opponent will only take advantage of your openness, then put your guard back up.
~ Continue exploring for common ground. With the differences now clearly outlined, start listing those things you *agree* on. See the common ground you find as the shared area of intersecting circles. Trust is key.
~ Create new options. When some common ground is clear to everyone, challenge all sides to look at the issue with fresh eyes, to create a common vision, and from that to generate new options for solutions that meet the needs of all sides.
~ Approach tradeoffs with care. Tradeoffs are a good idea only when they leave both sides better off without burying important issues or sacrificing a principle important to either.
~ Build an agreement on the common ground you find and commit to carrying it out. If you discover that some details for implementing an agreement are still disputed, go back to the common ground you built inside the overlapping circles and work your way forward again from until the details are clear.
~ Celebrate success. It's positive reinforcement—and also encourages others to follow your lead in the conflicts *they* face.

8. Courage and risk-taking

Leadership is risky. What are those risks for you? DISCUSSION

Four suggestions for taking risks—three of them obvious:

1. Lower the risks by getting better information about them.
2. Lower the risks by increasing your competence to take them.
3. Create a solid plan

1) By getting better information, you may find out that some perceived risks aren't risks at all, or are less significant than you first thought. Have you ever been in a situation in which the risks you first perceived disappeared in the light of new information (for example, someone you thought was an opponent wasn't)? EXAMPLES/DISCUSSION

On the other hand, sometimes when you increase your knowledge, you find the risks are real. That's useful information too, because it will help prepare you to take them.

2) Lower the risks by increasing your competence to take them. You can increase your competence by~

~ Learning and practicing a skill you need
~ Getting the right tools.
~ Getting more experience in taking that risk
~ Getting support from others. EXAMPLES/DISCUSSION

3) Create a plan. Review the information you've now got, assess your competencies, and create a solid plan that will significantly improve your odds for success. EXAMPLES/DISCUSSION

I told you these first three suggestions were obvious. But it's so easy to rush into battle unprepared. Slow down. Get better information. Increase your competence. Make a plan.

Fourth suggestion—find the courage to face whatever risks remain, *by focusing on the meaning the risky activity has for you.*

Courage is not about being unafraid. Courage is the ability to do the right thing, and do it well, even when you *are* afraid. Courage is facing what scares you.

You can increase the amount of courage you have for taking a risk the more you focus on the personal meaning the issue that causes the risk has for you.

Think about it—when something you're doing is personally meaningful—a relationship, a job, an activity—you feel deeply that you're on the right path, you're committed to walking it, and you feel good about that. If you have to do something that scares you in order to keep on that path—don't focus just on the risks. Look at them in the whole picture, as parts of this path you know is meaningful.

When you see risks in this broader context, they don't go away, but they do seem more worth taking and you become more willing, confident and able in facing them. To put it in other words—the commitment you already have for walking that meaningful path spills over onto the risks you face along the way, and you're better motivated to act in the face of fear. EXAMPLES/DISCUSSION

9. Closing

Real leaders are an endangered species. The world needs you.

Maybe you've noticed how many people stay on the sidelines, wanting and expecting "someone," "the government," perhaps, to solve the problems for us—meanwhile carping and complaining that things aren't right? Without people willing to take leadership for issues large and small, citizenship is in danger of becoming a spectator sport.

I see people everywhere starved for models of caring, courageous leadership. Your leadership is key, not just for its own impact on solving public problems, but as a model for others.

See yourself as that model. Understand the impact of your leadership. DISCUSSION

Implementing Ethics Regimes

Ralph Heintzman

World Ethics Forum, Oxford
April 10, 2006

Université d'Ottawa | University of Ottawa

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Outline of Presentation

1. The Canadian Values and Ethics Journey: Milestones to a Professional Public Service
2. The Pyramid of Public Sector Ethics
   1) Ethics *per se*
   2) Management
   3) Institutional
   4) Governance
3. Recent Canadian Approaches:
   1) "Soft": Emphasis on Public Service Values
   2) "Hard": Measurement and Accountability
4. Insights from Canadian Experience & Lessons for Other Jurisdictions?
5. Vision/Outcome

Implementing Ethics Regimes

1. The Canadian Values and Ethics Journey: Milestones to a Professional Public Service

Ralph Heintzman, World Ethics Forum, Oxford, 10 April 2006

uOttawa

The Canadian Values and Ethics Journey: Milestones to a Professional Public Service (2)

- Central Agencies
  - 1940: Clerk of the Privy Council and Secretary to the Cabinet
  - 1962: Glassco Royal Commission: "Let the Managers Manage "
  - 1966: Treasury Board Secretariat as Separate Department
- Audit
  - 1976: Auditor General: Parliament and government lost financial control
  - 1977: Auditor General mandate extended to economy, efficiency and effectiveness

The Canadian Values and Ethics Journey: Milestones to a Professional Public Service (3)

- Ethics: Conflict of Interest
  - 1925: First Order in Council on Conflict of Interest
  - 1951: Order in Council on Conflict of Interest
  - 1973: Prime Minister's letter on Conflict of Interest of Cabinet Ministers and Treasury Board Circular on Standards of Conduct for Public Service Employees
  - 1974: Conflict of Interest Guidelines for Public Office Holders
  - 1979: Ministers' Guidelines on Conflict of Interest updated and published
  - 1984: Report of Task Force on Conflict of Interest
  - 1985: Conflict of Interest and Post-Employment Code
  - 2003: Ethics Commissioner

The Canadian Values and Ethics Journey: Milestones to a Professional Public Service (4)

- Public Service Values and Ethics
  - 1980's – 1990's: Crisis of Confidence, Identity
  - 1986: Report of the Ministerial Task Force on Program Review (Nielsen Task Force)
  - 1987: Deputy Minister Committee on Governing Values
  - 1989 – 1990: Public Service 2000: White Paper
  - 1993: Reorganization and Program Review
  - 1994-1996: Deputy Minister Task Force on Public Service Values and Ethics
  - 1996: *A Strong Foundation*: Report of the Deputy Minister Task Force on Public Service Values and Ethics (Tait Report)
  - 2003: - Values and Ethics Code for the Public Service
    - Office of Public Service Values and Ethics
    - Auditor General Report on Accountability and Ethics

The Canadian Values and Ethics Journey: Milestones to a Professional Public Service (5)

- Disclosure of Wrongdoing (Whistleblowing)
  - 1951: Financial Administration Act
  - 2001: Policy on Internal Disclosure of Wrongdoing
  - 2005: Public Servants Disclosure Protection Act
  - 2006: Accountability Act
- Results-based accountability for public service values and ethics
  - 2003: Management Accountability Framework (MAF)
  - Drivers of values and ethics performance
  - Building blocks, pillars and outcomes
  - Roadmap to Results for values and ethics
  - MAF assessments and Deputy Minister performance management

Implementing Ethics Regimes

2. The Pyramid of Public Sector Ethics

The Pyramid of Public Sector Ethics

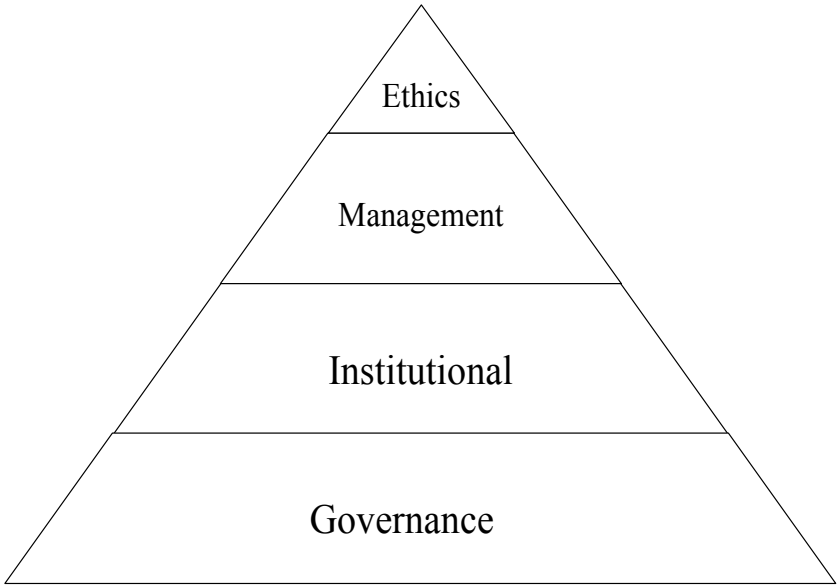
- Canadian experience suggests it is helpful to think of an ethics regime as a “pyramid” or iceberg.

- Four sections to the “pyramid”, from base to peak:
  - ethics *per se*;
  - management;
  - institutional
  - governance

- Lower levels just as important as higher levels, perhaps most important.

- Provide base for higher achievements.

The Pyramid of Public Sector Ethics



Ethics *per se*

- statement of values, principles
- codes, frameworks, guidelines
  - civil service-wide and department/agency specific
- conflict of interest rules
  - civil servants and public office holders
- post-employment rules
- rules on gifts, hospitality, benefits
- sanctions or authority to discipline for breach of rules
- procurement code for contractors
- advice, recourse and disclosure (whistleblowing regime)
- promotion of civil service values and ethics
- information, communications, orientation and learning
- “deputy head” accountability for values and ethics

Management

- control regime
- internal audit
- risk management
- management policies, (e.g: contract and procurement policies)
- civil service remuneration:
  - pay adequate to reduce need to supplement through corruption
- transparency & proactive disclosure (e.g. contracts, travel, hospitality)
- results-based accountability and performance management regime
  - measure both management practices/infrastructure and outcomes/results
  - measures of
    - leadership
    - people management
    - employee engagement: job satisfaction and commitment
    - organizational culture

Institutional

- ethos and values:
  - "moral contract between civil service, ministers, legislature
- financial administration legislation
- public service employment legislation
- public office holder appointment regime
- accountabilities of ministers and permanent secretaries/deputies (e.g. accounting officer)
- access to information legislation
- external control regime (e.g. comptroller general)
- independent external audit regime (e.g. auditor general)
- oversight role of "central agencies" (e.g. cabinet office, treasury or management board)

Governance

- electoral regime
- election financing legislation
- legislative accountability and oversight
- independent judiciary (e.g. appointment process, oversight)
- independent, professional police (e.g. oversight, pay)
- lobbyist regime (e.g. registration, transparency, code/rules)
- freedom of the press
- media ownership and concentration
- role of NGOs and other independent watchdogs

Implementing Ethics Regimes

3. Recent Canadian Approaches:
    1) "Soft": Emphasis on Dialogue and on Public Service Values
    2) "Hard": Measurement and Accountability for Results

The 1990's: Crisis, Dialogue, Renewal

- 1996: *A Strong Foundation*: Report of the Deputy Minister Task Force on Public Service Values and Ethics (Tait Report)
- Purpose: to help public service rediscover its basic values, identity, purpose, role
- Not a checklist or set of solutions
- Inductive approach: values emerge from examination of concrete problems, concerns
- Report models key public service values:
  - honest dialogue
  - speaking truth to power
  - conflict of values and viewpoints
  - balance, equity, synthesis

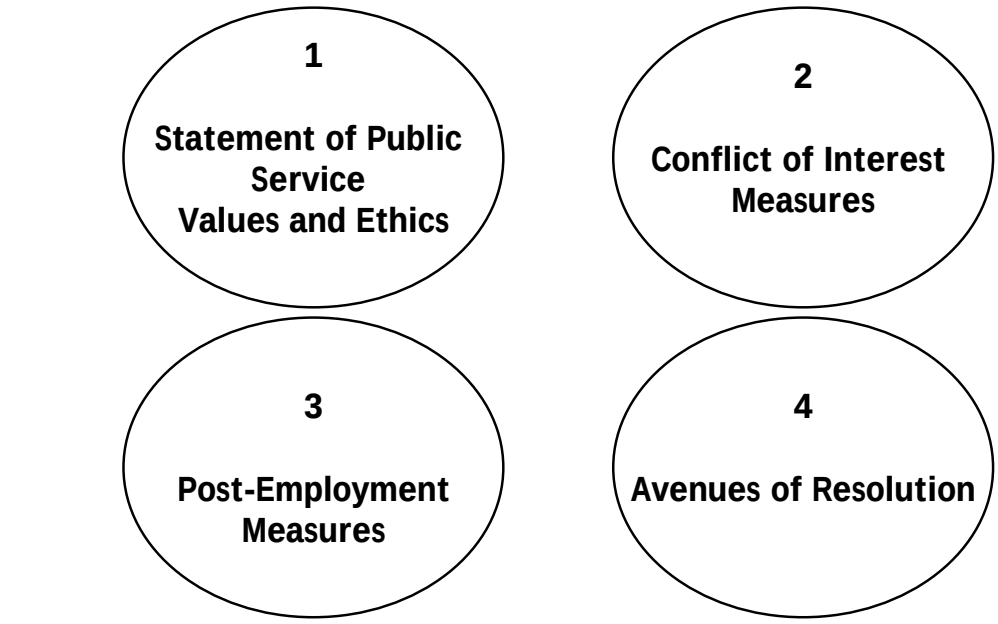
The 1990's: The 'Tait' Report

- Four Families of Values
- - Democratic, Professional, Ethical, People
- Statement of Principles
- Public Service "Dialogue"
- Codes of Conduct
- Internal Recourse and Disclosure (whistleblowing)
- Leadership: Central Agency and Deputy Ministers
- Appointments, Appraisal and Promotion
- Mechanism to ensure merit-based, non-partisan public
- service
- Training and Development

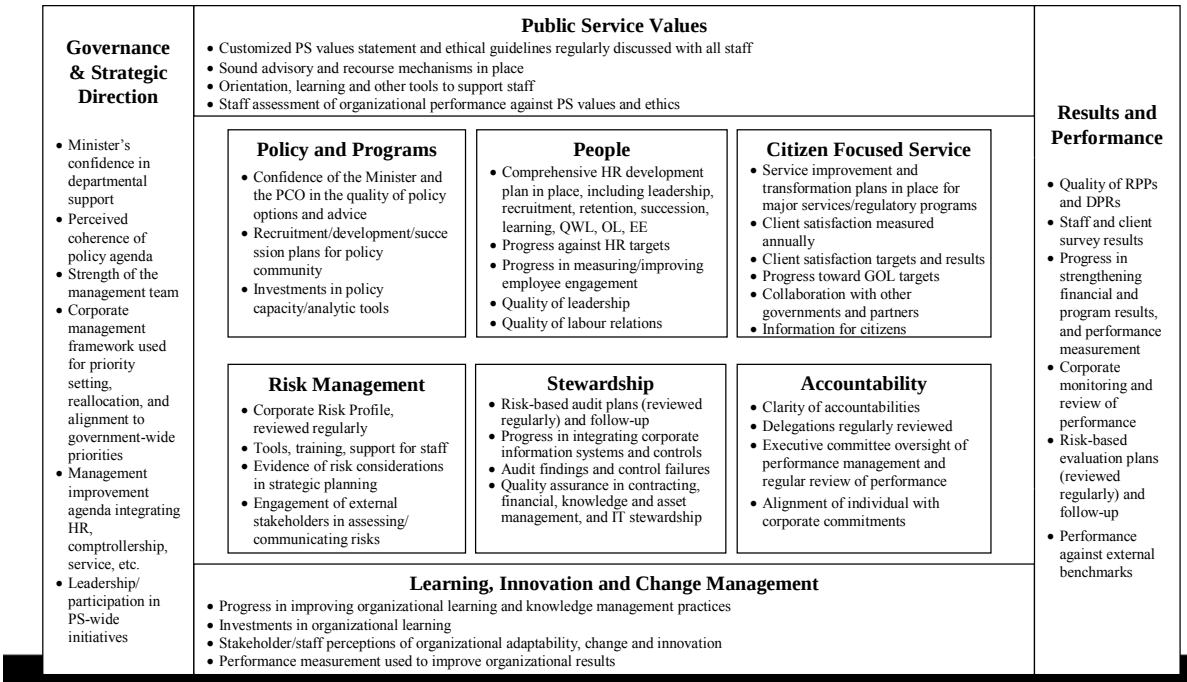
After the Tait Report: Dialogue and Renewal

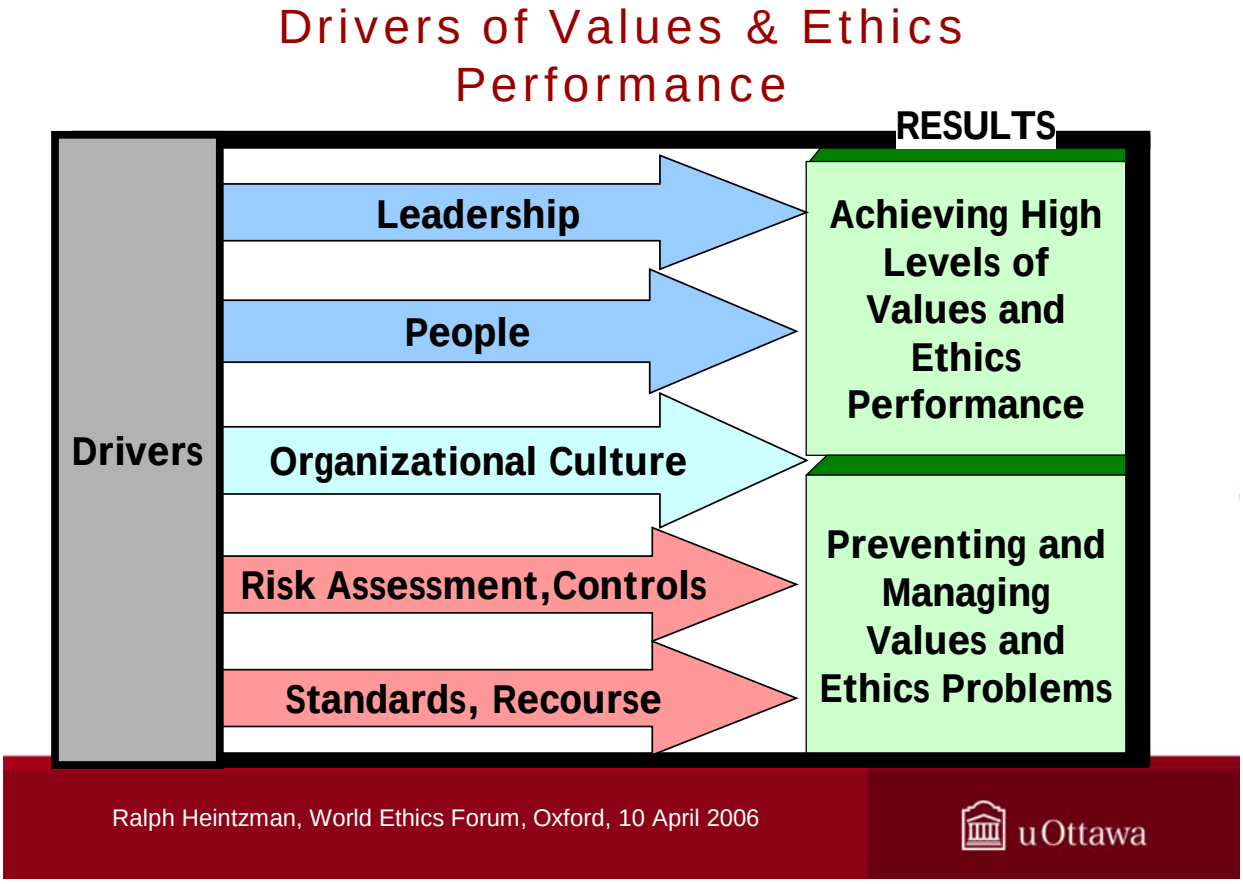
- 1999-2002: Deputy Minister Co-Champions lead public service-wide "dialogue"
- 1999: - Office of Values and Ethics
  - First Public Service Employee Survey
- 2000: - Auditor General Report on Values and Ethics
  - *Results for Canadians*: Four Families of Values
- 2001: Policy on Internal Disclosure of Wrongdoing
- 2002: 2nd Public Service Employee Survey
- 2003: - Values and Ethics Code for the Public Service
  - Public Service Modernization Act
  - Office of Public Service Values and Ethics
  - Auditor General Report on Accountability and Ethics
  - Management Accountability Framework
- 2005: Public Servants Disclosure Protection Act

Values and Ethics Code for the Public Service

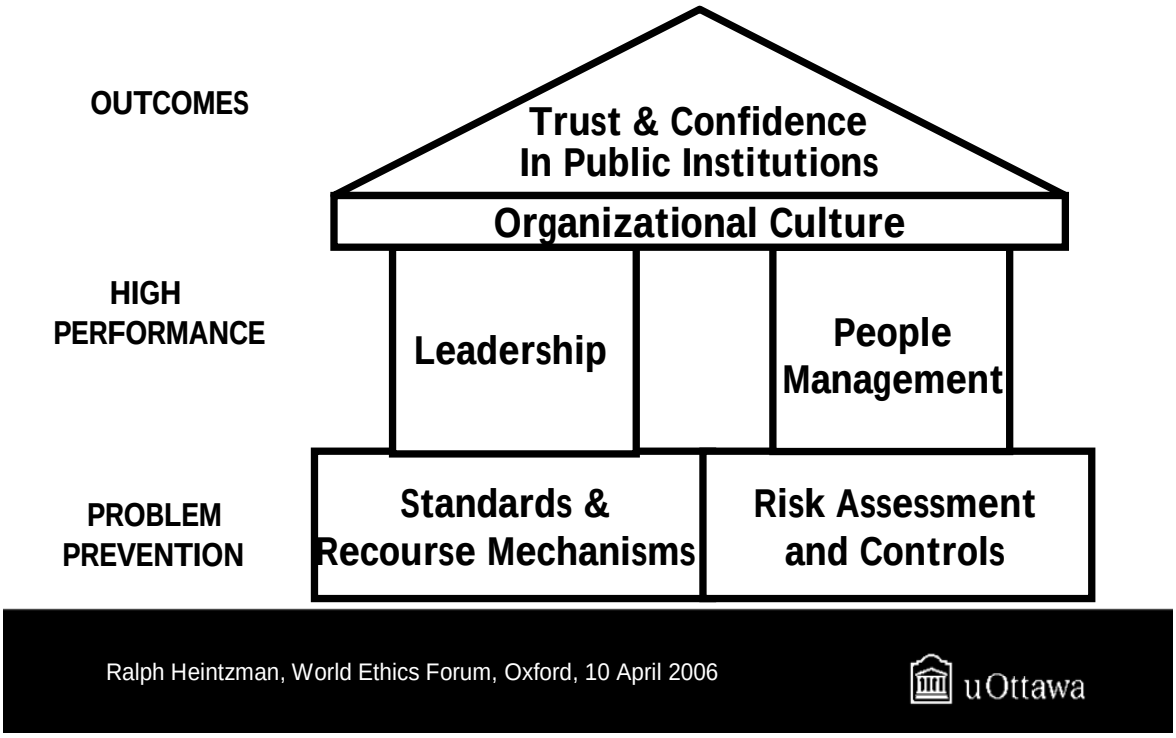


Management Accountability Framework




Drivers of Values & Ethics Performance
RESULTS
Drivers
Leadership
People
Organizational Culture
Risk Assessment,Controls
Standards, Recourse
Achieving High Levels of Values and Ethics Performance
Preventing and Managing Values and Ethics Problems
Ralph Heintzman, World Ethics Forum, Oxford, 10 April 2006
uOttawa

The Building Blocks of Values and Ethics Performance



Values and Ethics Results Roadmap

Factors	Infrastructure and Management Practices			Measure and Improve Results		
	Level A	Level B	Level C	Level X	Level Y	Level Z
8. Trust						
7. Culture						
6. People						
5. Leadership						
4. Risk Assessment						
3. Controls						
2. Recourse and Disclosure						
1. Guidelines, Standards & Frameworks						

Insights from Canadian Experience

- The lesson is the journey
- Building broad foundation, over time
- Governance, institutional and management perspectives necessary to support and prepare for ethics initiatives
- Preventing failures/foundation for success
- Beyond compliance: rules and values
- Inductive approach: focus on issues and real problems
- Dialogue – and beyond: from principles to results
- Results-based accountability for both: infrastructure and management practices & measure and improve results
- Bottom Line: trust and confidence in public institutions

Lessons for Other Jurisdictions?

- Urgent to re-explore and reaffirm the foundations of public service, public administration, good governance
- A "strong foundation" for sustainable development, social progress
- The condition for sustainable development, not the result
- The "Pyramid of Public Sector Ethics": A broad governance, institutional and management framework required to support ethics regime
- "Old" public administration before NPM: importance of control and compliance to build ethical culture and "habits"
- The building blocks (rules and controls) and the superstructure (leadership, people, organizational culture)
- Both "soft" and "hard" approaches: values and accountability
- Measure and report results: both practices and outcomes
- Beyond ethics: the ethos of public service

Vision/Outcome

- A civil service that earns and deserves the respect and trust of Ministers, parliament/legislature and citizens – as an important national institution in support of democratic government – through its dedication to the public interest, and its strong culture of democratic, professional, ethical and people values.

Public-sector Leadership, Development, and Ethics: The state of the literature and central questions for future work[1]

Douglas A Hicks[2]

Abstract

This paper constructively considers ways in which the international development community can widen a narrow focus on technical and managerial approaches in order to attend to broad ethical issues of public leadership. Ethical reflection on leadership asks questions of the means and ends of development; it calls for fostering the participation of followers (i.e., citizens) alongside leaders; and it urges attention to public-sector ethics far beyond establishment of legalistic codes of ethics. In the language of historian and leadership scholar James MacGregor Burns, we want to support transforming leaders instead of rulers or mere power-wielders. The paper seeks to connect insights from ethics and leadership studies to work on development. Questions such as these guide the inquiry. What is leadership ethics? Is there a universal ethic? How do we understand leadership for development? What role do followers and leaders play in the development process? After examining current literature and issues in cross-cultural leadership, cross-cultural ethics, and transformational leadership, the paper names an agenda for future theoretical and practical work.

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1 This paper was commissioned by Public Sector Governance Program (Poverty Reduction and Economic Management Unit) of the World Bank.

2 The author would like to thank Terry L. Price, Jonathan B. Wight, and John K. Davidson for helpful comments on earlier versions of this paper.

Leadership for economic and human development requires attention to both technical and moral questions. Even as the World Bank, the United Nations Development Programme (UNDP), and other global institutions have emphasized the importance of technical expertise in addressing a broad array of human needs, they should also focus on the importance of broad-thinking ethical leadership on the part of public-sector leaders. International aid, market-based capital and innovation, engagement of citizens, and other positive contributions to development can be obstructed or even undermined by corruption or cronyism of domestic governments. More positively stated, public-sector institutions that are ethical create and support healthy environments for meaningful development.

This paper constructively considers ways in which the international development community can widen a narrow focus on technical and managerial approaches in order to attend to broad ethical issues of public leadership. Ethical reflection on leadership asks questions of the means and ends of development; it calls for fostering the participation of followers (i.e., citizens) alongside leaders; and it urges attention to public-sector ethics far beyond establishment of legalistic codes of ethics. In the language of historian and leadership scholar James MacGregor Burns, we want to support transforming leaders instead of rulers or mere power-wielders. The paper seeks to connect insights from ethics and leadership studies to work on development. Questions such as these guide the inquiry. What is leadership ethics? Is there a universal ethic? How do we understand leadership for development? What role do followers and leaders play in the development process?

It is important to state that this paper's concentration on ethical leadership in the public sector does not imply that ethics is unimportant to other sectors or organizations domestic and international. On the contrary, corruption, cronyism, dishonesty, and the like can and do negatively affect private-sector organizations as well as 'third sector' or non-governmental organizations (NGOs). Conversely, companies and NGOs that are ethical enable not only successful development, but they can contribute positive economic and social externalities — such as social trust — to local, national, and even international communities.

Nonetheless, the distinctive nature and role of government — including the power of the state over citizens' lives and the state's responsibility to pursue the collective good — warrant a close examination of ethical leadership in the public sector.[3] Toward that end, this paper proceeds as follows: The remainder of this section draws out two key distinctions for understanding ethics and public-sector leadership: 1) *effectiveness* and *ethics* in leadership; and 2) *individual-level* and *institutional-level* issues of ethics. Section II critically examines descriptive questions of *cross-cultural leadership*, looking particularly at key works in the social scientific literature. Section III focuses particularly on the normative issues in *cross-cultural ethics*, with an eye toward implications for cross-cultural leadership. Section IV applies the issues raised in earlier sections to public-sector *transformational* leadership, the

3 In comparison to private-sector leadership, public-sector leaders often have more bureaucratic limitations, shorter timelines for success, and fewer resources at their disposal to get things done. For a now-classic comparison of private-sector and public-sector management, see Allison (1980).

most promising approach to leadership for lasting social change. Finally, a concluding section draws together key insights of this review and analysis and sketches an agenda for further theoretical and practical work.

Technical and Moral Questions

Leadership ethicist Joanne Ciulla distinguishes the two key senses of 'good leadership': good leadership connotes *effectiveness* as well as *ethics* (Ciulla 1998; see also Ciulla 2005). Effectiveness requires a high level of competence which, in turn, relies on technical knowledge and skills. For example, a World Bank economist presumably holds an understanding of microeconomic and macroeconomic theory, a working knowledge of relevant statistical methods, significant computer skills, and so forth. A public administrator in a national government has skills in economic and political systems as well as an understanding of the governmental structures, policies, and procedures. Good leadership in the sense of *effectiveness* requires persons with such knowledge and skills to work together toward some goal — i.e., reduction of infant mortality, increase in gross domestic product, construction of schools, etc. But the question of how goals are determined, as well as what processes are undertaken in order to reach those goals, are both issues of *ethical* leadership. Are public officials choosing goals that serve well the public interest? Or do the goals disproportionately benefit a sub-group (perhaps including the public officials themselves)?[4] Are persons exploited or deceived in the process of reaching these goals? Are citizens properly consulted during the process? These are all issues of ethics.

Although the distinction can be overstated, it is useful to distinguish *leadership* from *management*. In John P. Kotter's view, management focuses on short-term planning and budgeting as well as organization and staffing. Leadership reflects a broader perspective, with a view toward long-term setting of goals and inspiring followers to grasp, contribute to, and adopt a vision (Kotter 1990). Stated differently, management tends to accept current institutions and the environmental culture and then works within that structure as efficiently as possible. Leadership understood broadly involves critically examining institutional and cultural realities and considering how best to transform them to meet important goals (such as those of economic and human development). Leadership, unlike the narrow view of management, requires fusing large ethical questions with technical expertise.

Economists — alongside engineers, scientists, and other technical experts — tend to view their work as 'value-free' or purely about efficiency. While the question of values in standard

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4 On this technical side of leadership dealing with effectiveness, we might further distinguish among goals, objectives, measures, and implementation. For example, one overarching goal might be: 'save lives of babies.' One objective toward achieving this goal may be: 'reduce infant mortality in the poorest 25% of population.' The specific measure chosen may be: 'subsidized health care.' And the implementation might include the distribution of fliers to poor rural areas. There can be an effectiveness (or an ethical) breakdown at any one of these levels, particularly at the implementation phase, which perhaps is most subject to corruption. In other words, much more work is needed on this effectiveness front than merely the articulation of worthy goals. I am indebted to economist Jonathan B. Wight for his input on this point.

economic theory is complex and has received much fuller treatment elsewhere (Sen 1987; Boulding 1969; Hausman and McPherson 2006), it suffices to state that societies, governments, and other organizations can be efficient at achieving various *goals* that do not serve the interests of their constituents. Similarly, some *means* of attaining goals may well be efficient (at least in the short term) but can, at the same time, unacceptably violate personal liberties or other human rights. Economic-development goals and the processes to reach them are, like other social questions, matters of both efficiency and ethics.

Thus, the leadership process must include reflection upon both technical (efficiency) and moral (ethics) dimensions.

Institutional and Individual Ethical Challenges for Leadership

Ethical analysis treats both institution-wide issues and individual-level issues. It is too easy to overlook one of these levels for the other, or to reduce one to the other, when doing ethics. For instance, the focus on the dishonesty of a leader can easily overlook important systemic or cultural factors that enabled (or even encouraged and played a role in) his dishonesty. Conversely, talk of a 'culture of corruption' might too readily excuse a leader from accountability for her actions, with statements such as, 'Everyone is doing it' or 'That's how it is done here' (see Ruscio 2004, 51-57).

The work of Terry L. Price focuses on ethical failures of individual leaders to adhere to the basic rules or norms of morality. Unlike most 'volitional' accounts, which highlight leaders who know what they are doing is wrong but believe they can get away with it, Price argues that leaders often believe (or convince themselves) that what they are doing is right. In this 'cognitive' account of failure, leaders make exceptions of themselves, claiming that at least some of the basic rules of morality do not apply to them. That is, as leaders they believe that they are special and can therefore expect special treatment. Price asserts that this way of thinking — that is, a leader's cognitive failure — is a hard problem, because leaders often rightly make exceptions of themselves (Price 2006). For instance, because they are busy, they can often be excused for being late to (or cancelling) meetings; leaders often get a driver to shuttle them from meeting to meeting in order to save time. When and how to draw the line between special treatment that is reasonable and special treatment that is an abuse of status is no simple task — and it is one that is rarely examined in these terms. Thus, the dynamics that contribute to the ethical failures of individuals deserve continued attention, along both volitional lines (e.g., Are leaders weak-willed?) and cognitive ones (e.g., Why do leaders expect special treatment?).

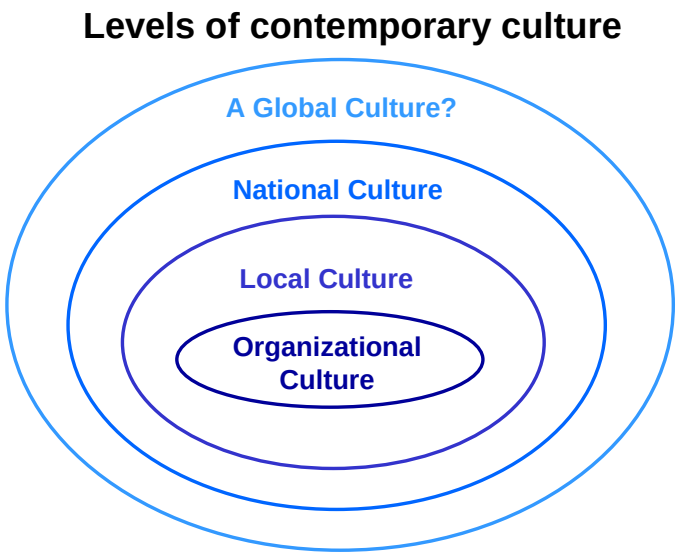
Wider cultural and societal factors need attention as well. Institutions, whether small firms or large organizations, have their own cultures as do wider societies and nations. Compare these two classic definitions of culture:

> [Culture is] …the way of life of a people … the sum of their learned behavior patterns, attitudes, and material things … a way of organizing life, of thinking, and of conceiving the underlying assumptions about the family and the state, the economic system, and even of [hu]mankind.
>
> (Hall 1959)

> [Culture is] … a shared pattern of basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.
>
> (Schein 1992)

The latter definition, from a psychologist studying organizations, and the former, from an anthropologist studying entire cultures and peoples, bear strong resemblance to one another. Cultures, whether organizational, local, national, or even global, help shape our assumptions, ways of thinking, and organizing our collective lives, as indicated in Figure 1.

Figure 1



Each of these cultural levels contains working assumptions about what is ethical and what is unethical. Cultures contain general conceptions of individual ethical behaviour (e.g., when, if ever, is using deception acceptable?) and of social ethics (e.g., what does justice require in terms of governmental protections and provisions?). A cultural ethos sets a context in which individual actors act. As Figure 1 suggests, immediate contexts arguably have a more significant influence than wider ones, but these multiple contextual levels can bear concurrently on a leader or on a leadership process.

Joanne Ciulla labels one type of cultural influence, at the organizational level, as the 'moral environment.' She states:

> A moral environment is a system of customs and habits found in daily life that take on a logic of their own. They influence dispositions and sensibilities of people given the structure, tradition, beliefs, leadership, policies, and practices of an organization … A healthy moral environment is one where it makes sense to be honest, fair, loyal, forthright, etc. (Ciulla 1987, 134)

The same claim can be made for the moral influence of local, national, and trans-national cultures as well.

Leadership scholars are correct that good leaders not only ably *read* and understand cultures, but that they also play a critical role in *shaping* cultural norms and values and expectations (Schein 1992; Deal & Kennedy 1982). Public leaders must not accept culture or values as an unchangeable 'given' but, rather, they can set out to transform them. At this point the actions of individuals and the moral messages of culture come together: Cultural transformation can and does directly influence individual decision-making and actions within that culture. And, of course, it takes the work of individual leaders to leverage such cultural, moral change. There is value, then, in undertaking careful determination of 1) the dynamics of the moral environment of a culture, and 2) the key leaders who are in an influential position to shape that culture.

Leadership and Cultures

The issue of how cultures differ in their relationship to leadership has taken on increasing prominence in the era of globalization. In public-policy circles, discussions have focused on culture as a problem, that is, as a source of conflict. Samuel Huntington's famous thesis about *The Clash of Civilizations and the Remaking of Global Order* (1996) posited that in the post-Cold War period, it would be not nation-states but civilizational blocs with shared cultural traits that would create the 'fault lines' of the new global order. Benjamin Barber's provocatively titled *Jihad vs. McWorld* viewed cultural particularity as divisive and potentially violent, even as the global market 'mono-culture' provided an additional threat to democratic regimes (Barber 1995). These dominant images in public debate portray culture as something to be overcome — not as a resource, as a fundamental part of human identity, or in any other positive way. Seeing culture as a 'problem' might also lead more powerful leaders (e.g., those from donor institutions or nations) to introduce their own cultural models into developing countries in ways that, however good the intention, could be inappropriate to local contexts.

The interest in cross-cultural leadership *per se* has been pursued most rigorously in studies of private-sector, multinational corporations (MNCs). Based on studies begun four decades ago, Geert Hofstede provided an important approach to how scholars and practitioners could usefully distinguish among cultures. Hofstede's focus, through the study of managers in various countries within an MNC, was on the 'collective mental programming' of national environments. Hofstede undertook a major survey of employees in 40 countries of a U.S.-based MNC and determined that there are four major axes along which national cultures differ: power distance, uncertainty avoidance, collectivism/individualism, and masculinity/femininity (Hofstede 1980).

Hofstede's work was foundational for understanding leadership in cross-cultural perspective, as he provided empirical data supporting the views that 1) the practice of leadership is distinctive in different cultural contexts around the world, and 2) American (and other Western) approaches to leadership are culturally influenced and therefore culturally limited. In support of this latter claim, psychologists have shown that the process of thinking and building cognitive classifications varies by culture; for example, Richard E. Nisbett and

colleagues have argued convincingly that Western thinkers emphasize individual objects and decontextualized analysis of those objects, while East Asian thinkers think holistically — in terms of the entire field of objects, rather than one object (Nisbett, Peng, Choi, & Norenzayan 2001). In relation to leadership, these findings suggest that Westerners are more likely than East Asians to make attribution errors — i.e., to credit leaders with more success than they deserve for a productive group process or to charge leaders with more blame than they deserve for an unproductive collective process.

A more recent and more comprehensive analysis of culture and leadership is the Global Leadership and Organizational Behavior Effectiveness (GLOBE) Project, begun in 1991 by principal investigator Robert J. House, with some 170 co-investigators. The GLOBE Project, like Hofstede's work, focuses on the private sector — in this case, surveying and interviewing mid-level managers of firms. GLOBE examined a greater number of countries — 62 — than Hofstede's 40, and it moved beyond sampling employees in a single MNC to survey a variety of employees in the three fields of telecommunications, food processing, and financial services. While Hofstede identified four axes of cultural variation, the GLOBE Project posited nine dimensions of culture: uncertainty avoidance, power distance, institutional collectivism, in-group collectivism, gender egalitarianism, assertiveness, performance orientation, future orientation, and humane orientation (House, Hanges et al. 2004).

The empirical work of House and his co-investigators has drawn some strong, though nuanced, conclusions about the universality of leadership. The researchers have identified 112 attributes of leaders from their data. They assert that of these attributes, about 20 (e.g., trustworthiness, sense of justice) are universally understood as positive factors in effective leadership and 8 (e.g., irritability, non-cooperation) are universally negative towards leadership effectiveness. They identified another 35 (e.g., sensitivity, risk-taking, individualism) that are seen as effective in some cultures but not in others. Interestingly, the authors also note that even though some leadership attributes might be seen as universal, the means by which they are manifested or lived out can vary across cultures. That is, being trustworthy is seen throughout the 62 countries as a positive attribute of leaders, but what actions constitute the holding of one's trust can differ widely from one cultural/moral environment to another (House, Hanges et al. 2004).

The GLOBE researchers undertook further analysis of these leadership attributes to determine six 'global leadership scales.' They are charismatic/value-based, team-oriented, participative, humane, autonomous, and self-protective. They present data indicating that when countries are grouped by geographically based cultural cluster — not unlike the civilizational groupings that Huntington presents — the clusters differ along each of these six leadership scales. The study found that in overall terms, different cultures ranged significantly in terms of their 'culturally endorsed implicit leadership theory' (or CLT), a concept which extends the culture-bound insight that persons hold their own 'implicit leadership theory' (ILT). The earlier scholarship of ILTs suggests that individuals carry with them, as part of their lenses of interpreting the world, certain understandings of what good leadership looks like. The work within GLOBE on CLTs suggests that persons within a particular national culture tend to hold similar assumptions about the characteristics of good leadership. This perspective is consistent with the claims of Nisbett et al., though GLOBE researchers are arguably not as emphatic as Nisbett et al. are in highlighting cultural

differences in cognitive categorizing. The GLOBE researchers rightly acknowledge that CLTs are more like fields than fixed points; that is, persons within one society, under the broad influence of its CLT, still differ in their individual ILT (Den Hartog, House, et al. 1999). For example, a society might be seen as generally 'team-oriented,' but individual citizens within that context differ on just how important being team-oriented is for good leadership. Cultural influences (even given the multiple levels as noted previously in Figure 1) are not wholly determinative of how an individual person views the world.

Cross-Cultural Ethics

The social-scientific literature on leadership and culture is essentially descriptive analysis. In that vein, the works, ideas, and insights discussed in the previous section examine the ways that culture influences leadership processes without making judgments on whether certain leadership attributes are good or bad in normative terms. In this literature no value-based judgment is proffered (at least not explicitly) between, say, individualism and collectivism.[5]

Ethical analysis calls for examining both the descriptive and the normative dimensions of cross-cultural leadership. What are the proper goals of leadership? Who should have a say in determining those goals? What processes are appropriate for reaching them? These are fundamental normative questions of leadership ethics. Do the answers vary across cultures? The GLOBE Project and others give insight into this latter, descriptive question, providing a nuanced answer by identifying some basic universals amidst significant cultural differences in both concepts and practices. But we must go further to assess what we (whether as analysts, as citizens, or as leaders) are to do, normatively, about these cultural differences in morality.

Suppose we learn that persons across cultures differ in their view on whether a moderately well-off (but not affluent) family is obligated to assist a local child who is suddenly orphaned. *Is there a moral imperative for the family to provide care for this child?* Does it matter (and if so, how?) that there is cultural variability in the answer?[6] Or, are there some

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5 The GLOBE Project has noted a difference, within each culture, between the culture's presumed values and actual practices, but even this analysis was descriptive. We should also note that, given that most of the studies on cross-cultural leadership have focused on the private sector, an unspoken value, at least in terms of how these studies have been employed, has been profitability. If firms can understand how cultural differences work, then they can operate more efficiently and profitably in different contexts around the world. Thus, even in the purported descriptive analyses of cross-cultural differences, economic efficiency appears to be an assumed value. Our focus on cross-cultural ethics enables a more explicit attention to values.

6 There is surely cross-cultural variability in the answer, and there are at least two different cultural scenarios that would lead to a negative answer to the question of obligation in this case. For example, consider a society that has an extremely high in-group collectivism but an extremely low society-wide collectivism — in other words, a society with an 'every family or clan for itself' morality. If the adult in the example was sure that the child 'belonged to' a different clan, there would be no moral compulsion to act. As a second example, it is at least imaginable to say that persons in a highly marketized, Western culture could respond that

cases, such as this one, in which we would say that some cultural beliefs are better or worse, ethically, than others? That is a question to be explored in this section.

Universal approaches

One set of answers to the cross-cultural ethics question is termed *universal*. Although they rely on different reasons (as reviewed briefly below), proponents of most universal approaches answer the question about whether there is a moral imperative to help the orphaned child with an unequivocal YES. On these views, there is a clear and universally correct position from which to judge persons of whatever cultural background; and human beings can knowledgably judge their own and others' actions.

One significant example (and resource) for this ethical approach — especially in the context of international development — is the Universal Declaration of Human Rights, adopted by the United Nations General Assembly in 1948. The preamble of this document reflects a universal stance on the 'inherent dignity' and 'the equal and inalienable rights of all members of the human family'; no further statement of the foundation of human rights is necessary. The United Nations managed, in its earliest years, to draw together — which was a considerable leadership effort in its own right — parties from most nations in the world to recognize a moral system that transcends cultural differences. This document has inspired, of course, a stream of human rights documents sponsored by the United Nations.

A rights-based ethics that is grounded in a view of human nature is not the only approach to ethical universalism. For example, the most significant and rigorous duty-based ethical theory, Kantianism, assumes that moral motivations are independent of cultural influences.[7] All persons are capable of reason and of acting out of good will, without regard to the consequences of one's actions. Kantianism and other duty-based approaches offer, arguably, the most solid ground for providing a universal ethical framework.

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time and expense are required to help the child; in this culture, these are costs that individuals should not be morally required to bear.

7 Immanuel Kant assumed that reason and will, and the transcending of human 'inclinations' or outside influences when duty requires it, were not culturally dependent (Kant 1993 [1785]). Yet, his strong account of autonomy as the ultimate moral (and human) value has been criticized as a culturally situated perspective — part of the Western, analytical frame that scholars have contrasted with more holistic, interdependent, and communal worldviews (as noted in section II above). What Kant called universal is what some critics call culturally limited.

Other universal approaches include utilitarianism,[8] John Rawls's theory of justice,[9] and the capabilities approach. Because of the importance of the capabilities approach for economic development discussions, it is important to consider this approach in more detail. In that context, the *capabilities approach* has been developed by a group of philosophers and economists. In this view, influenced by Aristotle and Adam Smith, the understanding of human well-being is fuller than what the language of rights (or Rawls's justice as fairness) can capture. Ethics should be grounded in a set of goods that reflect the capability of persons to function well in their society. For instance, being well-nourished and being a member of a political community are important kinds of goods within a well-lived life; rights can protect these 'functionings', but various social conditions are necessary to allow persons to them. The most universal of these capability-theorists is Martha Nussbaum. She offers a list of capabilities that are essential for a flourishing life, including bodily health, affiliation, and practical reason (Nussbaum 2000). In Nussbaum's view, cultures (and individuals within each culture) vary in the relative weight that they attribute to particular capabilities, but the set of capabilities is essential for any person to live a fully human life.[10]

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8 The goal of utilitarianism is to maximize overall utility of all persons within the scope of morality; in its purest form, utilitarianism is universal in its scope. While utilities may be objectively or subjectively determined, the utility of each person counts equally, regardless of cultural background or status. If a person's utility, or happiness or satisfaction, is solely a matter of his or her own determination, then it is a subjective approach. This approach to utilitarianism is open to the criticism that a person's preferences might be improper, misguided, or maladapted. As an example, persons who are marginalized in their own communities and who do not believe they are deserving of respect might well be satisfied with their lot, even if it is abject poverty. They may report or feel a sense of high utility, in other words, even though by objective measures they deserve much better (Sen 1999; Elster 1983). Utilitarianism could still retain the focus on individual utility and aggregate those utilities to maximize the overall good, however, without accepting this subjectivist view of how an individual's utility is assessed.

9 The moral and political philosopher John Rawls sought to develop a theory of justice — he termed it justice as fairness. This approach offers a fuller view, compared to a rights-based approach, a Kantian approach, or a utilitarian approach, of what a 'just basic structure' of society should provide for its citizens. In addition to the basic political liberties, Rawls named a wider set of goods, what he called 'primary goods' — things that any persons need whatever else they need in their own particular situation. Society should be arranged so that all citizens would hold a sufficient amount of each of these primary goods. Although this approach makes broader claims about what any and all citizens should receive than most rights-based approaches to ethics, it is admittedly a culture-bound theory, based largely on Rawls's analysis of the U.S. political and economic system — and how it should be transformed. Rawls's later work, including Political Liberalism (1993) and The Law of Peoples (1999), assumed wide cultural, social, and political difference in the world community and, in fact, his international approach to justice has been broadly criticized as being not substantive enough in its justice claims across cultural and national boundaries (Singer 2001; Nussbaum 2004).

10 As will be discussed below, the other major figure in the capabilities approach, economist-philosopher Amartya Sen, takes a less universal understanding.

In large measure, proponents of these universal approaches to ethics tend not to believe that cross-cultural differences should bear significantly on how we assess goodness and justice. Although some of the frameworks (the human rights approach, Nussbaum's approach to capabilities) are influenced by cross-cultural experience and verification, they all arrive at rather strong universal claims about ethics. Universal perspectives tend to voice little problem with persons in one cultural milieu rendering moral judgment upon practices or persons in another cultural context. We will see that the other two kinds of approaches, the cultural-integrity and the dialogical, do not hold such confidence in the power of universal viewpoints.

Cultural Integrity, Cultural Relativism, and Power Differentials Among Cultures

Advocates of the cultural-integrity view hold that cross-cultural intervention into leadership confronts the challenge created by conflicting or even clashing worldviews. The morals of a culture are only comprehensible, so this approach states in its purest form, within that culture.

A cultural-integrity proponent might claim, for instance, that inhabitants of a culture can properly reject Western medical practices, not on the grounds that such practices are inherently bad, but on the grounds that the introduction of Western-trained medical professionals and modern pharmaceuticals will break the tightly knit fabric of the traditional community (Appfel Marglin and Marglin 1990). Whereas many analysts view the addition of choices, say, for medical care, as almost always a positive change (since the original options still remain as potential choices), proponents of cultural integrity claim that this view of freedom-as-choice depends upon an individualistic mindset. A communal practice may require the participation of nearly everyone in that community in order for that practice to remain viable. And, as Stephen Marglin argues, once a move toward individualistic practices is made, it is hard to go back to the communal practice (Marglin 1990).

Is this position simply cultural relativism — counting any cultural practices as morally acceptable, under the banner of cultural integrity and tradition? If that were the case — i.e., cultural systems are simply a 'black box' not open to scrutiny by outsiders (or for that matter, internal critics) — then Kwame Anthony Appiah is correct to say that this is the protection of the autonomy of culture at the cost of the autonomy of individual persons (Appiah 2005). Appiah rightly claims that cultural practices should be open to public scrutiny, discussion, and debate. But on this point, Marglin raises a further issue that is worthy of attention: Cross-cultural debate is seldom undertaken on a level playing field. Rather, when Westerners and Africans have a cross-cultural debate, for example, it usually takes place in the context of a severe differential of economic and political power. Often, the discussions fall within the context of potential international assistance from Western governments to African nations. Cross-cultural ethics debates focus more frequently on female circumcision practices in 'traditional' societies than on the institutionalization of the elderly in 'industrialized' societies.[11] In other words, it is more frequent that industrialized societies seek and are able to judge the morals of impoverished societies than vice versa. In examining the ethics of

11 I acknowledge conversations with Stephen Marglin on this topic and the related issues of the role of economic influence in cross-cultural ethics.

leadership in cross-cultural contexts, however, it is important to be open to two-way or multi-way examination.

What does this brief focus on cultural integrity and cross-cultural power suggest? Culture is not a fixed entity that is forever unchanging. Rather, cultural traditions can be understood either as on-going conversations (McIntyre) or as flowing rivers (Eck) that encounter change and make change from within. Cultures are not inscrutable or, in this increasingly interdependent world, exempt from external interaction or critique. Yet, if there is a strong presumption of moral equality among humans, the examinations of cultural beliefs and practices should properly be undertaken, arguably, in a context of mutual, equal respect. The dialogue-based approaches discussed next are a move in that direction.

Dialogue-based Approaches

The efforts to extend a universal ethic beyond the human rights declarations are ongoing. The focused movement to produce a textual statement of a global ethic was initiated by German moral theologian Hans Küng and a group of colleagues across the major religious traditions at the 1993 World's Parliament of Religions in Chicago (Küng and Kuschel 1993). This collective effort reflects the idea that although there are significant variations in the world's religious, moral, and cultural traditions, engaged dialogue can allow persons to reach consensus on at least a list of moral concepts that should be endorsed by the global community. Although many participants in this ongoing global ethic discussion may believe, like the proponents of the Universal Declaration of Human Rights, that the ethic they are arriving at is universal, it is only through the hard work of dialogue that this list or framework can be reached.

Other promoters of international dialogue on ethics are less convinced that an objective list of rights already exists, simply to be discovered through conversation. These are constructivists, who believe that the dialogue itself might create certain moral claims, including rights that have meaning for the participants in the conversation. Kwame Anthony Appiah (2005), as one prominent example, asserts that human rights are important not because people from around the world assent to them on similarly philosophical grounds. They do not. On the contrary, because they have created a language for global or nearly global conversation, they allow moral conversation and at least basic moral agreement on key issues of our time. Appiah's version of a 'cosmopolitan' (or global) ethic is grounded in the creation of an ongoing conversation of mutual respect in which persons from around the world can share their rich cultural narratives with one another in hopes of finding — building — common ground.

Amartya Sen shares much of Appiah's confidence in public deliberation. In fact, he emphasizes the value of democratic debate not only as good-in-itself, but as a means towards all kinds of other social goods. As a proponent of the capabilities approach, Sen believes that what persons are able to do, be, or achieve within their societal contexts should be the topic for public discussion (Sen 1993). Unlike Nussbaum, Sen refuses to specify what human capabilities or functionings are universal (although he does frequently mention being well-nourished, having basic income, and being able to appear in public without shame as significant functionings for most persons). Rather, Sen believes that citizens should openly discuss what goods they value for individual and collective well-being in order to determine

not only what capabilities to include, but how to assign weight to and to balance them vis-à-vis one another. Sen also rejects the view that values such as individual freedom are Western and that there is such a thing as 'Asian values' that prefer communal structure over individual freedom, citing Indian and other sources that have long valued the so-called Western ideals. There is significance here for issues, say, of female circumcision, for when (often-male) leaders of countries make claims of 'This is what our culture supports,' they may not be speaking for all persons in that culture. Sen's public deliberation is thus more complex and diverse than other models.

Like the global-ethic and cosmopolitanism proponents, Sen expresses confidence that the creation of public forums for discussion of issues will be constructive for determining moral action (Sen 1999). On this view, emphasizing public deliberation and openness, corruption and the lack of transparency are not only bad in themselves. They also can block the communal determination of what values matter most in a society and its development. Making public leadership transparent helps ensure that the moral diversity within a culture is heard, which in turn tends to allow marginalized persons a voice in their society.

One upshot of the dialogue-based approach to ethics is that the participation of followers — and not just leaders — is critical in the leadership process. This is for a number of reasons. In Sen's emphasis on democracy within his analysis of development, he states that there are three important reasons for which democratic freedoms have importance: 1) democratic participation is an *intrinsic part* of development, whatever its contribution to economic successes; 2) democratic participation does, indeed, contribute mightily as an *instrumental means* to economic productivity; and 3) democratic participation helps citizens and leaders to reach *constructive clarification* of what economic goals a society should have (Sen 1999, chapter 6). This suggests that followers are important for providing information to leaders in the development process; followers' diverse points of view add vital input into leadership. Finally, leadership processes are less effective when they disempower followers and allow citizens not to be critically engaged as agents. The scholarly literature on transforming leadership, to which we now turn, emphasizes that leadership that is effective and ethical requires the active participation of followers, alongside leaders, in the process.

Public-Sector Transformational Leadership

The previous two sections have reviewed descriptive and normative approaches to cross-cultural issues in leadership. The emphasis on the importance of public deliberation, both within organizations and societies and with external bodies as well, has emerged as a key factor in achieving leadership that is ethical. As we have asserted earlier, foundational issues of leadership ethics include 1) the determination of proper goals, 2) the participation of citizens in goal-setting, and 3) the use of ethical means towards those goals. Public discussion can address each of these three items.

On the question of goals, it is worth noting that the proper ends of economic development are now seen more broadly than in prior decades. Rather than narrowly pursuing an increase in gross national product or gross domestic product per capita, the three spheres (basic income, education, and health) of the UNDP's human development index and the multiple dimensions of the capabilities approach suggest that leaders must engage carefully the question of what

goals are important and timely and how they should be prioritized amongst themselves. These are issues on which public-sector leaders, to a much greater extent than for-profit or NGO leaders, are able and obligated to consider the public interest and to structure open processes for its attainment.

Of all of the approaches to leadership set forth in recent decades, *transformational leadership* holds a distinctive place in both theory and practice. Although some important defenses of transactional leadership, especially in the international arena, have been published (Walker 2006), there is a wide consensus that transformational leadership is needed to foster significant, lasting social change. With that emphasis in mind, this section considers public-sector transformational leadership, with particular attention to the work of the most prominent political scientist to develop this concept, James MacGregor Burns. Transformational leadership holds the potential to create enduring progress in economic and human development.

In his now-classic 1978 book *Leadership*, Burns engages the question of how human needs relate to leadership. He explains the distinction between genuine leaders and those who simply wield power. Leaders focus on the values and motivations they share with their followers, while those who would wield power for its own sake act for their own interests and needs and do not mind exploiting followers to realize them (Burns 1978, 19). Burns states:

> Leadership is a process of morality to the degree that leaders engage with followers on the basis of shared motives and goals — on the basis, that is, of the followers' 'true' needs as well as those of leaders; psychological, economic, safety, spiritual, sexual, aesthetic, or physical. [Leaders] will supply a variety of initiatives, but only the followers themselves can ultimately define their own true needs. … Ultimately the moral legitimacy of transformational leadership, and to a lesser degree transactional leadership, is grounded in *conscious choice among real alternatives*.
>
> (ibid, p. 36, italics in original)

Transformational and transactional leadership are each distinct from mere power-wielding, which is not leadership at all.

In terms of the differences between the two kinds of leadership, Burns asserts that transactional leadership is inferior to transforming leadership for many purposes. Transactional leadership involves one person taking the initiative to make an exchange of valued goods with another party. But there is no lasting relationship, or investment of the parties, in such an approach. Each exchanger acts out of self-interest alone. In transforming leadership, however, both leader and follower must invest of themselves in the relationship. Their purposes, as Burns puts it, may have been separate but through the leadership process itself become at least partially fused together. Each party is raised to higher levels of motivation and morality. Enduring, significant social change is achieved (Burns 1978, 19-20). While other scholars have sought to domesticate or tone down the social-change aspects of transforming leadership,[12] Burns imbues the concept with a high moral and social purpose.

In a 2003 book, *Transforming Leadership*, Burns applies this leadership approach to anti-poverty work, asserting that public sector leadership must make it possible for citizens to have legitimate choices to determine their own true needs. Indeed, it is the very dire and basic nature of the needs of the poor that lead to Burns's assertion that poverty is the ultimate test for putting leadership to work. These needs — rather than subjective wants (see Burns 1978, 63-68) — stem from absolute deprivation of clearly recognized basic goods: potable water, nutritious food, basic healthcare, and decent shelter and sanitation. This is the first way in which Burns's approach is a moral conception: It gives priority to the needs of the least well-off human beings.

A second aspect of the moral nature of Burns's approach is his understanding of the interrelated nature of the needs of the poor. Burns mentions various dimensions of life, including food, clothing, shelter, mental and physical health, and security and social participation (2003, 232). This connects well to the capabilities approach discussed above. Burns clearly presents not only a 'leadership problem' to be solved, but a vision of leadership that would assist human beings to discover their own agency within their societies. Latent in Burns's approach is his vision of the well-lived human life that he describes as 'the pursuit of happiness.'[13] The cluster of conditions that entail poverty, for example, obstructs the agency that would allow human beings to have legitimate choices in their own lives. Public-sector leadership must avoid self-serving (or elite-serving) policies in favor of those that include the poor in decision-making and that meet the (other) objective needs of poor persons.

This point leads to a third part of Burns's moral vision. Citizens should not be simply recipients of assistance from paternalistic and good-intending foreigners and international organizations. On the contrary, all persons are moral equals, regardless of economic or

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12 For an important discussion of how some of the social-change aspects of transforming leadership were lost when the concept was appropriated for private-sector management, see (Couto 1995).

13 It would be interesting to press Burns to understand if his use of the language of 'the pursuit of happiness' (rather than 'happiness' alone) is intended to give high priority to the freedom of individuals to determine their own ends. If this is indeed the case, then his framework bears strong similarity on this point to that of Amartya Sen, whose capabilities approach emphasizes not only human functionings, but also the capability of persons to choose what combination of functioning they shall value and pursue. (See Sen 1999, 74-76.)

political power. This approach builds on the understanding of transforming leadership as mutual engagement of leaders and followers in which various parties work together to understand and to address problems. Advocates and architects of poverty policies must listen to the people whom they would serve (Burns 2003, 234-5). In this sense, transforming leadership is a dialogical approach. Foreign citizens and leaders collaborate with local people to design development strategies.[14]

It would be difficult to overstate the significance of mutual interaction as equals within Burns's framework. Yet, in a context of such severe socioeconomic inequalities, and the related inequalities of power, guaranteeing the fundamental equality of human persons is no simple task. Burns recognizes the challenge of creating genuine, mutually beneficial interaction between and among would-be helpers from the outside, domestic public-sector leaders, and persons whose choices are severely limited. Here it is important to remember that transforming leadership requires the full engagement of leaders as well as followers in the process of transformation. His prime example of such a leader is Mohandas Gandhi, someone who ultimately lost his life in his struggles to contribute to the social improvement of his fellow Indians (Burns 1978, 20).

Public-sector leaders, in order to avoid the trap of becoming power-wielders and trampling on the rights and freedoms of followers, must avoid coercion in their efforts, even if they arguably have the interests of followers in mind. Burns criticizes Indira Gandhi's forced sterilization program in the mid-1970s as a clear violation of this principle of follower agency (2003, 236). Although Burns does not object completely to the claim that leaders can never use unethical means to produce important ends (see Price 2006), the use of coercion by leaders violates the vision of empowering citizens to have control over their lives.

Transforming or transformational leadership contains these fundamental aspects across various cultures, Burns claims. He, like many others considered in this paper, prioritizes individual freedom as a fundamental value. Besides his reflections in his 2003 book on fighting global poverty, he has not worked specifically on the cross-cultural dimensions of transformational leadership. The mutual engagement and mutual respect due to all parties, however, is an important foundation.

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14 Burns focuses in his epilogue of Transforming Leadership on what he calls 'freedom leaders' who come from the industrialized world to serve and learn from persons in a developing country. Ciulla's work on 'bridge leaders' (2000) provides an interesting twist to this domestic-international analysis. Ciulla studied a group of national leaders from around the world to determine their educational background. She found that many of the successful leaders had received at least some of their formal education abroad. Ciulla posits that their cross-cultural experiences broadened their moral (and political) horizons in ways that enabled them to lead more effectively at home. Although there are perhaps different ways to interpret her findings (e.g., much of this education was undertaken in Western countries, and hence it may have served to enhance connections to networks that brought economic or political resources to their work), the study suggests that cross-cultural experiences can expand the moral imagination. Just as important, it blurs the line between the domestic and the international dimensions of transformational leadership.

The GLOBE Project has undertaken some analysis of cross-cultural aspects of transformational leadership in its work. Indeed, in some publications of the Project, authors listed the first leadership scale as 'charismatic/transformational' instead of the more recent 'charismatic/value-based' (compare Den Hartog, House, et al. 1999 to House, Hanges, et. al 2004). They maintain, nonetheless, that leaders described as transformational, charismatic, and visionary are seen universally as more positive than those who are not. Burns and other theorists are clear to *separate*; however, their account of transforming leadership from charismatic leadership, given the latter's potential problems of disempowering followers and leading on emotional appeal rather than genuine needs. (Perhaps this is why the GLOBE researchers removed the term *transformational* from the leadership scale including charisma.) Presumably, these researchers would maintain that the actual manifestation of attributes such as being visionary and showing charisma depend upon their cultural context. Analysts should undertake additional work to understand the level of participation of followers (or constituents) in public leadership for development. In transformational leadership this is a key value; in charismatic leadership, it typically is not. We need to develop further analysis of how public leaders can foster such participation — particularly in various cultures.

It is worth noting that transforming leadership also calls us to reflect on the role of international actors — including, of course, officials from the World Bank, but also other participants such as MNCs, international NGOs, and donor governments and their citizens. Although a fuller reflection on this topic is beyond the scope of this paper, the role of the international community is significant for sparking and supporting domestic public leadership efforts. A central challenge of fostering such involvement in development is one of *moral imagination*. As earlier sections have suggested, cross-cultural leadership that promises to be transformational requires a sense of commitment to engage in the process and, just as important, it requires a sense of mutual respect (as contrasted with *noblesse oblige* or the like) for citizens, regardless of their citizenship or their economic condition.[15]

Conclusions and Areas for Future Work

The paper has noted conclusions and questions for further consideration at various points above. What follows, then, is not an exhaustive list, but it does reflect many of the major points of the paper and it names an agenda for future work.

1. Although we should hold all institutions — governmental, private-sector, and non-governmental — to high ethical standards, public-sector leadership is better focused than

15 Adam Smith long ago noted the difficulty of the moral imagination of Britons to understand the plight of persons far away who were facing suffering, employing the hypothetical example of millions of Chinese persons who are 'swallowed up by an earthquake' but whose lives are not counted as significant to people in Britain (Smith 1982 [1759], III.3.4, 136-7). But in the present era, if people want to understand problems or conditions around the world, it is clearly possible to gain that perspective. Peter Singer and others have argued that the question of proximity of neighbors (or the lack thereof) may have been, in earlier times, a relevant criteria for moral concern, but the current era of globalization has removed the twin excuses of ignorance of problems around the world and the inability to reach those areas to make a difference (Singer 1972; Hicks 2001).

private-sector or NGO leadership to reflect upon and to name valuable social, economic, political goals of society. Ethics in this context deals with what public goals are set, how they are set and who participates, and the means by which public goals are pursued. Each of these issues calls for closer scrutiny in specific cultural and national contexts.

2. Such public-sector leadership is considered *good* leadership if it is both technically competent (effective) and morally sound (ethical). Much theoretical and practical work can be done with technical experts (economists, engineers, judges, bureaucrats) to move ethical reflection from the level of assumption to the level of explicit attention. That is, the development process can be improved by assisting technical experts to understand the moral dimensions of their work and to encourage them to ensure they apply their expertise in ways that are consistent with ethical means and ends.

3. Ethical analysis of any institution or organization requires focus on the actions of *individuals* and the moral *environment* in which individuals act. The moral environment is more than a matter of written laws or codes of ethics but includes a whole cultural ethos. Thus, understanding a moral context requires careful cultural analysis beyond laws and codes to focus on everyday practices by leaders and followers alike.

4. In follow-up to the pioneering work of Price (2006), further work on the dynamics of individual leaders' ethical failures should be undertaken, including empirical studies. Conversely, in a context of public-sector leadership in which corruption is an operative term, studies of ethically *successful* leaders need also to be undertaken.

5. Morally good leaders not only can understand the operative assumptions and norms of their environment, but also are able to leverage change in the moral culture. Identifying the key leaders (and the key points of cultural change) is a fundamental task for theoretical and practical work in specific contexts. This identification provides opportunities for the international community to support such persons in their own work to embody and promote integrity in leadership. It affords the possibility to provide such persons with resources and insights learned in other contexts and to learn from their experience in ways that can help leaders in other contexts as well.

6. In descriptive terms, research in management, psychology, and leadership studies support the view that norms, ways of thinking, and ways of acting do differ significantly across cultures, but some leadership attributes are seen as universally positive or negative for good leadership. More work needs to be done in follow-up to understand the degree to which universally named leadership attributes do or do not vary in practice across cultures.

7. In normative terms, cross-cultural approaches to ethics vary significantly, from universal approaches to cultural-integrity approaches, in their respective understandings of the role that these descriptive cultural differences should play in morality. More collaborative research between social scientists and ethicists on these issues of cultural difference would be valuable. What moral sense do we make of the social scientific findings, say, on gender egalitarianism (and other dimensions of culture)?

8. In the dialogical approaches to cross-cultural ethics, the value of citizen participation and transparency emerged as a possibly constructive means by which to navigate between more the polarized positions. Public, open processes that reject corruption provide one important aspect of development for citizens — participation as free agents in their own development. In what ways can public leaders and international organizations promote public dialogue, both local and international? What role(s) do transparency campaigns have on the quality of public debate?

9. Charisma and transforming leadership should be further distinguished in the work of cross-cultural leadership. To what extent (if any) do leaders with charismatic authority tend to make exceptions for themselves or to take advantage of their followers more than leaders without charisma?

10. The concept of *public-sector transformational leadership* provides a promising way forward for development. The work of James MacGregor Burns, Bernard Bass, and the GLOBE Project might helpfully be extended here to develop insights into how the key aspects of transformational leadership — mutual engagement as equals, the high participation of followers, and lasting social change — vary (or do not vary) by culture and can be promoted in specific cultural contexts. In addition, the impact of international liaisons — whether Ciulla's 'bridge leaders' or Burns's 'freedom leaders' or international employees of the World Bank, MNCs, or NGOs — is worthy of much further attention.

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Small Pond, Big Fish, Snagged Lines

John Hyde

In Western Australia, we have had the opportunity over the past two years to legislate for and oversight Australia's newest corruption-fighting body, the Corruption and Crime Commission of Western Australia (CCC), established on 1 January 2004.

Its predecessor body was the flawed, sometimes dysfunctional, and often public-relations-catastrophe-prone Anti-Corruption Commission.

The Corruption and Crime Commission, which is independent of the Executive tentacle of Government, has used its sizeable budget, strong powers and canny personnel to efficiently and quickly gain public confidence and real, measurable corruption-fighting successes: exposing a number of public sector and local government wrong-doers, most tellingly in public hearings where the initially 'I'm innocent' target, would publicly 'fess up after he and the public shared concurrently, for the first time, recordings or video of the denied offence happening.

As a former journalist, I have watched the WA media accurately praise and give credit to our CCC and its leadership under Commissioner Kevin Hammond. With a Parliamentary Inspector and a Parliamentary oversight committee — which I chair; our Deputy Chair, the Hon Ray Halligan is also attending this conference — the checks and balances pertaining to a powerful corruption slayer have motored along swimmingly.

No big egos, no partisan by-play, no hidden agendas. The Committee, comprising two Labor and two Liberal members, with no casting votes to engender bipartisanship, even continued its independent stance by querying and not accepting advice from the Premier's Office on some interpretations of the enabling legislation.

Parliamentary colleagues mused that this had to be the best corruption commission in the world. Even some Asian nations were sending down teams to Perth to explore basing their new corruption fighter on WA's. We had to be the most fortunate parliamentary oversight committee ever. New legislation, great leadership and dedicated staff had actually created a winner for us.

Then on 16 August 2005, the CCC's Acting Commissioner, Moira Rayner - a well respected human rights advocate, Equal Opportunity Commissioner in Victoria and one-time Children's Commission advocate in London - admitted to the CCC Commissioner that she'd tipped off a CCC suspect. On 25 August the parliamentary oversight committee was fully briefed, and less than three hours later we made the issue public. Suddenly, we were openly exposing the most serious transgression by a corruption fighter's head in Australian history.

Today, I'd like to explore how the *way* the CCC itself, the Parliamentary Inspector and even the parliamentary oversight committee exposed and dealt with this transgression meant that the Western Australian public could have even greater confidence that the CCC model is the best corruption fighter available.

It is an undeniable fact that the CCC itself discovered a transgression by one of its own (albeit the Acting Commissioner), and dealt with the issue quickly, professionally and transparently. The CCC's handling of this matter should be a template for every agency, local council or parliament on what to do when you discover a transgression internally, be it misconduct or corruption.

There was no need for a whistleblower, no journalist toiling away like Watergate sleuths Woodward and Bernstein foiled by cover-ups and fuelled by deep throats. The CCC discovered the transgression itself.

Western Australia's capital Perth is the most geographically isolated capital city in the world. At just 4000 km, we are closer to Singapore than we are to Sydney. Financially and culturally we are isolated and very different to the rest of Australia. While the Sydney and Melbourne American-style economies have sluggish growth and higher unemployment, WA's Asian-linked economy is conservatively growing at 7 per cent, with 1000 new skilled migrants arriving every week to meet growing vacancies.

Even though I am the Chairman of the parliamentary oversight committee, I offer these as personal views only, not necessarily representing the views of the Committee. I offer these views from the perspective of having gained some corporate knowledge, combined with my parliamentary role as a Government MP involved in the Government's position on the new CCC legislation.

As Parliamentarians we spend much time with theory — how do we balance the enormous powers and removal of human rights we give to corruption fighters, with checks and balances? How do we ensure that the CCC and Parliamentary Inspector are carrying out their duties as the legislation intended?

How do we ensure that politicians, self-serving and altruistic alike, do not have access to operational case details, yet can still effectively oversight anti-corruption bodies? How do we prevent corruption within the body itself?

In this paper I present a case study of the Acting Commissioner of the CCC who admitted that she advised a friend whom she knew was under investigation by the CCC for a criminal offence that his telephone was 'was probably being bugged' and not to make any telephone calls.

Add into the mix that the friend was the recently and quickly resigned Clerk of the Parliaments, Laurie Marquet, now on his deathbed and charged with having siphoned off $227,000 of Parliament's money into a bogus law firm he created, as well as drug possession. Or, as Ms Rayner viewed it in evidence tabled by our Committee, Laurie knows he's been caught 'with his hands in the till and drugs on his person.'

It was in fact the case that Marquet's telephone calls were being intercepted by the CCC. As a result, the CCC intercepted a call by the Acting Commissioner in early August 2005, arranging to visit him in a hospice. Following the visit, the previously frequent and unguarded calls by Marquet on his mobile phone ceased, which raised a suspicion that he had been warned. The matter was promptly referred by the Commissioner to the Parliamentary Inspector, who has the statutory responsibility of dealing with allegations involving officers of the CCC.

On 16 August 2005, the Parliamentary Inspector interviewed the Acting Commissioner. Ms Rayner admitted giving Marquet the warning, then tended her resignation to the Commissioner the same day.

The Parliamentary Inspector decided to provide the Committee on 25 August with a report and finding of misconduct on the matter, after giving the former Acting Commissioner reasonable opportunity to comment on his draft report by way of natural justice.

I provided my fellow Committee members with a copy of the Inspector's report as soon as I received it, at around 10.30am on Thursday, 25 August. This was the first time anyone on the parliamentary oversight committee became aware of the real facts concerning Ms Rayner's resignation. The Committee met at 1.00pm, had Hansard record our private hearing with the Inspector, and resolved at 2.00pm that the Inspector and I would prepare a statement so that all Members of Parliament (and the public) were fully briefed by the expected 5.00pm adjournment of the Legislative Assembly. At 5.00pm I read out the statement in Parliament.

After carefully considering whether doing so might jeopardise Marquet's trial, the Committee decided to make the entire, unedited report public and did so, just 24 hours after first becoming aware of the issue.

The Parliamentary Inspector then referred the matter to the WA Director of Public Prosecutions (DPP) and the WA Police Service. Ms Rayner was subsequently charged with corruption and perverting the course of justice. The matter is currently before the courts and Ms Rayner has pleaded not guilty.

As a side issue, some commentators, talk-back radio announcers, non-committee parliamentary newbies and retired members — conspiracy theorists extraordinaire — accused the CCC and the Committee, of having media-managed the public disclosure.

As parliament and court aficionados here would know, to finish a bombshell Committee meeting at 2.00pm, and have a coherent statement of the utmost transparency without potentially affecting future trials, which meets Parliament's procedural requirements for tabling, legally printed and tabled in the Parliament within three hours has got to be a world record. When the dust settles on this matter, the parliamentary staff in WA should be rightly commended for facilitating transparency so quickly.

With the benefit of hindsight, it is arguable that the initial wrongful suspicion of media management and smoking-gun cover-up was a reaction to the Moira Rayner issue being revealed in just nine days from the Parliamentary Inspector first interviewing Ms Rayner to

my statement in Parliament. Total transparency, a bombardment of information, does risk snagged lines of communication initially.

People used to government agencies that cover-up stuff-ups and pay lip-service to transparency via staged leak, press release and photo op, just could not believe that in only nine days justice was seen to be done, and that the professional, thorough nine-day investigation by the Parliamentary Inspector and CCC officers occurred without a leak.

In many ways, this was a textbook example of how government agencies should deal with suspected misconduct and possible corruption. The Commissioner, as Chief Executive Officer, investigated the allegation, established that there may be an incident, and alerted the appropriate reporting authority; in this case, the Parliamentary Inspector.

Discovered and dealt with internally, made transparent quickly, and referred to the appropriate authorities. If we could instil this practice into local government and other public sector agencies, we would be even further down the path of reducing misconduct and corruption.

Our parliamentary oversight committee wants to encourage a culture whereby public sector agencies, work teams and individuals recognise what constitutes misconduct and corruption, monitor their own behaviour, and deal appropriately with suspected transgressions themselves rather than relying on an external agency to monitor everyone 24/7.

From a parliamentary oversight committee's view, what observations can we make from this example?

We have to communicate our roles and their limitations in the checks and balances of having a worthwhile anti-corruption body.

To ensure fairness and to prevent the actual or perceived closed-shop cable running anti-corruption in WA, it is important that up until the Parliamentary Inspector's report was made public, the Committee did not speak to the Commissioner; that neither the Inspector nor the Committee seeks to advise the DPP while he deliberated on whether to lay charges; and that the Committee did not oversight an operational investigation by the Police.

This is all common sense to those of us involved in legislation and fairness, but all MPs have received the letters and the phone calls from aggrieved constituents who, I would argue, cannot understand why a parliamentary oversight committee does not just ring up the local police to direct to gaol 'toute suite' a public servant, be they parking inspector, policeman, or Supreme Court judge, in response to their complaint. I would argue that this misunderstanding of proper process is widespread.

By the Friday afternoon, just 20 hours after first making the issue public, with the Committee convening a public hearing to release its report and the full transcript of its private hearing with the Parliamentary Inspector, aided by new information obtained overnight, some observers were criticising the Inspector and the Committee because we had not lit a bonfire in the city and begun burning Ms Rayner at the stake.

It is perfectly obvious to legislators, lawyers and judges why under the existing CCC legislation, a finding of 'misconduct' was made against Ms Rayner instead of official corruption.

After contradictions revealed by Ms Rayner herself in surprising media interviews brought about by the Committee's statement being made public in Parliament, together with the work being undertaken by the Parliamentary Inspector and CCC, the Inspector referred additional information to the State's DPP to consider whether charges should be laid.

Once the original matter and the serious additional information was handed to the DPP, it was appropriate that neither the Committee, the Inspector, nor the Commissioner make any further public comment whilst the DPP and the Police conducted their investigations.

Clearly, the additional information convinced the Inspector and the Committee that Ms Rayner should be charged with a more serious offence.

It is perfectly understandable why the doctrine of Separation of Powers goes a long way to ensuring that corruption cannot fester. Politicians should not have de-facto access to the operational details of our independent corruption-fighting bodies. Public servants have the right to resign, if they voluntarily choose to do so before an adverse finding, be it for non-sackable misconduct or chargeable corruption. It is not the role of the employer or a Parliamentary Inspector to meter out a sentence.

By being open and transparent, the Committee's actions enabled the Inspector and the CCC to collect additional information in a different context; one that our openness and resultant publicity had afforded.

While it is generally acknowledged that WA has less, and less significant, corruption than the other States in Australia, our corruption-fighting has moved even further towards open hearings, publicising allegations and accepting the risk of innocent people being named.

We are a very small pond in every sense. Big fish stand out very easily. We also wash our dirty linen in public, to put all of my mixed metaphors into the wash. In the Eastern States, the focus in corruption fighting appears to have shifted to giving much more weight to the rights of innocent people being named — a high-profile NSW Premier having to resign due to a public Royal Commission assertion later proved to be false, is often cited as to why the powerful and others should be given the benefit of closed hearings and secretive deliberations.

I would also argue that the WA public, now more used to openness and transparency, does differentiate between people being named and of interest in our corruption hearings, and someone being charged with a criminal offence and appearing in court.

You actually perpetuate the myth of mud 'sticking', reputations being 'ruined', through a lack of transparency in the process — people then expect that someone eventually named in a secretive hearing must be guilty. Whereas in a small society, in a village atmosphere of secrets being harder to hide, where transparency is the norm, disclosure does not equal guilt.

In terms of the sort of tall poppies some Australians love to cut down to size, Ms Rayner fitted the bill: a successful Commissioner for Equal Opportunities in Victoria, an internationally respected children's rights advocate in the UK, an intelligent lawyer appointed as an Anti-Corruption Commission Commissioner, and a leading feminist. Conspiracy theorists of the Right want her burnt at the stake, while conspiracy theorists of the Left see a witch-hunt.

A parliamentary oversight committee has one role here; to ensure that the extraordinary powers of the CCC and Parliamentary Inspector were used properly. They were.

If you are an anti-corruption Commissioner, a Police Commissioner, a Member of Parliament or a judge, you do not, and should not, have the right to disclose anything about an investigation to a person charged with criminal offences or a 'person of interest' to a law enforcement agency. Through our privileged positions and responsibilities, we do not have the right to switch the rules from our private life to our professional life.

A dear friend, your child, or your partner may be dying, but if you knowingly place yourself privately in a position of professional vulnerability to information, you cannot be trusted to do your job ethically. Clearly the educative lesson from this example is to highlight to people seeking or accepting higher office that their private life and professional access to information cannot mix.

The Committee and the Parliamentary Inspector believe that in the interests of transparency, anyone involved with the CCC needs to adhere to much higher standards than others in the community.

I think this episode just reinforces how high our ethical standards bar has been appropriately raised: if you are a senior cop, pollie or beak and you stuff up, no matter how trivially, you have no right to immediate natural justice or fairness. The community's confidence in having an institution safe-guarding integrity, takes precedence.

With either a system or personnel integrity breach, be it stuff-up, minor transgression, misconduct or corruption, an integrity body needs to make it public as soon as possible, and that should be almost immediately after your judgment as to the gravity of the issue has been made. Transparency itself will usually engender more information and either more serious transgressions or even quickly establish the person's innocence.

From a natural justice perspective, of course the reputation of people being investigated may be damaged even if the person is not eventually charged. But I would argue that the damage the reputation of a billionaire media tycoon or well paid, well-pensioned public official is grossly inflated. Much more worrying is the 'collateral damage' to innocent associates, non-public figures dragged into a matter. This is a very important human rights issue for parliamentary oversight committees to keep abreast of.

Much of the misinformation on the Rayner issue has occurred due to people making comments based on existing misinformation. I hasten to add that journalists have not deliberately deceived, nor editors mischievously edited, but in creating a CCC where people have the right to talk about their dealings with the CCC, as opposed to its predecessor and its stupid legislation that allowed some people to interpret that you could not even mention the anti-corruption body's name publicly.

Ms Rayner's version, told to and reported accurately by good journalists, was incorrect and contradictory. Somebody who provided information to the CCC on an associated Marquet matter hinted to a reporter that his role was somewhat bigger and his information more important than it was. Fancy that - a human being big-noting himself! So, wrong information did gain temporary currency.

The traditional Police / Watchdog / Government response would be to amend the legislation so that suspects, informants *et al* cannot disclose their information. I happen to think that where we have checks and balances, and MPs appropriately do not have carte blanche access to operational files on political enemies, it is very healthy for people to have the right to either self-incriminate or reveal a systemic process abuse in the media.

What oversight committees and anti-corruption bodies have to get better at is professionally correcting misinformation quickly and explaining the bleeding obvious.

Appendix: Western Australia's Corruption and Crime Commission

The CCC investigates allegations of misconduct involving all State public sector officers, including the Police and local government officers. It has an annual recurrent expenditure of $26 million, and has recruited 147 staff. It also has a statutory corruption prevention and education role.

In the 2004-2005 financial year, the CCC received more than 2,400 allegations and notifications of misconduct. Under the *Corruption and Crime Commission Act, 2003* State and local government agencies have a statutory responsibility to report misconduct to the CCC.

The CCC replaced the former Anti-Corruption Commission (ACC), which had been established in 1996. Unlike the CCC, the ACC only had an investigative and reporting function. It could not determine guilt, lay charges, recommend disciplinary action or hold public hearings. The most significant limitation of the legislation under which the ACC operated was the high degree of secrecy. It was illegal to even say that a matter had been referred to it. This became something of a joke in the media with reports saying 'the matter has been referred to an agency that cannot be named.'

Another weakness was the lack of an independent body such as a Parliamentary Inspector to receive and investigate complaints about the ACC. The way in which complaints against anti-corruption bodies are handled is critical to their credibility. The ACC's lack of transparency

eventually led to a loss of confidence in it by large sections of the public, media and Parliament.

In 2001 a Police Royal Commission was established, which recommended that that a new body, the CCC replace the dysfunctional ACC. The State Government accepted most of the recommendations of the Royal Commission and granted the new CCC extensive powers, over and above those of the Police, including:

- The power to compel witnesses to attend private and public hearings and give evidence;
- The power to require the production of documents, other evidence and information, and to enter and search public premises;
- The power to intercept telecommunications and use surveillance devices under judicial warrant;
- The power to use assumed identities and conduct integrity testing programmes;
- The power to authorise controlled operations.

Given the extraordinary powers granted to the independent CCC, appropriate external oversight is essential to ensure that it is accountable to the public. The Parliamentary Inspector has complete access to all operational details of the CCC and has extensive powers to require its officers to supply information, produce documents, order CCC officers to appear before an inquiry and investigate complaints against the agency with the powers of a Royal Commissioner.

The Parliamentary Inspector is responsible to the Joint Standing Committee on the Corruption and Crime Commission, which does not have the power to access operational details of the CCC. The parliamentary oversight committee monitors and reports to Parliament on the exercise of the functions of both the CCC and the Parliamentary Inspector. The Committee's other function is to inquire into and report to Parliament on how corruption prevention practices may be enhanced in the public sector.

In recent weeks, some high-profile criminal convictions have followed successful CCC investigations. A former local government mayor was convicted in February on 13 counts of serious electoral vote rigging and failing to declare political donations. He pleaded guilty after an investigation by the Anti-Corruption Commission and later the CCC. The success of the CCC's hearing process is demonstrated by the fact that the former mayor originally denied involvement in the vote rigging but later confessed when the CCC produced secret recordings.

The following day, a former Labor MP, local government councillor and Ministerial chief-of-staff was convicted on corruption charges following a detailed investigation by the CCC. The charges ranged from failing to disclose cash gifts from a developer whilst being a local government councillor and failing to declare an interest in matters before the council, to receiving kickbacks from a developer in his capacity as chief-of-staff to the Minister for Housing and Works. He admitted using his influence and contacts to assist a developer to fast-track approvals and remove a caveat from property for child-care centres in return for over $12,000.

Correlates of Ethical Business Behaviour: An exploratory study

Maria Krambia Kapardis

Abstract

Unethical behaviour by business people underpins a lot of corporate collapses. Researchers into ethics and gender have reported conflicting findings. Studies of the relationship between age and ethical beliefs have reported a correlation between the two. No research has been carried out in Cyprus pertaining to correlates of ethical beliefs. The study reported involved a questionnaire survey of 544 managers and MBA students and used a broad range of ethical dilemmas to examine their beliefs and practices. It was found that female respondents are more ethical than males, managers are more ethical than other categories of employees and, finally, elder managers are more ethical than younger ones. The paper discusses the policy implications arising from the findings.

Introduction

The relationship between managers and shareholders and between employees and their employers is one based on trust. Yet, media reports of management fraud and employee theft abound (Buckley et al., 1998). Furthermore, the collapse of such corporations as WorldCom, Enron and Parmallat can be largely attributed to unethical practices. This paper reports an exploratory study in Cyprus of the extent to which both local business practices as well as managers can be characterised as ethical.

Literature Review

There is a plethora of publications on business ethics. It would appear that the impetus for empirical studies in this area came in the 1980's when, according to Brophy, 1987), Harvard Business School received the bulk of a $30 million gift by John Shad, then outgoing chairman of the U.S Securities Exchange Commission, to provide financial support for a business-ethics program). Let us next consider a number of perspectives on ethical behaviour.

Perspectives on Ethical Behaviour

Five theoretical perspectives have been put forward in an attempt to provide a satisfactory answer to the question of why a manager would be unethical:

1. *Rational Choice Theory*: The theory was originally suggested by economists (Michaels and Miethe, 1989; Piliavin et al., 1986) to account and predict behaviour in general and especially decision making. Applying this theory to ethics in business, an individual carries out a cost/benefit analysis in order to determine whether to engage in a particular behaviour if the expected profit outweighs the cost.
2. *Deterrence Theory*: A certain behaviour is deterred (i.e. discouraged through fear of the consequences of one's behaviour) if a manager, for example, is of the view that (i) there is a high enough risk of being found out if he/she engages in a particular behaviour and (ii) will receive a severe enough punishment when discovered (Buckley et al., 1998:72). An expected severe enough punishment that would make a manager to act ethically, could take the form of losing one's position and being black listed from finding another management position.
3. *Social Bond Theory*: According to Hirschi (1969), unethical behaviour comes about when a manager's bonds with mainstream society are weakened and, consequently, feels "disconnected" from the community at large (Buckley et al., 1998:72–73).
4. *Differential Association-Reinforcement Theory*: Akers (1985) proposed this theory, combing two other theories, namely Sutherland and Cressey's (1970) differential association theory of deviance and Bandura's (1972) social learning theory. A manager learns how to be unethical by associating with people who act unethically and he/she is likely to repeat the unethical behaviour learnt when rewarded by the very people he/she associates with.
5. *Everybody Else Does it Theory*: This attribution theory (Wiese and Buckley, 1997) maintains that a manager will act unethically when he/she perceives that being unethical is a pervasive practice among managers; in other words, being unethical is the norm and this facilitates the decision to also be unethical.

It should be noted that deterrence theory and rational choice theory overlap because both are based on the premise that human beings are rational. Furthermore, for a theory to be adequate in the context being discussed needs to able to account both for (a) the onset, the maintenance of the unethical behaviour concerned as well as (b) the phenomenon of people 'drifting in and out' of unethical behaviour.

Other aspects of ethics which have attracted the attention of researchers have included: (a) the significance of ethics (Bromell, 2004; Schudt 2000); (b) the teaching of ethics and the role academics should play (Bowie, 2001; Ghorpade, 1991;Giampetro-Meyer and Brown, 2003; Pavia, 2004; Rothensburg, 2003; Sims, 2004); (c) philosophical aspects of corporate responsibility (Davies, 2002); (d) how the economy is affected by ethics (Aggarwal, 1992; Noe and Rebello, 1994); (e) differences in ethical perceptions as a function of culture (Mullin Marta et al., 2003); (f) the nature of the relationship between profitability and (Verschorr, 2003; Verschoor 2003b); (g) gender differences in ethical decision making (Broekemier et al., 1998); and, finally, (h) generally identifying factors which may influence unethical behaviour (Bucklye et al. 1998).

Research into Factors Associated with Ethics in Business

The nature of the relationship between gender and ethical behaviour has been examined in a large number of studies (see Collins, 2000 for a review). 'Ethical behaviour' in this context has been used by Ruegger and King (1992) who have used 'ethical behaviour to mean one's

perception of business ethical conduct or, as Weeks et al., (1999) have put it, what stance one adopts towards certain business practices. A plethora of authors have reported that females are more ethically sensitive than males, namely Akaah, 1989; Ameen et al. 1996; Arlow, 1991; Beltramini et al., 1984; Betz et al., 1989; Chonko and Hunt, 1985; Coate and Frey 2000; Cohen et al.., 1998, Cole and Smith 1996; Crow et al. 1991; Dawson, 1997; Franke et al. 1997; Galbraith and Stephenson 1993; Harris, 1989; Harris and Sutton 1995; Jones and Gautschi II 1988; Kidwell et al. 1987; Larkin, 2000; Miesing and Preble 1985; Peterson et al. 1991, Poorsolton et al. 1991; Ruegger and King 1992; Simga-Mugan, 2005; and Weeks et al. 1999. In the study by Simga-Mugan 16 vignettes were used and females were found to be more sensitive than males on all of them. It could be argued that the gender difference mentioned is attributable to differences in how the two sexes are socialised early on (Peterson et al., 2001:226). Extending this argument, Church et al. (2005:363) have maintained that, "gender was significant, both directly and in interaction with moral development". For their part, however, Peterson et al. (2001) have reported that in the groups they surveyed young females demonstrated a higher level of ethical behaviour than males but elder males showed a slightly higher level of ethical behaviour than females. Finally, Dawson (1997) put forward the interesting and plausible argument that gender differences are context-specific; in other words, it depends on the particular situation in terms of the context of the scenario or ethical situation investigated.

However, a number of authors (e.g., Hegarty and Sims (1978, 1979), Dubinsky and Levy 1985; Mc Nichols and Zimmerer (1985), Kidwell et al., 1987; Fritzche, 1988; Barnett and Karson (1989), Harris (1989), Singhapakdi and Vitell, 1990), Davis and Welton (1991), and Radtke (2000) have reported no gender differences in business ethics. As Smith and Oakley (1997:39) stated that, "empirical evidence of gender influences on ethical viewpoints continues to present confused and often contradictory results and that may well be due to gender differences in personal moral orientation which may well be affected by the type of a moral problem being faced (Schminke and Ambrose, 1997). Furthermore, gender differences may well be context-specific (Dobbins and Platz, 1986; Weber, 1990; Trevino, 1992; Derry, 1999). It can be seen that, while no conclusion is possible on gender differences on the basis of the available literature, it does appear that age may well mediate the relationship, if any, between gender and ethical judgements.

As Simga-Mugan et al. (2005) remind us, "One of the significant impacts of globalization is that business organizations operate across cultures. Depending on how management responds to different values and beliefs, cultural diversity may substantially affect an organization's performance" (p.139). The influence of managers' nationality on their ethical sensitivity has been examined by Simga-Mugan et al. (2005) in a study of 103 managers in Turkey and 57 in the U.S using 16 vignettes and found that Turkish males were more ethically sensitive than their U.S counterparts (p.149). As Simga-Mugan et al. point out, their findings could be explained by the fact that the culture in the two countries stresses a different category of ethics, namely "ethics of care" emphasised in Turkey as opposed to "ethics of Justice" in the U.S (p.155). This view is in contradiction to the findings by Transparency International report for 2005 regarding perceived levels of corruption in 159 countries, the U.S had a mean score of 7.6 whereas Turkey's score was only 3.5. In interpreting Simga-Mugan et al.'s finding it is worth remembering also that achievement motivation has been found to be higher among Turkish managers than among Irish and British managers. Regarding cultural differences in how people in different countries perceive bribery and extortion, Tsalikis and

LaTour (1995) compared business students in the U.S and in Greece and found that: (a) ethical reactions to bribery and extortion are related to both the nationality of the person offering the bribe as well as the country in which the bribe is offered; and (b) the Americans perceived some of the scenarios used as being more unethical than did the Greeks.

In a study examining the importance of culture, Axinn et al. (2004) compared the ethical ideologies practised in the U.S, Malaysia and Ukraine and, in support of Christies et al. (2003), found that irrespective of how "culture" is defined, it affects one's values as well as ethics. Christie et al. distinguished between: (a) respondents' general attitudes towards business ethics and (b) their attitudes towards questionable business practices and reached the conclusion that the former are related to their personal integrity while the latter are related "to the external environment and gender, as well as to their personal integrity" (p.263).

Peterson et al. (2001) investigated whether ethical beliefs correlate with age and found that professional aged 30 years or less ("younger") were characterised by a lower standard of ethical beliefs; in other words, indicating that, as managers get older they become more ethical (p.230). Their finding confirms Trevino's (1986) conclusion that the ethical judgements of a practitioner is related to his/her career stage. Of course, a manager exists in relation to significant others in the company and, not surprisingly perhaps, a managers' ethical behaviour is influenced primarily by the behaviour of senior managers and their immediate supervisors, irrespective of his/her gender, position or the size of the company (Wiley, 1998). The contradictory findings reported in the literature do not allow any definitive conclusions to be drawn. Furthermore, no study has examined the importance of one or more characteristics in managers' ethical behaviour while controlling for other known correlates. In conclusion, therefore, the best that can be said on the basis of the literature cited above is that a manager's ethical behaviour may well be related to his/her gender, age, religion and work experience.

The work into business ethics reported below has been a first attempt to address ethical judgements by managers in Cyprus and to examine whether a profile of the ethical manager can be identified. It should be noted at this stage that the study has been carried out against the backdrop of the Cyprus Stock Exchange crash in the late 1990s, in the aftermath of which businesses have been having a hard time convincing local investors to trust them with their money. Drawing on the existing literature and without forgetting the limitations alluded to above, a number of hypotheses have been examined, namely that:

1. Females are more ethical than males.
2. Managers are more ethical than prospective managers
3. Older managers are more ethical than younger managers.

In addition, the study examined the following one hypothesis not investigated by other researchers, namely that:

4. Managers are more ethical than supervisors and employees.

Methodology

In February- April of 2005, 1000 questionnaires were randomly distributed to managers working in Cyprus or to students registered in the MBA program of Intercollege. It was a self-selected sample trying to cover all the districts in the free part of Cyprus and all the different industries. A total of 544 useable responses were received, i.e., (54 percent response rate).

As in the case of similar studies, the methodology used has certain limitations: questions can be asked about the validity of the subjects' responses to the issues posed as measures of ethical sensitivity and that the sample surveyed is not representative of business managers or MBA students in Cyprus.

The demographic characteristics of the respondents were: (a) mainly males 57 percent (b) 30 percent were 20–25 years old, 26 percent 26–30 years, 24 percent 31–40 and 20 percent above 40 years old. (c) 13 percent had completed secondary education, 47 percent had a Bachelor's or a Diploma, 37 percent had completed a Masters and 3 percent had a PhD; (d) regarding their nationality the majority (81 percent) were Greek-Cypriot and the majority of the remaining were Russian, British, Chinese, and Greek. As far as the position they held at the time is concerned, 31 percent were in the top management echelon of the organization, 16 percent were supervisors, 46 percent were employees in the top ranks (e.g. not cleaners, messengers), and 7 percent were not working but were registered full-time in the MBA program. The type of employment of the respondents who worked were: 13 percent were in publicly-listed companies, 3 percent in public but not listed, 62 percent in private companies, 12 percent in the semi-government organizations, and 10 percent in the government sector. The industries of the respondents who worked were: 19 percent financial and insurance; 10 percent manufacturing; 10 percent in the public sector; 9 percent Retail and Wholesale; 7 percent transportation, communication publishing; 7 percent gaming, tourism, and entertainment; 3 percent in the construction and real estate; and the remaining were in other smaller industries. Overall the composition of the sample of managers and prospective managers surveyed indicates representative ness.

Findings

Table 1: Ethical Dilemmas and Issues Addressed with a Positive Response

Panel A: Views on ethics	Yes %
1. Do you know what constitutes ethical behaviour?	94
2. Are ethics and ethical actions important to you?	96
3. Does your company have a code of Conduct?	63
4. Do you think teaching Business Ethics to MBA students can prevent many unpleasant situations?	78
5. Should there be a whistle blowing Protection Act introduced in Cyprus?	82
6. Are your ethics in the office the same as those you use at home?	62
7. When you go to bed, do you ask yourself: "Did I spend the day the way I know I should?"	54
8. Would you agree with the statement that ethical problem solving skills are not relevant or cannot be applied to the world of business?	33
9. Would you agree with the statement that moral standards in business are fully developed and cannot be changed?	28
Panel B. Corporate Culture	
1. My manager considers me as an associate rather than as an employee	55
2. Would your company intentionally pay a bill late and still take the cash discount?	28
3. Would your company print dishonest statements in advertisements concerning quality, comparative prices etc?	14
4. Would your company use bribes to obtain business?	22
Panel C: Ethical Dilemmas	
1. When you turn in your expense account, is it honest and proper?	80
2. Would you falsify your records to save taxes?	28
3. Are you willing to use inside information for your gain?	43
4. Does peer pressure and competition make your ethics different?	38
5. Would your hurt others to achieve advancement?	9
6. Will you put on the "pressure to perform" and load it with incentives and fear forcing your people to forgo their ethics in the chase for the profit objective?	17
7. Would you be willing to head hunt prospective employees from you competitors in order to obtain trade secrets of their prior employer?	27
8. If you held too much inventory, would you make returns on the pretence that the goods are imperfect or not according to samples sent?	32
9. In your search for profits, will you get involved in price-fixing?	43
10. Are you willing to use predatory pricing or selling goods below cost, which might injure, destroy or prevent competition?	37
11. Would you be willing to cut corner by selling overripe produce; outdated products; too much fat in the ground beef; or use the wrong tare weight in meatpacking?	19
12. Would you accept foreign countries´ customs even though the EU considers some of them totally dishonest?	28
13. Do you believe you can get rich through a financial manipulation?	38
14. Do you admire someone's wealth regardless how he earned it?	29
15. Are you pressured to compromise personal ethics to satisfy your employers?	33
16. Would you be prepared to sacrifice money in order to act ethically	59

Ethics: the corporate culture As already discussed in the literature review above, the company context is a salient factor in investigating the ethical judgements of managers. Table–1 shows that about two-thirds of the respondents' companies involved had a code of conduct, 86 percent did not print dishonest statements in advertisements concerning quality or comparative prices, 72 percent would not intentionally pay a bill late and still claim a discount and, finally, in over half (55 percent) of the cases the respondents were considered by their manager as an associate rather than an employee.

Views on ethics Table 1 also shows that the majority of the respondents: considered ethics and ethical actions important (96 percent), knew the meaning of 'ethical behaviour' (94 percent), were in favour of whistle-blowing legislation being introduced in Cyprus (82 percent), believed that teaching Business Ethics to MBA students can prevent unpleasant situations (78 percent), believed that moral standards in business were not fully developed and could be changed and for 62 percent the ethics in the office was the same as at home. However, two-thirds considered ethical problem-solving skills relevant or believed they could be applied to business but only slightly over half (54 percent) reflected on whether they spent heir day the way they knew they should.

Ethical dilemmas Table 1 shows that in all but two of the dilemmas listed, the majority of the respondents turned out to be ethically-sensitive in their answers. It is, however, a cause for concern that a significant minority of 43 percent were willing to use inside information for their gain and as many would get involved in price-fixing in their search for profits.

In addition to the dilemmas listed in Table 1, the following four dilemmas were posed to the participants who were asked to select one of the alternatives provided. Data analysis yielding the following results:

1. After successfully completing a complex deal for a Japanese client, he presents you with a very expansive vase to express his appreciation. Accepting a gift of such value is clearly against company policy. Yet, returning it would insult your client. What would you do?

    a) return the vase to the client and explain diplomatically that it's against company policy to accept gifts from client (24 percent)
    b) accept the gift because you can't risk insulting an important client. (20 percent)
    c) accept the gift on behalf of the company (43 percent)
    d) accept the gift and use it as an award for an employee who displays service excellence (13 percent).

2. Your superior is defrauding your employer. Will you:

    a) Tell someone who is his superior (50 percent)
    b) Do nothing (29 percent).
    c) Blackmail him when you apply for promotion (4 percent)
    d) Send anonymous letter to his superior(s) (17 percent).

3. You are on the Board of Directors of a company and the company is looking to subcontract the clearing department:
    a) You tell your friend who own such a company. (44 percent)
    b) You set up a company under your parents' name and put in for the tender (9 percent)

c) You do nothing (47 percent)

4. Your competitor has produced a very good product and to encourage customers not to buy it:

a) You give away a gift to customers who buy your products (46 percent)
b) You try to develop a similar product (50 percent)
c) You pay the owner of the shop who sells those goods not to stock that particular good (4 percent)

The Importance of Gender

In support of other studies discussed above, female respondents were found to be statistically significantly (p=0.05 percent) more ethical than their male counterparts as far as the following dilemmas are concerned: (a) would not falsify their tax records to save taxes, (b) would not hurt others to achieve advancement, (c) would not put on the pressure and load it with incentives and fear forcing people to forgo their ethics in the chase for the profit objective, (d) would not be willing to head hunt prospective employees from their competitors in order to obtain trade secrets of their prior employer, (e) their ethics in the office is the same as those at home and (f) peer pressure and competition does not make their ethics differently. Furthermore, the females stated that their ethics in the office are the same as those they would use at home.

The Relevance of Nationality

The discussion of the literature review above showed that nationality is a pertinent factor when investigating the ethics of managers. One external criterion of how Cypriot managers compare with their counterparts in other countries can be found in the Global Competitiveness Report 2005–2006 published by the World Economic Forum. The Forum surveyed, 8000 managers in 117 countries, 78 were from Cyprus. Based on their answers, Cyprus was ranked as 45 out of 117 for its ethical behaviour by firms, 37th for its protection of minority shareholders' interest, 30th for its strength of the accounting and auditing standards, 39th for the importance placed on Corporate Social Responsibility. In the same year Transparency International (2005) out of 158 countries has ranked Cyprus as 37th which is indeed a relatively good position.

Comparison of the responses by Cypriot and non-Cypriot managers revealed a statistically significant (p=0.05%) difference on the 14 issues listed below, with Greek-Cypriots being more ethical than all the other nationalities (Due to the diversity of the other nationalities and their small numbers, they were grouped together): (a) their ethics in the office are the same as those they use at home, (b) when they turn in their expense account is honest and proper, (c) they would not falsify their tax records to save on taxes, (d) would not be willing to use inside information for their gain, (e) would not hurt others to achieve advancement, (f) would not be willing to head hunt prospective employees from their competitor in order to obtain trade secrets of their prior employer, (g) if they held too much inventory, they would not make returns on the pretence that the goods are imperfect or not according to the samples sent, (h) in search of profits would not get involved in price-fixing, (i) would not be willing to cut corners and sell overripe produce, outdated products, too much fat in the ground beef; or use the wrong tare weight in meat packaging, (j) would not be willing to accept foreign

country's customs even though the EU considers some of them totally dishonest, (k) would be willing to sacrifice money in order to act ethically, (l) would be willing to return the gift from the customer diplomatically rather than take it (m) if their superior is defrauding their employer they would be more likely than other nationality to tell their employer rather than not do anything and (n) more likely not to do anything about the cleaning company their Board is looking to subcontract rather than tell a friend or relative to set up such a company so they can be given the contract. Since no additional data was collected, no explanation can be offered as to why Cypriot managers turned out to be more ethical than other nationalities. One potential explanation may well be that Cypriot managers are characterised by a caring rather than a profit-oriented attitude to doing business in view of the fact that the local culture is characterised by a complex web of reciprocal social relationships and, also, many businesses are family-owned.

Managers vs. Other Employees

Managers were found to be significantly (p=0.05%) more ethical on the following items than those who were employees (not including students and those not in employment): (a) they would be willing to accept more than their share of responsibility for errors in their department, (b) if they held too much inventory they would not make returns on the pretence that the goods are imperfect or not according to samples sent, (c) their ethics in the office are the same as those at home, (d) would not be willing to cut corners by selling overripe produce, outdated products; too much fat in the ground beef; use the wrong tare weight in meatpacking, (e) would not accept foreign country's' customs even though the EU considers some of them totally dishonest, (f) would not talk to colleagues about their promotion application in a public place, (g) do not believe they can get rich through financial manipulation, (h) they believe that peer pressure and competition does not make ethics different, and (i) would not be willing to head-hunt prospective employees from their competitors in order to obtain trade secrets of their prior employer. Drawing on the correlates of ethical judgements by managers identified in the literature review above, one plausible explanation for the differences found between managers and other employees may well be differences in age and experience.

Older Managers vs. Younger Managers

The respondents were grouped into those younger than 30 years and those over 31 years and it was found that the latter were significantly (p=0.05%) more ethical than the former on the following issues: (a) would not be willing to use inside information for their gain, (b) do not believe that peer pressure would make their ethics different, (c) would not put on the pressure to perform and load it with incentives and fear forcing their people to forgo their ethics in the chase for the profit objective, (d) if they held too much inventory they would not make returns on the pretence that the goods are imperfect or not according to samples sent, (e) would not be willing to cut corners by selling overripe produce; outdated products; too much fat in the ground beef; or use the wrong tare weight in meatpacking, (f) would not talk to colleagues about their promotion application in a public place (g) do not believe that they can get rich through financial manipulation and (h) do not admire someone's wealth regardless how they earned. The positive relationship between age and ethical sensitivity is in accordance with similar findings reported by other researchers discussed in the literature review.

Conclusion

The four hypotheses tested have been borne out by the results. The survey found that the majority of respondents have a concept of 'ethical behaviour', consider ethics important, and hold attitudes that are conducive for ethical behaviour in business. At a general level, a number of inconsistencies emerged between respondents' espousing a number of ethical views while, at the same time, approving of certain unethical practices in their pursuit for profits. Examination of the importance of demographic characteristics of the respondents in an attempt to account for differences found in how ethical dilemmas were resolved, it was revealed that females, those over the age of thirty, managers and Cypriot managers were statistically significantly (at p.05) more ethical than males, those under the age of thirty, non-managers and other nationalities respectively. The findings obtained reinforce the importance of gender, age, work experience and culture in accounting for the degree of ethical sensitivity of managers. In view of the fact, however, that the survey reported has its methodological limitations (e.g., it is a study of perceptions and not organizational behaviour), it has been an exploratory one and the first of its kind in Cyprus, the findings reported should be regarded as tentative. Consequently, the need for more research in this area that will also utilise qualitative research methods, cannot be overemphasized.

As Young (1992:725) stated "the gains of ethical practices cannot be quantified but it certainly leads to cost saving". Even the European Commission has placed reforms in the framework of the global business ethics movement and has argued that effective Commission reform is not possible without fundamental culture change.

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Teaching Applied Ethics in an Interdisciplinary Administration and Leadership Studies Program

Mary Jane Kuffner Hirt

Introduction

Over the last few months since submitting a proposal for the 'World Ethics Forum,' my topic has evolved from a matter-of-fact discussion of the positive experiences I have had teaching an applied ethics course for mid-career, professional practitioners to an opportunity to expand the presentation to include factors in support of the course's pedagogical approach. Both aspects will be discussed today. The course, 'The Ethical Dimensions of Leadership' was developed seven years ago in response to student interest generated by a leadership theories course taken earlier in their program of study. Since then, the course has primarily served students engaged in a doctoral level, interdisciplinary Administration and Leadership Studies program at Indiana University of Pennsylvania.

Indiana University of Pennsylvania (IUP), founded in 1875, has approximately 14,000 undergraduate and graduate students and is the largest of 14 state-owned universities within the Pennsylvania State System of Higher Education (PASSHE). IUP is committed to the teacher-scholar model and a student-centred learning environment where the development of critical thinking skills and the capacity for self-reflection are emphasized. Programs at the master's and doctoral levels are targeted to the education of competent practitioners and the production of practical knowledge primarily in the areas of business, education and public policy studies, social sciences and applied science and technology (IUP Mission Statement, http://www.iup.edu/president/mission). The Administration and Leadership Studies program was created in 1998 to fill one of the perceived gaps in educational opportunities in Western Pennsylvania and later the Harrisburg area, the development of leadership and administrative capacity within the public and non-profit sectors.

Motivation for Teaching an Applied Ethics Course

The motivation for teaching an applied ethics course as a companion to a leadership theories course is related to my association with two professional organizations; the International City/County Management Association and the American Society for Public Administration. Both have worked to foster ethical conduct through the adoption of ethics codes and advocate that their members demonstrate the highest personal and professional standards.

International City/County Management Association (ICMA)

I have been a full-time faculty member at Indiana University of Pennsylvania since 1992. Prior to that time, I served as a public administrator at the local level of government for 18.5 years; the last 13.5 as a city manager in two suburban, municipalities in Southwestern Pennsylvania. The International City/County Management Association (ICMA), founded in 1924, is the primary organization for professional local government managers in the United States. Managers, upon application for membership, must agree to adhere to the ICMA Code of Ethics. ICMA actively reinforces compliance with its Ethics Code through a monthly publication, PM, which routinely includes an ethics column; the association's full-time ethics advisor who provides member consultation and training, and a 50-state system which monitors and enforces the code. Members who violate the ethics code are subject to public or private sanctions. In addition, ICMA for over 25 years has stipulated that it as well as all of its sub-state affiliate organizations will have an ethics component as part of their annual conference programs. Such programs traditionally have focused on discussions of reality-based cases drawn from professional and personal experiences to foster sensitivity to the ethical issues and challenges managers face on a daily basis.

American Society for Public Administration (ASPA)

The American Society for Public Administration, founded in 1939, is the association within the United States comprised of academics and professionals dedicated to the advancement of '...the art, science, teaching and practice of public and non-profit administration' (www.aspanet.org). For over 25 years, the debate over teaching ethics as part of graduate education within the public administration community has generally focused on two issues; whether ethics should be taught as a separate course or integrated across the curriculum; and whether ethics education should be rooted in the classics or taught in an applied fashion. Adding to those issues and owing to the growing general media and public attention to misconduct across all sectors is the more recent and increasing recognition of the potential impact that individuals who hold positions in all areas and levels of public and non profit administration and management have on citizens and clients. The three factors converged last year and created a sense of urgency concerning the need to provide a sound ethical foundation for the professional practitioner's decisions, actions and behaviour. In April 2005, ASPA's Ethics Section,[1] despite arguments that such a requirement would add to already demanding curricular requirements, recommended to the association's Executive Board that an ethics course be recognized as a required course for graduate programs in public administration.

Fit with Conference Theme

The International Institute for Public Ethics' (IIPE) call for papers for the World Ethics Forum cited the continuing '...challenge to develop more effective ways and means to promote integrity and combat corruption' and appealed to prospective conference participants — defined as a wide array of scholars and practitioners – to '...reflect, facilitate and support critical thinking about the praxis of public ethics, to expose applied lessons about democratic governance processes and to help rebuild a sustainable ethics culture.' My discussion supports the conference theme because it focuses on ways to educate and develop publicly

oriented, professional practitioners who, as formal and informal leaders, have the potential to create and sustain ethical organizational environments.

Moral Development and the Professions

James Rest in his introduction to *Moral Development and the Professions* presented a four factor theory of what determines moral behaviour consisting of moral sensitivity, moral judgment, moral motivation, and moral character. His description of each factor follows.

(1) Moral sensitivity or the awareness of how our actions affect other people as well as an awareness of the different lines of action and how each line of action could affect the parties concerned. He states that moral professionals 'imaginatively' construct possible scenarios to deal with ethical issues and know how to think through the cause-consequence chain of events in the real world. Rest also associated the individual's capacity for empathy and role-taking skills with this factor.
(2) Moral judgment or the capacity to identify possible lines of action, assess how people would be affected by each line of action and determine which line of action is more morally justifiable.
(3) Moral motivation or the ability to attach importance to moral values in comparison with other values when other values such as self-actualization or protecting one's organization may compete with doing what is right.
(4) Moral character failures or a 'weak character.' Do people have the ego strength, perseverance, backbone, strength of conviction, and courage to do what is right or meet the specification for the first three factors but 'wilt' under pressure and are easily distracted, discouraged, and weak willed. (1994; 23–24)

Complements: Leadership and Ethics

Howard Gardner in *Leading Minds* (*1996)* describes the leader as an individual who significantly affects the thoughts, feelings and/or behaviours of a significant number of individuals on a direct or indirect basis. The linkage of effective leadership and an ethical or moral dimension is rooted in leadership theory whether it is captured as a leadership trait such as honesty or integrity or characterizes the relationship between leaders and followers as in James MacGregor Burns' transformational leadership or Ronald Heifetz's adaptive behaviour or what Montgomery Van Wart describes simply as ethical leadership. The respect and consideration leaders demonstrate towards their followers creates an atmosphere for ethical interactions and decisions internal and external to the organization and the development of an organizational culture where goals and objectives are shared.

Gueras and Garofalo (2002) define leadership as a process which not only provides individuals with the opportunity to influence the behaviour of others, but also establishes the leader's responsibility to create and sustain the moral climate within the organization. Leaders set standards for decision making and behaviour, reinforce the standards by modelling the expected behaviours and actions, are responsible for the orientation and continuing education of their followers/staff/employees, and set in place a mechanism to continuously monitor and enforce the standards with penalties applied, as appropriate. Leaders act as role models when they deal with ethical dilemmas or the grey areas of competing values, norms or principles, are responsible for choosing between two right

actions/decisions, and know their decisions will be adverse to someone/some group regardless of which action is taken. Van Wart (2005) perspective of ethical leadership, although similar to Gueras and Garofalo's discussion is clearly rooted in his belief that ethics is leadership based. He indicates that Aristotle's virtue based philosophy embodied the rational decision processes leaders use and indicated that good character is demonstrated when leaders recognize ethical issues, take time to reflect on competing values and find ways to integrate the collective good into their decisions. Ultimately, Van Wert believes the quality of ethical leadership is moderated by a variety of factors including how conscious leaders are of ethical issues, how actively they reflect on ethical issues, how self disciplined they are in the accomplishment of moral projects or in increasing the community's moral awareness, and the leader's willingness to make substantial personal sacrifices to further the common good.

Teaching Applied Ethics

How should the course be taught to produce the best learning opportunity for those who are responsible for the day-to-day leadership of public and non-profit organizations? Two surveys of those who teach applied ethics in graduate public administration programs; one by Hejka-Ekins and the other Bowman and Menzel reflected consistency when critical characteristics of the courses are compared. Essentially, ethical awareness, attitudes, knowledge, and behaviour are considered most important.

The results of Hejka-Ekin's (1988, 887) study indicated the most frequently noted objectives for applied ethics courses as:

- to develop an awareness of ethical issues and problems within the field,
- to build analytical skills in ethical decision making,
- to cultivate an attitude of moral obligation and personal responsibility
- in pursuing a career in the public service,
- to gain knowledge of ethical standards of public administration
- to stimulate the moral imagination,
- to recognize the discretionary power of the administrator's role,
- to cultivate moral character,
- to foster ethical conduct in the public service, and
- to become familiar with western traditions in moral philosophy and political thought.

Bowman and Menzel's (1998, 5) survey results indicate that the goals of ethics education are:

- to foster ethical conduct,
- to develop an awareness of ethical issues and problems within the field,
- to cultivate an attitude of moral obligation and personal responsibility in pursuing a career in the public service,
- to gain knowledge of ethical standards within public administration,
- to build analytical skills in ethical decision making,
- to enable one to resolve ethical dilemmas,
- to stimulate the moral imagination,

- to maintain the integrity of the profession,
- to recognize the discretionary power of the administrative role,
- to reduce racial, gender and ethnic prejudice,
- to prevent and minimize illegal behaviour,
- to better define the public interest,
- to cultivate a moral character,
- to minimize organizational corruption,
- to acquire knowledge of ethics codes, and
- to become familiar with western traditions in moral philosophy and political thought.

Bowman and Menzel (1998, 2) also found that 70% of the survey respondents who teach applied ethics in public administration have practitioner experience.

In addition, Bowman and Menzel's (1998, 5–6) study provided some understanding of the conceptual approaches and instructional methods used to teach applied ethics. The conceptual approaches in order of their use are moral reasoning, democratic thought, citizenship, professional codes of ethics, virtue/character development, regime values with Constitutionalism, utilitarianism, 'Golden Rule,' and covenants. In terms of instructional methods, they found the most frequently utilized methods are small group discussions, case studies, scenarios/decision making, research papers, lecture, role playing, self-assessments, videos, guest speakers, simulations, fiction/movies, biographies, field studies, and PC multi-media.

Storytelling in the Teaching and Learning Process

The cognitive sciences recognize that humans use stories to acquire and process information and that case studies or stories are a primary teaching tool for linking theory to practice. Theory according to Coles means 'I behold' and when we hold something visual in our minds, theory becomes an enlargement of that vision. Effective stories appeal to all of one's senses and give us some idea of the thinking and decision processes used as well as what a situation feels and smells like. Ultimately, stories become narrative vehicles which accentuate reality (Coles, 1989; Sharp, 2006).

Nel Noddings in 'The Use of Stories in Teaching' (Campbell and Smith, 1997) believes that story telling fits nicely with adult education because students have experiences they can rely on and stories are more effective than arguments or explanations. According to Noddings, story content may be historical, personal, biographical, literary or humorous.

Hummel describes the engaging anecdote as one which 'directly invites the listener to practice reality construction by taking an active part in the story.' He later states that the biographical anecdote or 'recalled experience' 'serves the function of making a new situation part of the listener's previously experienced world, broadening the parameters of his or her world and deepening or intensifying the meaning of its contents' (1991, 36).

It should be noted that eight of the fourteen teaching methods for applied ethics courses reported by Bowman and Menzel (1998) directly involve some form of storytelling.

Storytelling and Leadership

Howard Gardner, through his study of people who performed as leaders in various environments, in *Leading Minds* (1996) defines the story as a basic human cognitive form and believes that the artful creation and articulation of stories constitutes a fundamental part of the leader's vocation. Gardner emphasized the value stories have on teaching and leading but argued that stories must speak to both parts of the human mind (reason and emotion) and observed that leaders must know their stories, get them straight, communicate them effectively, and embody the stories in their lives. For greatest effect, the stories must have sufficient background, detail, and texture to permit audience members to 'travel comfortably within contours' of the story.

Value and Approach of Teaching Applied Ethics

In my experience, the value of teaching an applied ethics course has been heightened by the students' realization and acknowledgment of two factors — the existing gap in their knowledge and understanding of ethical foundations coupled with an absence of an awareness or sensitivity to the effect their decisions, actions, and behaviours as leaders have on others – those who support, provide or receive services. In addition, most, if not all students, reported little or no attention to applied ethics during their undergraduate or graduate educations. My goal, then, has been to adopt a balanced mode of ethics education following Edmondson's definition of an 'honest heart and knowing head' which focuses on the development of moral cognition and character building (1995, 230) by integrating classical theory with applied practice to address the students' absence of knowledge and understanding of ethical decision and behavioural foundations and to build a capacity within the students for continual learning and self-reflection.

The Course – PLSC 678 — 'The Ethical Dimensions of Leadership'

This course focuses on the ethical dimensions of leadership and strategies to integrate ethical considerations into organizational administrative, decision making and policy processes. To facilitate discussion and the application of ethics to professional practice, there are discussions which examine the relationship between ethics and leadership within varying contexts. Readings, case studies, videos, films and exercises are used to link theory and practice. As is typical for graduate courses, students are expected to complete all assigned readings prior to each class to facilitate their active participation in all discussions. A literature review project provides the students with the opportunity to pursue individualized interests related to leadership and ethics.

The course objectives encourage students to:

1. examine how virtues, values, ethical principles and social norms create the foundation for ethical leadership;
2. develop an appreciation for and understanding of the complexity of ethical dilemmas by critically evaluating a series of issues and problems and applying a decision making framework which guides the ethical analysis of alternative solutions;

3. examine ethical behaviour and decision making as dimensions of leadership effectiveness with emphasis on the leader-follower relationship and the effect ethical behaviour has on the development of that relationship,
4. understand the role and responsibility of the organizational leader to set the organization's ethical climate and act as the moral compass; and
5. appreciate the process of self-reflection and its impact on their capacity to make ethical choices, decisions and act in an ethical manner as an organizational leader.

The course is structured to generate interaction between students and instructor, between students and guests and among students. Students are actively encouraged and expected to participate in role-taking and self-reflection. The course has been taught in two modes; as a 40-hour, week-long, intensive in-class activity with projects undertaken over several months following the in-class time at IUP, and more recently, as a distance education version at Duquesne University for a graduate program in community leadership. A sample of the course syllabus is presented in Appendix A.

Specifically, I have relied on a series of 'storytelling' options to teach applied ethics, which include:

Case studies Existing cases and decision models from textbooks such as Gueras and Garofalo's *Practical Ethics for Public Administrators* and Johnson's *Meeting the Ethical Challenges of Leadership* set the stage for student developed cases based on personal experience. Students analyse two situations about which they have personal experience or direct personal knowledge; one which has a good outcome, the other with less than satisfying results, using the various foundations for moral reasoning discussed by Gueras and Garofalo and Johnson.

Biography Robert Coles' Pulitzer Prize winning book, *The Lives of Moral Leaders,* is used to stimulate thinking about the courage associated with taking action to address an ethical dilemma or issue. Coles' stories about well-known and not so well known, but ultimately highly influential individuals provide significant opportunities for the students to consider what it takes to make a difference within the community regardless of whether that community is large or small. The stories demonstrate that change and positive effects sometimes require long term efforts or are the consequence of trial and error. The Coles book links leadership and ethics on informal and formal levels and lends to a discussion of the exercise of leadership in other circumstances such as the roles played by former New York City Mayor, Rudy Giuliani and the many public employees and private citizens who responded to the destruction of the World Trade Center on 9/11.

Film analysis I have relied on the feature length film, 'Crimson Tide' to demonstrate the interaction between leadership and ethics under urgent and highly risky circumstances. The movie follows a discussion of military leadership and ethics presented by a retired U.S. Army officer who served as Inspector General at Guantanamo Bay, Cuba in the mid-1990s. The film is used as a vehicle for the students to contemplate and apply what they learn from the guest presenter and their readings in a written analysis of the film.

Educational/instructional videos Segments of the 'Ethics in America' series produced by the Annenberg School of Communication, University of Pennsylvania in association with

the Harvard Law School in the late 1980s are used to reinforce the array of conceptual foundations for ethical reasoning through viewing the video simulations regarding public and private decisions and behaviours. Those playing the roles in the simulations are widely recognized as leaders in the public, non profit and private sectors. The videos are used in conjunction with readings about the application of deontology, teleology, intuition and virtues as the basis for moral reasoning.

Personal stories I use Joseph Baldarraco's book, *Defining Moments,* to demonstrate how the students can examine significant decision points in their personal, professional and organizational lives. I also create a greater sense of reality by relying on personal experiences with ethical issues as a public administrator and leader to reinforce Baldarraco's message. Students, in turn, are encouraged to identify from their own experiences those which are 'defining' in nature in order to increase their sensitivity for potential turning points or what can be termed life altering experiences.

Reflective essays All students write reflective essays which represent their understanding of the linkage between leadership and ethics on the first and last day of class. The first essay is to encourage the students to think honestly about their experience relating to the exercise of ethical leadership. The second is to have the students gauge the effect – in a self-reporting mode – of the learning process on their knowledge and understanding of leadership and ethics.

Current events Another powerful source of reality is to use current events to stimulate discussion of leadership responsibilities and responses to ethical challenges. As children, my parents encouraged my siblings and me to be aware of government and its actions at all levels through reading a daily newspaper and listening to or watching the news. This interest was reinforced in elementary school when we, as students, personally subscribed to, read and discussed in class the news articles published in the 'The Weekly Reader.' I, as Noddings noted (Campbell and Smith, 1997) am hardly ever off-duty and have a collection of stories drawn from personal experience as well as am always on the look out as a 'watchful reader' for stories from and about others. The text box on the following page is an example of a current event from 2005 which I have used. John Murtha, a long term member of Congress in mid-November 2005, challenged President George Bush on the Administration's handling of the War in Iraq. I have asked the students after reading a series of articles to assess Murtha's actions in terms of leadership and ethics. This type of news item presents a realistic and current scenario which all can appreciate.

Outcomes

The development of this paper for discussion at the first World Ethics Forum has been a valuable experience. As I reflect on what I have typically relied on in this class and the scholarship and writings related to the teaching of applied ethics within a professional, public administration context, I find substantiation and strong support for the teaching methods I have chosen. It has been especially satisfying to find that, although the methods I have chosen are rooted in my personal experiences as a professional, public administrator and education in public administration, I have essentially modelled the findings of those who have studied how applied ethics in public administration is taught and contemplated the appropriate teaching pedagogies for such an environment.

For those who are involved with the creation and instruction of an applied ethics course, the support in the current literature about the link between storytelling and the development of ethical leadership in the public sector can be summarized as follows:

- Results of the Rhode Ethics Island Project as reported by Killilea, et. al. indicated that ethical analysis is a philosophical endeavour and that students require a theoretical background to function as a framework for discussion (Bowman and Menzel, 1998).

- Penn stated that '[j]ust as students are not likely to develop skills in higher level mathematical and scientific reasoning without direct teaching and modelling, it is unlikely that students will develop skills in higher level moral reasoning without direct teaching and modelling.' He also observed that intensive teaching which incorporates formal logic, role-taking and concepts of justice results in a more rapid progression of learning occurs (1990, 124).

- Sprinthall wrote that it is crucial for students who learn through lectures about the logical and philosophical principles of ethics to be immediately challenged with cases of moral problem solving and active problem solving in order to moral reasoning skills (Rest and Narvaez,1994).

- Galbraith and Jones (1976) indicated that 'individuals may develop their moral reasoning by engaging in discussions of moral problems' and 'students need the opportunity to confront difficult decision making situations; they need to endorse a position and to think about their reasons for selecting their positions; and they need to hear the reasoning used by others on the same problems.'

- Jurkiewicz and Giacalone wrote that 'students realize that dealing with ethical issues requires asking hard questions, conducting tough analysis, and engaging in rigorous critical analysis prior to decision making. In essence, students are refining their ethical decision making processes through real world experiences' (2002, 67).

- Nelson and Van Hook in 'Using an Ethics Matrix in a Master of Public Administration Program,' observed that case studies based on events in administrative history help to provide students with a concrete, 'real world' context for in-depth analysis of the often ambiguous ethical circumstances (Bowman and Menzel, 1998).

- Rizzo (1998, 6) describes the use of case studies in ethics education as a precursor for students to writing their own problem centred, non-fiction scenarios where they choose a quandary common to their work experience sufficiently complicated and intractable to have depleted their problem-solving abilities. Through in-depth analysis of the problem's basis and meaning, the writer, she notes, can experiment with different frames of reference and explore possible ramifications beyond particular events. By applying different ethical perspectives, students begin to see the clash of values and need to make hard choices. The cases cause students to take a higher level of responsibility and permit the student to feel the discomfort associated with the inherently messy quality of ethical dilemmas. Case answers then are highly specific to the individual and are situation

dependent. She noted that she concurred with Max Elden's conclusion in 1981 when she stated that 'writing becomes a teaching device to uncover tacit knowledge as well as to connect fundamental components of the author's theory of practice. As such, this approach to writing cases fits some of the qualifications for grounded theory. The case scenario provides data upon which theory is inductively drawn. The theory generated is 'local' in that it rests on each author's 'special expertise' concerning (his) own work situation and its possible improvement'' (Elden, 1981, 261). Student developed case studies have three components: a case scenario in which the dilemma and characters are presented, discussion questions which direct readers' attention to pertinent ethical quandaries, themes, lines of argument; and the author's analysis and resolution of the ethical dilemma.

- Prager (1993) suggests that when students are confused, it is a sign of open minds and healthy growth and the students' education lies in the debate, the exposure to the diversity of attitudes.

- Menzel (1998) and Rizzo (1998) both concluded that requiring graduate students in public affairs to take an ethics course appears to have a positive outcome, in reinforcing not changing, students' basic value systems. In addition, Menzel (1998) acknowledged that there does appear that there is an association between the use of some instructional methods, case studies and decision making scenarios and the self-reported ability of MPA students alumni to resolve ethical dilemmas.

The only modes I use which have not been directly addressed in the literature are current events and the pre and post course reflective essays. Since most, if not all of my students, will or do hold positions with some responsibility in terms of the community, current events provide a realistic context for problem solving and decision making. I believe that it encourages them to gain experience in 'thinking on their feet' or prepares them cognitively to respond effectively in times of urgency or crisis. The reflective essays promote the self-knowledge or lifelong quest for knowing the truth about oneself and the world (Gardner, 1996).

Conclusion

I believe the foregoing discussion reinforces Menzel's 1997 conclusion regarding ethics education for the professional public administrator. He quoted Derek Bok who in *Universities and the Future of America* wrote that an applied ethics course 'does not seek to convey a set of moral truths but tries to encourage students to think carefully about complex moral issues and that the principal aim of the course is not to impart right answers but to make students more perceptive in detecting ethical problems when they arise, better acquainted with the best moral thought that has accumulated through the ages, and more equipped to reason about the ethical issues they will face in their own personal and professional lives' (1990, 73).

Notes

1. In 2005, the Ethics Section with 336 members was the fourth largest section of the nineteen sections within the American Society of Public Administration.

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Appendix A

Syllabus: PLSC 678 – The Ethical Dimensions of Leadership

PLSC 678:
THE ETHICAL DIMENSIONS OF LEADERSHIP
May 9 – 13, 2005
110 McElhaney Hall

Dr. Mary Jane Kuffner Hirt
102 Keith Hall Annex
Associate Professor Telephone: 724–357–2290
Department of Political Science e-mail: mjk@iup.edu

COURSE DESCRIPTION: This course will focus on the ethical dimensions of leadership and ways to integrate ethical considerations into organizational decision and policy making processes. Through readings, discussions, exercises, case studies, video and audio presentations, students will develop a knowledge, understanding and sensitivity to the moral issues and dilemmas faced by those who lead public or non profit organizations. Guest speakers will examine the relationship between ethics and leadership within varying contexts and demonstrate the linkage between theory and practice.

Please note: Students not currently enrolled in the Administration and Leadership Studies Program must have the instructor's permission to register for this course.

COURSE OBJECTIVES: After completing PLSC 678, The Ethical Dimensions of Leadership, students will be able to :

1. examine how virtues, values, ethical principles and social norms create the foundation for ethical leadership;
2. develop an appreciation for and understanding of the complexity of ethical dilemmas by critically evaluating a series of issues and problems and applying a decision making framework which guides the ethical analysis of alternative solutions;
3. examine ethical behavior and decision making as dimensions of leadership effectiveness with emphasis on the leader-follower relationship and the effect ethical behavior has on the development of that relationship,
4. understand the role and responsibility of the organizational leader to set the organization's ethical climate; and
5. appreciate the process of self-reflection and its impact on their capacity to make ethical choices, decisions and act in an ethical manner as an organizational leader.

The projects, assignments and assessments are all focused on building the student's capacity to accomplish these learning objectives. The linkage(s) between course objectives and the respective project, assignment or assessment can be found under 'Projects and Assignments' heading.

REQUIRED READINGS:

All students are expected to obtain a copy of the following texts. They are available at The Co-op Bookstore.

Baldaracco, Joseph Jr. (1997). *Defining moments: When managers must choose between right and right.* Boston: Harvard University Press. ISBN: 0875848036

Johnson, Craig E. (2004). *Meeting the ethical challenges of leadership,* 2nd Edition. Thousand Oaks, CA: Sage Publications, Inc. ISBN: 1412905680

Coles, Robert (2000). *Lives of moral leadership.* NY: Random House. ISBN: 0375758356

Books previously used in HMSV 701 will also serve as resources for this course:

Gueras, Dean and Charles Garofalo (2005). *Practical ethics in public administration.* Vienna, VA: Management Concepts. ISBN: 1567261612

Northouse, Peter G. (2004). *Leadership theory and practice*, 3nd Edition. Thousand Oaks, CA: Sage Publications, Inc. ISBN: 076192566X

Handouts will also be provided to supplement the required books.

GRADES:

The grade for the course will be based on the following:

Reflective Essay (Parts 1 & 2)	20%
Coles Presentation	10%
Baldarraco Discussion	10%
Film Analysis	10%
Literature Portfolio	30%
Analysis of Ethical Dilemma	10%
Participation 10%	
Total:	100%

All assignments must be submitted in order to receive a grade. Grades for the course will be based on the following scale:

A	93–100%
B	83–92%
C	73–82%
F	< 63%

Note: Grades will not be posted to the student's record until the end of the summer sessions. There are no 'D' grades for graduate courses.

PROJECTS AND ASSIGNMENTS:

1. Reflective Essay — Parts 1 & 2 (20%)

Reflective Essay – Part 1
Self-reflection is a critical part of the learning process for this course. Students on the morning of the first day will draft an essay which (1) reflects their current understanding of the link between leadership and ethics and (2) explains why this linkage is relevant and important. Students may refer to resource materials.

The essay should be about 500 words (2 pages) in length. It should follow either the MLA or APA guidelines. This essay will constitute 5% of your grade for the course.

Relationship to Learning Objective(s):
This assignment directly supports learning objectives 4 and 5:

4. understand the role and responsibility the organizational leader to set the organization's ethical climate; and
5. appreciate the process of self-reflection and its impact on their capacity to make ethical choices, decisions and act in an ethical manner as an organizational leader.

Reflective Essay — Part 2

The last assignment for this class will be a revision of the essay you wrote the first morning of the class. Your assignment again will be to discuss (1) the linkage between community leadership and ethics and (2) indicate why this linkage is relevant and important. For this essay, unlike the first, you will be expected to integrate what you have gained from the readings and class discussions. Again, students may refer to resource materials.

The essay should be approximately 750 – 1000 words (3 – 4 pages) in length. It should follow either the MLA or APA guidelines. This essay is worth 15% of your grade for the course.

Relationship to Learning Objective(s):

This assignment directly supports learning objectives 3, 4 and 5:

3. examine ethical behavior and decision making as dimensions of leadership effectiveness with emphasis on the leader-follower relationship and the effect ethical behavior has on the development of that relationship,
4. understand the role and responsibility of the organizational leader to set the organization's ethical climate; and
5. appreciate the process of self-reflection and its impact on their capacity to make ethical choices, decisions and act in an ethical manner as an organizational leader.

2. Discussion — Baldaracco Book (10%)
Students will be assigned to groups of three or four to assist with the discussion of *Defining Moments.* Those who completed HMSV 701 were previously introduced to the three scenarios used by the author to portray three types of ethical challenges; personal, professional and organizational. We will discuss this book on Tuesday, May 10.

There will be no formal written submission for this assignment, although students may find it helpful, if discussion notes are distributed as part of your presentation.
Your role in this discussion will constitute 10% of your grade for the course.

Relationship to Learning Objective(s):

This assignment directly supports learning objectives 1, 3 and 5:
1. examine how virtues, values, ethical principles and social norms create the foundation for ethical leadership;
3. examine ethical behavior and decision making as dimensions of leadership effectiveness with emphasis on the leader-follower relationship and the effect ethical behavior has on the development of that relationship; and
5. appreciate the process of self-reflection and its impact on their capacity to make ethical choices, decisions and act in an ethical manner as an organizational leader.

3. Presentation/Discussion Leader — Coles Book (10%)

All students will be assigned a chapter or chapters from the book, *Lives of Moral Leadership.* This book is a collection of stories about people who demonstrated moral leadership in a meaningful and sometimes highly visible manner. It's author, Robert Coles, was awarded the *Pulitzer Prize* for the book.

All students should read the entire book and prepare discussion for their assigned chapters. Discussion will occur on Wednesday, May 11. As you prepare and present your discussion, you should pay attention to the following:

1. What made the person leaderly in his/her actions?
2. What are the ethical implications of the leader=s actions?
3. Are there other comparable illustrations of leadership/ethics that can be utilized to understand the impact such individuals have had on society?
4. Can you think of examples (from your experience with organizations) of opportunities for leadership which were lost when people became in some way discouraged, disenchanted or intimidated?

There will be no formal written submission for this assignment, although students may find it helpful, if discussion notes are distributed as part of your presentation process. Your student led discussion responsibility will constitute 10% of your grade for the course.

Relationship to Learning Objective(s):

This assignment directly supports learning objectives 1, 3 and 5:
1. examine how virtues, values, ethical principles and social norms create the foundation for ethical leadership;
3. examine ethical behavior and decision making as dimensions of leadership effectiveness with emphasis on the leader-follower relationship and the effect ethical behavior has on the development of that relationship; and
5. appreciate the process of self-reflection and its impact on their capacity to make ethical choices, decisions and act in an ethical manner as an organizational leader.

4. Analysis of Ethical Dilemma (10%)

Each student will be responsible for selecting an ethical issue or dilemma and applying the ethical decision making strategies and processes presented during the discussion on Tuesday morning, in the Johnson and/or Gueras/Garofalo texts for this assignment. The issue or dilemma may have had a 'good' or 'satisfactory' outcome or an outcome which was not 'good' or 'unsatisfactory.' In order to successfully and effectively complete this assignment, students should have direct knowledge of the situations — have or have access to sufficient detail to permit thoughtful and thorough analyses. Students who had HMSV 701 can not re-use an issue or dilemma previously analyzed.

Each student will e-mail a *proposal* for this assignment to the instructor for approval by Saturday, May 21, 2005. The proposal should (1) briefly describe the ethical dilemmas or issues you would like to analyze and (2) indicate how the issues/dilemmas present a leadership challenge.

The final paper should include: (1) identification of the problem or dilemma, (2) a brief description of the context or circumstances surrounding the problem, an (3) analysis of the decision making process which occurred and (4) a discussion of how decision making with a sensitivity for an ethical may have affected each outcome.

The analytical paper should be approximately 3,000 – 4,000 words (6 – 8 pages) in length. It should follow either the MLA or APA guidelines. The proposal and paper should be submitted to the instructor as an e-mail attachment in a S WORD or RTF file attachment. This assignment is worth 15% of your grade for the course.

Due Date: Friday, June 17, 2005

Relationship to Learning Objective(s):

This assignment directly supports learning objectives 1, 2, 3, 4 and 5:

1. examine how virtues, values, ethical principles and social norms create the foundation for ethical leadership;
2. develop an appreciation for and understanding of the complexity of ethical dilemmas by critically evaluating a series of issues and problems and applying a decision making framework which guides the ethical analysis of alternative solutions;
3. examine ethical behavior and decision making as dimensions of leadership effectiveness with emphasis on the leader-follower relationship and the effect ethical behavior has on the development of that relationship,
4. understand the role and responsibility of the organizational leader to set the organization's ethical climate; and
5. appreciate the process of self-reflection and its impact on their capacity to make ethical choices, decisions and act in an ethical manner as an organizational leader.

5. Film Analysis (10%)

Students will view the film, *Crimson Tide,* and write an essay which assesses how interpersonal conflict, time constraints, and poor judgment may affect decisions having the

potential for broad-based impact. It will allow you to apply your knowledge and understanding of how leadership is exercised under stressful and ethically challenging situations.
This paper should be approximately 1,000 – 1,250 words (4 – 5 pages) in length. It should follow either the MLA or APA guidelines. The essay should be submitted to the instructor as an e-mail attachment in a S WORD or RTF file attachment. This assignment is worth 10% of your grade for the course.

Relationship to Learning Objectives:

This assignment directly supports learning objectives 1, 3 and 4:

1. examine how virtues, values, ethical principles and social norms create the foundation for ethical leadership;
3. examine ethical behavior and decision making as dimensions of leadership effectiveness with emphasis on the leader-follower relationship and the effect ethical behavior has on the development of that relationship; and
4. understand the role and responsibility of the organizational leader to set the organization's ethical climate; and

Due Date and Time: Saturday, June 11

6. Literature Portfolio (30%)

The ethics portfolio/project will be the last major project for the course. The goal of this requirement is for each student to select some aspect of leadership and ethics to study in order to develop a deeper understanding of the area. The project will require you to search the scholarly literature and choose the eight (8) most informative 'peer reviewed,' journal articles on your topic. For each article, the student will draft 500 word (2 page) essay which critically evaluates how the article addresses the topic. If the article is a report of research conducted, the summary should also briefly describe the research method utilized. In addition, each student will be expected to provide (1) an introductory statement for the project which establishes why he/she chose the topic and (2) a concluding statement which discusses what he/she has learned through the literature review with consideration for how it may affect his/her role as a leader in the future. The articles must be from scholarly publications. However, students may rely on mainstream media/publications in the development of the introductory and concluding statements to establish timeliness of the topic. Web-published materials which are not subject to peer review will not be accepted.

All students will e-mail a *proposed topic* for the ethics portfolio for approval by the instructor by Saturday, May 28.

The final project should be approximately 20 pages in length. It should follow either the MLA or APA guidelines. The essay should be submitted to the instructor as an e-mail attachment in a MS Word or RTF file attachment. This assignment is worth 30% of your grade for the course.

Relationship to Learning Objectives(s):

This assignment should directly support course objectives 1, 3 and 4:

1. examine how virtues, values, ethical principles and social norms create the foundation for ethical leadership;
3. examine ethical behavior and decision making as dimensions of leadership effectiveness with emphasis on the leader-follower relationship and the effect ethical behavior has on the development of that relationship; and
4. understand the role and responsibility of the organizational leader to set the organization's ethical climate.

Due Date and Time: Saturday, July 30

7. Participation (10%)

Each student's class participation will be assessed at the end of each day. A cumulative grade will be assigned at the end of the course. All students are expected to be present and fully participate in all aspects of the class.

AUDIO PRESENTATIONS:

Coleen Rowley served with the F.B.I. from 1981 until her retirement in 2004. When she was chief counsel in the F.B.I.'s Minneapolis field office, she wrote a 13-page memo to F.B.I. Director, Robert Mueller, which indicated how F.B.I. headquarters ~thwarted agents' attempts to investigate Zacarias Moussaoui, the alleged 20th hijacker.

The American public became acquainted with Coleen Rowley from her testimony in May 2002 before the Senate Judiciary Committee about some of the bureau's pre 9–11 lapses as well as the longer term operational difficulties related to the F.B.I. and other agencies within the national intelligence community.

She was nominated by the majority of Minnesota's Senate and House members to serve on the Privacy and Civil Liberties Oversight Board, a board originally recommended by the 9–11 Commission and later mandated by federal legislation.

The presentation you are being asked to listen to and discuss this week is one Ms. Rowley made at the Chautauqua Institution in August 2003 about her decision to disclose the F.B.I.'s inattention to evidence related to the events surrounding 9/11.

J. Bryan Hehir is the Parker Gilbert Montgomery Professor of the Practice of Religion and Public Life at the John F. Kennedy School of Government at Harvard University. He is also the Secretary for Social Services and the President of Catholic Charities in the Archdiocese of Boston. His research and writing focus on ethics and foreign policy and the role of religion in world politics and in American society. He served on the faculty of Georgetown University (1984–1992) and the Harvard Divinity School (1993–2001). His writings include: The Moral Measurement of War: A Tradition of Continuity and Change; Military Intervention and National Sovereignty; Catholicism and Democracy; and Social Values and Public Policy: A

Contribution from a Religious Tradition. Fr. Hehir also spoke at Chautauqua in August 2003. His presentation was titled *Religion and World Politics: A Changing Relationship.*

The Factors Affecting Ethical Decision Making of Financial Portfolio Managers

Temi Abraham-Levin and Rod Erakovich

Abstract

For finance professionals, ethics implies that each individual has the moral reasoning capability to allow them to render business judgment without having self-interest to alter or impair their professional responsibility. The investing decision-making of finance professionals is complicated and difficult to understand and as a result, adds complexity to the reasoning processes.

This study identifies major factors that affect ethical decisions of investing portfolio managers when faced with ethical decisions. The model developed for this study examines how ethical reasoning relates to specific personal, organizational and environmental parameters associated with moral development and ethical decision-making.

The findings answer the research question of the current study that these parameters do directly influence, albeit weakly, the ethical maturity and decision making of financial portfolio managers. Furthermore, the study finds that indirect influences are stronger to shape individual behaviour.

Introduction

Ethical decisions in a financial services industry are a critical performance factor for investing portfolio manager and an industry in which ethical decision-making opportunities arise (AIMR 1994). An investing transaction is complicated and difficult to understand. The investing portfolio manager, as the expert in financial transactions known little by others, has the opportunity to mislead others. As Ferrell and Gresham (1985) point out, opportunity strongly influences ethical behaviour and can override ethical beliefs. Allen and David (1993) found that values related to professional ethics diminished when ethical dilemmas were experienced in the marketplace.

There are different kinds of portfolio management that apply to different kinds of companies, professions or functions within the financial world (Dembinsky and Bonvin, 2002). Portfolio management is sufficiently diverse and flexible to make it applicable to many organizational forms such as mutual funds, trust companies, investment firms, insurance companies and a host of financial and non-financial businesses. Although some commonality in tasks exists,

ethical decision-making is not the same for bond traders, mutual fund managers, corporate financial officers and brokers (Boatright 1999).

This study identifies major factors that we hypothesize directly affect ethical decisions of investing portfolio managers when faced with ethical decisions. For the purpose of this study we will define portfolio investment managers (financial practitioner or broker) as an individual who acts for a financial intermediary and is normally registered with a securities authority as a securities dealer, securities investment adviser, securities dealer's representative, securities investment representative, commodity dealer, commodity trading adviser, commodity dealer's representative or commodity trading adviser's representative.

Investment transactions involve distinctive ethical issues that require separate treatment in functional areas in business (Boatright 1999). Even with no intent to deceive or engage in conflict of interest, an investment practitioner could make a mistake that could be very damaging to clients. Decisions that adhere strictly to the law or professional codes generally do not provide an ethical focus. Furthermore, investment industry managers have opportunities to take risks different from other business people in a competitive society.

Investment Ethics

Investment ethics is concerned not only with individual behaviour but also behaviour influenced within markets, institutions, and economic and business units including corporations, non-profit organizations, and governments. It deals with moral and ethical aspects of management of stock exchanges, securities firms, commercial banks, insurance companies, credit unions, mutual savings and other financial institutions. This industry is regulated closely and therefore these issues develop into matters of law. The basis of the codification of regulations in finance includes fundamental ethical precepts, such as fairness in financial markets and the duties of fiduciaries. However, laws are an uncertain regulator and much of the investment activity presupposes these laws in favour of unwritten rules of ethical behavior (Boatright 1999).

An integral part of ethical decision-making is moral reasoning (Ferrell and Gresham 1985; Hunt and Vitell 1986). In this study, the term 'ethical maturity' has the same definition as moral reasoning and therefore used in the same context. Thus, if one is described as 'ethically mature,' it suggests individual's reason at higher stages of Kohlberg's moral development model. This study attempts to extend the understanding of portfolio investment managers' moral reasoning and their ethical decision-making criteria.

Business Ethics as Concept Framework

Taylor (1975) defined ethics as 'inquiry into the nature and grounds of morality where the term morality is taken to mean moral judgments, standards, and rules of conduct' (p.1). Josephson (2001) posits that ethics involves two things. First, it involves the ability to discern right from wrong. Second, it includes a commitment to do what is good and proper. Josephson (2001) referred to ethics as standards of conduct that tell individuals how they should behave based on moral duties and virtues that are derived from principles of right and

wrong. Morals describe personal convictions of right and wrong based on religious beliefs, cultural roots, family background, and other contributing factors. Values, according to Josephson, are core beliefs or desires that guide or motivate attitudes and actions. Therefore, the terms 'ethics' and 'values' are not interchangeable. Ethics refer to how a person decides behaviour in different situations, while values detail the beliefs that decide how a person actually behaves.

Cohen (1995) definition for ethics involves 'intentionally responsible action, honouring implicit and explicit social contracts, and seeking to prevent, avoid or rectify harm. Specifically in the organizational context, this conduct includes the promotion of long-term goodwill within and across group boundaries (p. 317).

Business Ethics

Donaldson (1989) describes business ethics as systematic study of moral matters pertaining to business, industry or related activities, institutions or practices and beliefs. Business ethics is the field of 'carefully thought-out rules of moral philosophy' by individuals or organizations (Robin and Reidenbach, 1987, p.190).

Business ethics is primarily applied ethics in several ways. First, ethics is applied by the law that governs criminal, contract and competition activities of organizations and individuals in the economic sphere and the actions of companies. Such laws have the effect of defining the boundaries of socially acceptable behaviour and prescribing acceptable penalties and procedures for enforcing contracts.

Second, regulatory bodies and trade associations create quasi-legal rights that further refine and define acceptable behaviour within particular industries. Third, via company codes, which are specific to individual firms, many companies lay out the corporate values and standards of conduct in doing business and guide employee's behaviour in dealings with customers, suppliers and competitors (Jones and Pollitt 1998).

In Sum, while the influences are well recorded and discussed, it does not link the influence to the behaviour. The key question of this study is how these influences actually create ethical action and behaviour.

Hypotheses Development and Research Framework

There are several models of ethical decision making in a business context. Most agree, to some extent, that ethical decisions are affected by the decision maker's level of moral development, awareness of relevant professional standards and contextually that is defined as the interaction between issue and person characteristics (Wright, Cullinan and Bline 1997).

Kohlberg (1969) believed that ethical decision making is largely a function of one's level of moral development and he formulated a six-stage model of moral development that was further classified into three levels: pre-conventional, conventional, and post-conventional. Cognitive moral development posits that individuals advance along a stage-sequence continuum in their moral development. Kohlberg theorizes that individual's progress from

pre-conventional morality, where individuals conform for self-interest to the highest morality of post-convention where consideration is given to rights and a cosmopolitan or global focus.

Kohlberg (1981) argues that individuals can develop a higher order of moral development. Higher order morality is reasoned with those outside the circle of influence of the decision maker. Cognitive moral development theory assumes that an individual with lower order ethical reasoning is incapable of processing higher order ethical reasoning (Rest 1986).

The connection between level of ethical reasoning and ethical decision-making has been built slowly over the years, primarily in response to Kohlberg's claim that moral judgment was a 'powerful and meaningful predictor of action' (Kohlberg 1981, p. 302). Kaplan et al., (1997), Trevino and Youngblood (1990), Trevino et al. (1985), and Vecchio (1981) each found significant correlations between higher levels of ethical reasoning and ethical decision-making.

The most contentious element within professional ethics is the role of moral reasoning. For many professionals and corporate managers, the concept of 'professional ethics' is one that implies that each individual has the moral reasoning capability to allow them to render business judgment without having self-interest to alter or impair their professional responsibility (Demosthenes 2003). The literature attests to a relationship between ethical maturity and higher order ethical decisions. Therefore, higher order ethical decisions could be influenced by ethical maturity.

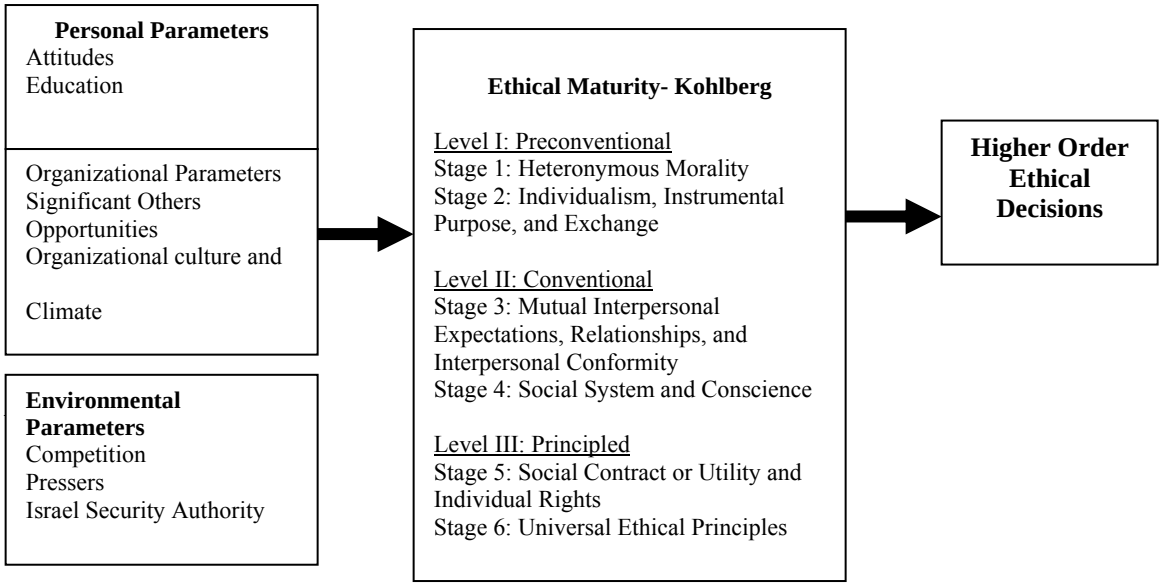
Higher order ethical decisions are defined as those decisions that look at ethical issues from the broadest possible perspective, taking into account multiple stakeholders, principles, circumstances, issues of rights and justice, and the consequences of their decision for all affected by it. They are reasoned decisions generated from a broad view of rights, values or principles. Thus, these decisions may be unpopular with the majority, yet decisions they have reasoned as 'right' and are therefore the moral decision maker is willing to accept the ensuing conflict that may result from the decision.

The Model of Study

While moral maturity is certainly an influence in ethical decision-making, other factors also influence financial ethical decisions. The model developed for this study examines how ethical reasoning is related to specific factors associated with ethical decision-making in the financial industry as illustrated in Figure 1. The model of this study extends previous work by tying together the contextual elements to what typical is considered – the personal and organizational parameters. Adding insights from finance and investment industries and giving emphasis to the recursive of ethical decision-making is appropriate.

Studies have attempted to model contextual factors of ethical decision-making among a few dimensions – environmental, organizational and individual. These specific factors are included because of their importance as evidenced in various empirical and theoretical works in business ethics.

Figure 1: Ethical Decisionmaking Model



The ethical decisions considerations analysed use individual parameters such as the portfolio manager's attitudes and level of education, among specific determinants of ethical maturity. The organizational parameters include significant others, opportunities for ethical decision-making and the organizational culture and ethical climate. The environmental parameters in the model are comprised of competition in the capital markets, pressures of work and the impact of the Israeli security authority. Summarizing recent literature discusses this process and the specific factors.

Attitudes

Attitudes represent an important variable discussed in the context of classical models of decision-making. The decisions that have been internalized as attitudes are confirmed or moderated respectively by succeeding moral judgments. The attitudes that an individual holds moderate the impact of the moral judgment on intentions in subsequent decision processes (Hunt and Vitell 1986; Dubinsky and Loken 1989; Ferrell et al. 1989), due to the human quest for confirmation. Moral attitudes in the long term affect moral values. In this way, they finally feed back into new decision processes (Hofstede 1980). We hypothesize:

H1. With investment portfolio mangers, there is a positive relationship between attitudes and ethical maturity.

Education

Researchers suggest that education is an important factor in the decision process. Cognitive moral development (cmd) theory proposes that ethical cognition increases with age and education. Rest's study (1986) found that education is a far more powerful predictor than

other factors. Rest (1986) theorized that higher education represents a challenging and stimulating environment that fosters and encourages moral development. We hypothesize:

H2. With investment portfolio mangers, there is a positive relationship between education and ethical maturity.

Significant Others

Organizations consist of individuals and groups of people working together to achieve one or more objectives. Relationships are an important part of the proper functioning of a business organization and play a key role in business ethics. Organization members often make ethical decisions with significant others with whom they associate in informal groups and in formal relationships within the work environment (Ferrell and Gresham 1985). The concern for the significant others is rooted in evidence that individual ethical decision-making is influenced by context. Chang (1998) found that subjective norms, a multiplicative function of the perceived wishes of others and a desire to comply with the wishes of others, predicted intent to behave ethically. We hypothesize:

H3. With investment portfolio mangers, there is a positive relationship between significant others' attitudes and ethical maturity.

Opportunity

Ethical opportunity refers to individuals' opportunity to engage in ethical or unethical behaviour. Opportunity is a good indicator of whether a person will behave unethically. Opportunity relates to the conditions that limit or permit ethical or unethical behaviour and results from conditions that either provide rewards, whether internal or external, or limit barriers to behaviour (ferrell and Gresham 1985). We hypothesize:

H4. With investment portfolio mangers, there is a positive relationship between opportunities and ethical maturity.

Organizational Culture and Climate

Organization theory hypothesizes that organizational culture plays a critical role in the development of multiple organizational ethical climates (Trevino 1986; ferrell et al., 1989). Organizational culture is the basic assumptions and beliefs that are shared by members of the organization (Schein 1985). Organizational climates are distinct from the organizational culture (Erakovich et al. 2002). Denison (1996) suggests that climate and culture are primarily distinguished on the basis of methodology and theoretical foundation, while others suggest that climate is the more observable manifestation of organizational culture (cited at Erakovich et al. 2002). We hypothesize:

H5. With investment portfolio mangers, there is a positive relationship between organizational climate and ethical maturity.

Competition

The very nature of a free market economy demands competitiveness. The issues of competition arise from the rivalry among businesses for customers and profits (Ferrell, et al. 2001). The issues of business ethics have become increasingly important in the business environment where comparative advantage and competitive edge are central to business decision-making. In a highly diverse and intensely competitive environment, managers are faced with difficult situations and often have to take tough decisions. We hypothesize:

H6. With investment portfolio mangers, there is a positive relationship between competition and ethical maturity.

Pressures

Trevino (1986) identified external pressures as one of the situational factors that influence moral behaviour. Based on rest's (1986) work, she argues that external pressures such as time, money or competition will negatively influence an individual's moral behaviour. That is an individual may perceive an act as unethical, but given external pressures, he or she may view the benefits of conducting that act to outweigh the consequences. We hypothesize:

H7. With investment portfolio mangers, there is a positive relationship between pressures and ethical maturity.

The Israeli Securities Authority

The Israeli Securities Authority (ISA) was established in 1968 by a law whose purpose was to ensure the existence of an efficient capital market that is based upon adequate disclosure, fairness and giving each investor an equal chance. Among other things, the Authority fights such phenomena as securities fraud ('share manipulation'), use of inside information, secreting material information from investors, 'convenient' explanations for accounting rules for purposes of presenting financial results that are more appropriate for corporate goals than for presenting a true picture of affairs ('profit management') and more. The ISA works to attain these goals through the power that was granted to it in the law and regulations to demand that corporations disclose business and economic information and through enforcement activities when violations of the Securities Law and its regulations are discovered (ISA website). We hypothesize:

H8. With investment portfolio mangers, there is a positive relationship between Israeli Security Authority and ethical maturity.

Research Design and Methodology

Ethical behaviour at the organizational and individual level has been of interest to researchers for the past two decades (Baumhart 1961; Brenner and Mohlander, 1977 cited at Dunfee, et al., 1999). Researches have been prescriptive or focused on survey designs regarding perceptions or opinions of ethical behaviour. Further, theoretical work has consisted of the development of models of the determinants of ethical behaviour (Trevino 1986).

Research Design

This research is directed toward the identification of relationships between personal, organizational and environmental parameters and ethical maturity of portfolio investment managers. A one-group post-test design was used. While this design has deficiencies for prediction (Cook and Campbell 1979), it functions well for this type of exploratory study of relationships. Its simplicity allows ruling out threats to internal and construct validity, allows for multiple independent variables and facilitates data gathering.

Instrumentation

The survey was developed from an intensive review of the literature. The questionnaire contained three parts: Defining Issues Test, statements and demographic data. The dependent variable in this study is the ethical maturity of portfolio investment managers using the empirical measure of this construct in the Defining Issues Test (DIT) by Rest (1986). The previous discussion has established that ethical maturity results in higher order ethical decisions. The independent variables are the factors associated with personal, organizational and environmental dimensions.

Defining Issues Test (DIT)

Because this study approached the research questions from the perspective of an executive reasoning about ethical issues, the widely accepted Developmental Theory and Moral Maturity Index (DTMMI) as operationalised by Rest, et al., (1999) in the Defining Issues Test (DIT) is selected. The DIT is a widely used as an individual's moral reasoning skills according to the cognitive developmental theories (Rest and Narvaez 1994). The DIT is a self-administered questionnaire that measures ethical reasoning according to cognitive developmental theory (Rest 1986). It consists of six hypothetical dilemmas. The short form of the DIT (three scenarios vs. six in the longer version) was used in this study. According to the Center for the Study of Ethical Study, the updated and long-form versions of the DIT, along with the short-form version have similar psychometric properties and are highly correlated ($r = 0.93$) (Rest and Narvaez 1998). The DIT, P-score is defined as 'the relative importance a subject gives to principled considerations in making a decision about ethical dilemmas'(Rest 1990). The DIT has been used in more than 1000 studies, and its reliability and validity have been well documented (Rest and Narvaez, 1994).

Statements

The second section is provides statements to measure personal attitudes, significant others, opportunities, organizational culture and climate, pressures, competition in the capital markets and the impact of the ISA. The survey consists of 16 descriptive statements that are commonly found by individuals in investment industry.

Based on the theory of reasoned action, people who report they behaved or intend to behave in a certain manner actually behave in that manner. Furthermore, this study illustrates that there is considerable consistency in behavior over time. The theory allows us to conclude that people behave ethically or unethically in their daily life or professional careers if they agree with statements that reflect such behaviour.

Demographic

The final section of the questionnaire set concerned the personal demographic characteristics of the respondents in order to summarize their aggregate characteristics for the sample population. It contains demographic questions: gender, age, education, years of experience, income, type of industry in which respondents are employed and years in organization.

Participants

The participants consisted of a non-random convenience sample of licensed investment portfolio managers in Israel. This population consists of bond traders, mutual fund managers, corporate financial officers and private investment brokers. According to the ISA 2004 Annual Report there are 993 individuals licensed portfolio managers and 146 companies with licenses to manage investment portfolios in Israel. Of this 139 individual investment portfolio managers participated in this study. All participants are licensed investment portfolio managers in Israel. Seven participants were eliminated because they failed to complete all parts of the study resulting in 132 surveys used in this study. Surveys were done during summer 2005 in Tel Aviv. A Hebrew version of the survey was prepared for this research. The translated version did not differ significantly from the English version. The researcher attended 22 investments and mutual fund companies in Israel that ranged from small regional offices to large firms.

Results

Descriptive statistics for the six categorical variables in the current study (i.e. gender, education, age group, income, area of investment management, and degree of freedom) are provided in Table *1*. As can be seen, 86 percent of the sample was male, and 54 percent had gone beyond a bachelor's degree. The most common age was between 30 and 40 (42 percent). Income was widely distributed with the most common categories. Approximately two-thirds (66 percent) of the respondents were involved with private portfolio investments, with substantial percentages involved with institutional portfolio investments (46 percent) and trust funds management (42 percent). Respondents indicated a wide range of freedom in their jobs.

Table 1: Descriptive Statistics for Categorical Variables

	Frequency (N=132)	Percentage
Gender		
Male	113	85.6
Female	19	14.4
Education		
Bachelor's Degree	61	46.2
More than a Bachelor's Degree	71	53.8
Age Group		
Under 30	28	21.2
30 to 40	56	42.4
40 to 50	38	28.8
Over 50	10	7.6
Income Group (N=123)		
Up to 11,000 NIS (New Israeli Shekel)	25	20.3
11,001 to 15,000 NIS	21	17.1
15,001 to 20,000 NIS	23	18.7
20,001 to 25,000 NIS	21	17.1
25,001 to 30,000 NIS	10	8.1
More than 30,000 NIS	23	18.7
Area of Investment Management		
Private portfolio investments	87	65.9
Trust funds management	55	41.7
Institutional portfolio investments	60	45.5
Derivatives	11	8.3
Degree of Freedom		
No freedom	3	2.3
2-3	32	24.2
4	29	22
5–6	65	49.2
Absolute freedom	3	2.3

Personal, Organizational and Environmental Parameter Variables

Reliability analysis was conducted on data gathered in the survey on each of these variables. Table *2* illustrates the parameter variables after reliability analysis. As previously mentioned, the parameter variable items were constructed from previously validated surveys.

Table 2. Statistics for Composite Scores for Personal, Organizational and Environmental Parameter Variables

	N	Score Range	Mean	Standard Deviation	Reliability
Personal Parameters					
Attitude	132	1–7	2.36	1.17	.6
Organizational Parameters					
Significant Others	132	1–7	2.28	1.33	.8
Opportunities	132	1–7	1.82	1.18	.7
Organizational Culture and Climate	132	1–7	2.48	1.50	.8
Environmental Parameters					
Competition	132	1–7	1.86	1.20	*
Pressures	132	1–7	2.75	1.37	.6
Israel Security Authority	132	1–7	2.61	1.47	*

* Indicates single question scale. Cronbach alpha did not equal or exceed .6.

Opportunities and pressures did not have any items removed with alpha reliabilities of .7 and .6, respectively. The attitudes, significant others and organizational culture and climate variables was reduced to two items with the highest possible alpha score of .6, .8 and .8, respectively. Two parameter variables, competition and the Israel Security Authority, could not be supported with Cronbach Alphas above .6 and are indicated using a single question. The selection considered which question best supported the construct validity, had the lowest standard deviation and did not show high correlation with other questions in the scale. The remaining independent variable, education, is a nominal variable and included in the models to illustrate influence on moral development of financial managers.

Correlations between the dimensions are illustrated in Table 3. It appears there is a low to moderate degree of dependence between the scales. Pearson's correlation coefficients range from a low of –.107 (opportunities and competition) to a high coefficient of .721 (attitudes and pressures). While greater scale independence may be desirable to find uniqueness between these variables, the theoretical relationships among these constructs do not demand strict independence. It is expected that the items of each parameter constructs coexist in financial management firms while the uniqueness of each of these variables is acknowledged. It appears there is adequate separation between these constructs for this exploratory research.

Table 3: Correlations among Dimensions

	Personal Parameter		Organizational Parameter			Environmental Parameter		
	Attitude	Education – Degree	Significant Others	Opportunities	Organizational Culture andClimate	Competition	Pressures	ISA
Attitude	1							
Education – Degree	.018	1						
Significant Others	.303*	.109	1					
Opportunities	.352*	–.001	.222*	1				
Organizational Cultureand Climate	.121	–.019	.040	.039	1			
Competition	.104	.024	.265*	–.107	.164	1		
Pressures	.721*	–.028	.380*	.460*	.103	.061	1.00	
ISA	.064	.099	.335*	.019	.195*	.111	–.012	1

* Correlation is significant at the 0.01 level (2-tailed).

Control Variables and Parameters

Control variables from the data collected are established to determine if there is an effect on the relationships between ethical maturity and the influencing parameters. Composite scores experience and time with firm for each manager respondent. Table *4* illustrates the descriptive data on 'Years of experience as portfolio investment manager' and 'Years of working as portfolio investment manager in the company'

Table 4: Descriptive Statistics of Control Variables

N = 132	Range	Minimum–Maximum	Mean	Std. Deviation
Years of experience as portfolio investment manager	35	0–35	8.17	6.80
How long you working as portfolio investment manager in this company?	35	0–35	4.41	5.30

In both the years of experience and length of tenure with a firm, the range from one to 35 years with means of 8.17 and 4.41 respectively are considered adequate for managers to properly acclimate to the financial management industry and to the culture of the firm. To determine the effect on the parameters, correlation analysis was conducted between these control variables, gender and education as shown in Table *5*.

Table 5: Correlation of Control Variables and Parameters

	Org. Parameter	Env. Parameter	Personal Parameter	Education – Degree	Years of experience	Tenure with firm	Gender
Organizational Parameter	1						
Environmental Parameter	.517**	1					
Personal Parameter	.395**	.474**	1				
Education – Degree	.045	.053	.018	1			
Years of experience	–.205*	–.163	–.256**	–.161	1		
Tenure with firm	–.041	–.025	–.091	–.017	.669**	1	1
Gender	.235**	.100	–.010	.063	–.065	–.069	1.00

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

The control variables correlation coefficient between years of experience and time with firm is .669 and is significant at the .01 level (two-tailed analysis). The expectation is there would be correlation between these variables. Correlation between the parameter variables and the control variables is not significant indicating these variables have little to no effect on the relationship between ethical maturity and the personal, organizational and environmental parameters. However, these control variables will be considered in analysing the relationship between the ethical maturity of portfolio managers and the variables that create the parameter scales.

Further analyses of the demographics of the respondents were used with one-way ANOVA to analyse the effect on the parameters. Tukey Honest Significant Difference (HSD) tests were accomplished to determine what exact relationships exist.

In all parameters, it was found the type of portfolio investment and average monthly income does not affect the relationship between the parameters and ethical maturity of investment managers. ANOVA results for each of the parameters are not significant at the .01 or .05 level (two-tailed analysis). These variables, area of investment management and monthly income are not included in the analysis.

Analysis of Hypotheses

Each hypothesis is evaluated by examining three steps. First, the correlation between the P Score from the DIT as dependent variable and each parameter variable is evaluated. Second linear regression analysis considers the strength of each variable and the relationship between the P Scores and parameter variables. Control variables are also used to determine what effect, if any, is caused by their presence. Third, multicollinearity analysis is considered to determine the strength of each regression model.

Tables *6* and *7* indicate the analysis for each of the hypotheses. Table *8* sums the results of the analysis and illustrates the support or non-support for each hypothesis. The same pattern

of results was found for each of the eight hypotheses. Correlation coefficients supported positive relationships between ethical maturity as measured by the P-Score and variables of attitude, education, significant others, opportunities, organizational culture and pressures. Competition and the ISA, hypothesized as having a positive relationship actually create a negative relationship with ethical maturity and ethical decision-making.

Table 6: Correlation Coefficients of Independent Variables with P-Score

	P Score	Attitude	Education – Degree	Significant Others	Opportunities	Organizational Culture and Climate	Competition	Pressures	ISA	Gender (Dummy Variable)	Tenure with firm	Years of experience
P Score	1.00											
Attitude	.026	1.00										
Education – Degree	.128	.018	1.00									
Significant Others	.101	.303**	.109	1.00								
Opportunities	.037	.121	–.019	.040	1.00							
Organizational Culture and Climate	.142	.352**	–.001	.222*	.039	1.00						
Competition	.025	.104	.024	.265**	.164	–.107	1.00					
Pressures	.119	.721**	–.028	.380**	.103	.460**	.061	1.00				
	P Score	Attitude	Education – Degree	Significant Others	Opportunities	Organizational Culture and Climate	Competition	Pressures	ISA	Gender (Dummy Variable)	Tenure with firm	Years of experience
ISA	–.099	.064	.099	.335**	.195*	.019	.111	.105	1.00			

Gender	.233**	–.010	.063	.107	.295**	.007	.212*	–.004	.005	1.00		
Tenure with firm	.019	–.091	–.017	–.042	–.125	.119	–.034	.051	–.063	–.069	1.00	
Years of experience	.100	–.256**	–.161	–.189*	–.226**	.062	–.056	–.115	–.130	–.065	.669**	1.00

* Correlation is significant at the 0.05 level (2-tailed). ** Correlation is significant at the 0.01 level (2-tailed).

Table 7: Models of Ethical Maturity with Independent Variables

P-Score – Dependent Variable	Constant	Attitude	Education	Sig. Others	Opportunity	Org Culture – Climate	Competition	Pressures	ISA	Gender	Experience	Tenure with Firm	Adj R-Sq	Std. Error
Model 1	16.150 (9.132)	–1.963 (1.554)	13.821 (8.486)	1.055 (1.127)	.619 (.870)	1.292 (1.221)	.270 (1.121)	1.707 (1.430)	– 1.673 (.928)				.018	14.344
Model 2	17.967 (8.992)	–1.749 (1.528)	12.474 (8.345)	.789 (1.111)	–.012 (.893)	1.205 (1.199)	–.148 (1.113)	1.780 (1.403)	-1.442 (.915)	9.027* (3.758)			.055	14.073
Model 3	10.586 (9.852)	–1.267 (1.567)	15.645 (8.463)	1.093 (1.118)	.310 (.908)	.953 (1.208)	–.277 (1.109)	1.815 (1.408)	-1.435 (.910)	8.732* (3.741)	.499 (.265)	-.407 (.319)	.066	13.986

* Significant at the .05 level (2-tailed)

Report is unstandardised coefficient (top number) with standard error in parentheses (bottom number).

Table 8. Support for Hypothesized Relationships

Hypothesis	Hypothesized Relationship	Findings
H1	Positive relationship between attitudes and ethical maturity as measured by the P-Score.	Weakly supported.
H2	Positive relationship between education and ethical maturity as measured by the P-Score.	Supported
H3	Positive relationship between the influence of significant others and ethical maturity as measured by the P-Score.	Moderately supported
H4	Positive relationship between opportunity and ethical maturity as measured by the P-Score.	Supported
H5	Positive relationship between organizational culture and climate and ethical maturity as measured by the P-Score.	Supported.
H6	Positive relationship between competition and ethical maturity as measured by the P-Score	Not supported
H7	Positive relationship between pressures on performance and ethical maturity as measured by the P-Score.	Weakly supported
H8	Positive relationship between Israeli Security Authority and ethical maturity as measured by the P-Score.	Not supported

Multicollinearity was not significant in this study. Control variables had little to no effect on any of the relationships. None of the unstandardised coefficients were statistically significant. However, since non-probability sampling was used this may not be critical to this exploratory study.

Adjusted R-squares for each model show weak effect on the dependent variable (P-S-Scores) by the dependent variables. Model 1 illustrates an adjusted R-Square of –.018, Model 2 an adjusted R-Square of .055, and Model 3 an adjusted R-Square of .066. The weak supported relationships may be a result of indirect relationships of each of the parameters on ethical decision making as noted in the discussions of each hypotheses.

Path Analysis of Parameters

Path analysis is an extension of the regression models and tests the relationships between variables that may have indirect as well as direct relationships. A statistical model for analysing quantitative data that may have indirect effects, path analysis was originally developed by geneticists, Sewell Wright, to test assumptions of the interrelatedness of variables as both dependent, independent and intermediary (Bohrstedt and Knoke, 1994).

Several key assumptions are needed to properly construct this path analysis of the influence on ethical decision making of portfolio investment managers. They are:

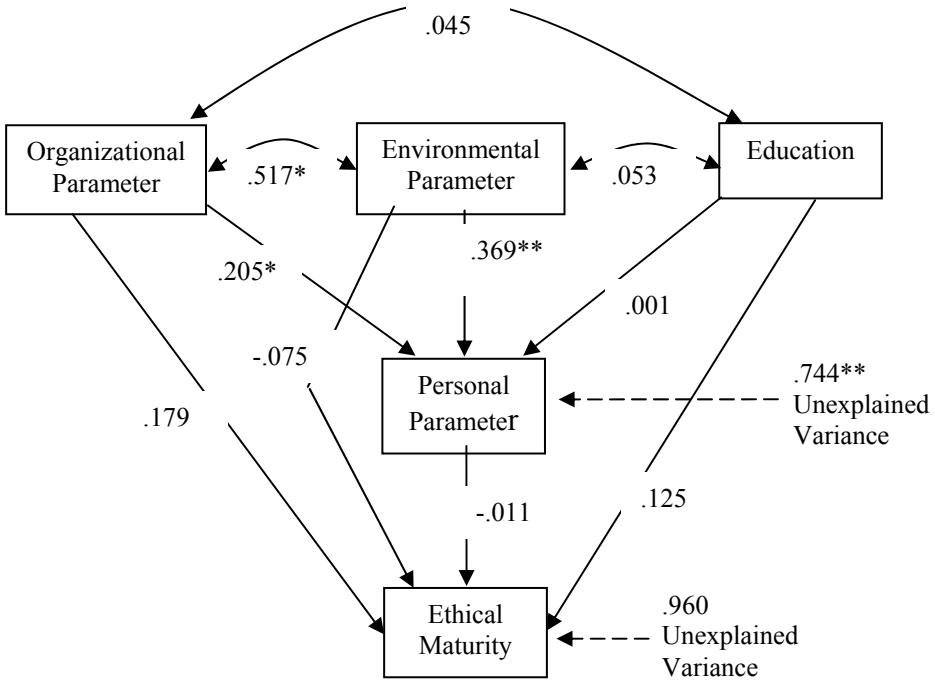
1. The relationships between the variables are linear. A review of scatterplots showed linear relationships.

2. Although there is some correlation among these parameters, there is not additivity of the interaction effects.
3. Residual variables are uncorrelated with any of the variables.
4. Multicollinearity does not exist as evidenced by previously illustrated VIF statistics of the variables in each of these scales.

Proper specification of the model was completed with repeated regression analysis of the standardized beta coefficients and adjusted R-squares. In this manner, it was determined that the personal parameter is influenced by the organizational and environmental parameters and education, and these variables also influence the ethical maturity of financial portfolio managers. Figure 2 shows the path diagram with multivariate regression standardized coefficients between personal parameters as the first dependent variable and ethical maturity as the second dependent variable.

There are three direct influences on personal parameters from organizational parameter (.205 at a significance level of .05, two-tailed test), environmental parameter (.369 at a significance level of .01, two-tailed test), and education (.001). There are four influences on ethical maturity from organizational parameter (.179), environmental parameter (–.075), personal parameter (–.011) and education .125).

Figure 2: Path Analysis with Multivariate Regression Standardized Coefficients



This analysis illustrates the correlations between the direct and indirect influences on ethical maturity. While this may explain difficulty with the models to illustrate influence on ethical decision-making, unexplained variance remains significantly high. Unexplained variance on personal parameters is .744 (significant at the .001 level, two-

tailed test), and unexplained variance on ethical maturity is at .960. Yet, the path analysis creates an added focus that many of these influences may have indirect affect on ethical decision making.

Summary and Conclusions

The research was directed toward the identification of relationships between personal, organizational and environmental parameters and the variables within these constructs and ethical decision-making of financial portfolio managers. For finance professionals, ethics implies that each individual has the moral reasoning capability to allow them to render business judgment without having self-interest to alter or impair their professional responsibility. The investing decision-making of finance professional is complicated and difficult to understand and as result adds complexity to the reasoning processes.

The correlations between each variable and ethical maturity appeared intuitive in its influence on ethical maturity. The findings of this analysis answer the research question of the current study that personal, organizational and environmental parameters do influence, albeit weakly, the ethical maturity and decision making of financial portfolio managers. Competition and the ISA influence ethical maturity negatively.

The path analysis considers not only direct correlations, but indirect as well. The parameters variables illustrate how complex higher order ethical decision-making can become within finance business. The parameter variables are individually distinct and along with education, reflect the direct and indirect influences on ethical maturity. While the path analysis model shows promise to predict the influence on ethical decision-making, substantial unexplained variance remains. Because the focus on this study started with direct ethical influences, path analysis suggests that portfolio managers believe their ethical influence can be derived indirectly as well.

In the literature, as well in this study, we attempt to examine direct influence on moral maturity and the resulting higher order ethical decision-making by financial managers. However, results of the research in *direct* influence on ethical decision making of portfolio managers' point to both *direct* and the *indirect* influences. *A key finding of this exploratory research is the fact that influences on ethical decision-making may not be direct and linear.*

Rather than focusing on individual differences, this study used a measure of the factors influencing ethical decision-making as a more direct means. This reflects a different theoretical purpose. Unlike Trevino and Youngblood (1990) or Morris et al. (1995), we are less interested in explaining corporate misconduct through a 'bad apples' hypothesis where the ethical failings of individuals are largely blamed for corporate misconduct. This study is directed toward a better understanding of a decision to engage in unethical and illegal conduct as influenced by organizational and situational factors (including 'bad barrels') as well as individual characteristics. It may be a decision to knowingly 'break the rules.' However, as we show, there are considerable influences that affect directly and indirectly unethical acts beyond individual characteristics.

Implications for Future Research

There are several key implications for management of the ethical influences found in this study. First, employees and managers make a judgment about which course of action is correct based individual, organizational and environmental parameters. While laws and formal codes of ethics offer standards of conduct and guidelines for ethical decision-making, a more effective approach is to link these parameters to establish a normative approach that supports ethical analysis.

Second, managing the direct and indirect influences has wider implications over the whole organization. Corporate culture including organizational norms and values certainly influence people's behaviour (Mead 2002). Furthermore, these influences require supportive leadership.

Finally, another implication for future research derived from the present study is the need for further development and investigating different factors that affect ethical decisions of investing portfolio managers when faced with ethical decisions. It can provide significant and new insights. It is also becoming increasingly clear that there is a need to assess the other factors in which can affects ethical decisionmaking and are importance as evidenced in various empirical and theoretical works in business ethics.

Implications for the Finance Industry

Higher education levels in investment managers had more positive ethical attitudes and broader levels of ethical reasoning. Those entering financial professions will be exposed to ethical and legal challenges during their careers. The responsibility here falls partly on finance educators and partly on employers. By thoroughly integrating business ethics-related issues into finance courses and job orientation we can increase moral reasoning and improve awareness of the issues. Employers should provide opportunities for advanced education among their employees.

By identifying the individual, organizational and situational variables, it becomes possible to draw some inferences about the conditions under which incidents of misconduct are most likely to be observed and the actions that might be taken by organizations to reduce incidents of ethical misconduct. For example, support appears to be related that individuals with more positive attitudes had collaborative networks and thusly developed a broader perspective in the ethical organizational climate. By encouraging people to collaborate and build strong value networks of professional connections, it may do much to minimize ethical misconduct. Similarly, while competitive pressure apparently can play a notable role in investments manager's misconduct, such simple strategies as avoiding person-to-person comparisons and insuring adequate resources are available may do much to minimize the occurrence of misconduct.

The role for financial ethics requires that market players and participants strive toward ethical ideals (Frank 1988; Bella and King 1989; Bowie 1991 cited in Chang 1998). These factors heighten the importance of integrity and ethics as an integral part of the finance organization. A truly ethical individual would not be influenced by organizational or professional norms to sacrifice honesty for material gain. Although most people may

hear only about people acting unethically, discussing financial ethics is not just about the negative side.

While it is important to identify what actions are considered unethical, it is just as important to identify what actions are ethical. If a financial practitioner fails to understand the conduct requirements, he is exposed to the risk of violating the relevant laws and regulations. This will also reflect adversely of the financial practitioner, be it a company or an individual, to carry on business.

The finance world including banks and other financial services companies all over the world are going through tremendous changes driven by globalization, market liberalization and technological advancement. The impacts and implications of various financial transactions and decisions grow bigger with new meanings of ethical aspects. More than ever the finance industry needs to promote sound ethical rules and guidelines. In this environment the issues of financial ethics are as important for the general well being of people as those in any other areas, such as medicine, which is probably the most developed field of applied ethics. If the finance is practiced in an ethically responsible way, it will produce great benefit just like good health care.

Hopefully, the present effort will serve not only as a framework for further research examining the impact of factors variables on investments manager's ethical issues, but will provide a basis for added research in finance ethics. Given the changes occurring in business fields, there appears a pressing need for practical guidelines along these lines as the world of finance comes into ever closer contact with the demands and pressures of the modern organization.

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The Ability to Impute and the Moral Reasoning Gap: A Multi-agent Model to Approximate Some of the Effects of Moral Reasoning in a Small Society

Michel Martell

Abstract

Many times we hear about corruption as a phenomenon that escapes the person, as if has its own life and rationality. In this article, we worked with the premise that corruption is an emergent pattern of a joined set of an individual's reasoning and the environment built by the people living in it. It is not solely the environment, or the individual moral reasoning that determines the emergence of corruption. Factors, both individual and environmental, interact so that corruption emerges in a large or small scale.

In the first part of this work (Martell and Mansilla, 2006), theories of Chris Argyris were employed, particularly those relating to learning, which are connected to the works of Lawrence Kohlberg on moral reasoning. Argyris work adopted two theories of operation; in-use and espoused. The theory-in-use is the one that guides our behavior and the espoused-theory, is that which we use to explain our behavior. Between both theories, there are differences, but those differences are not always clear to the user. We used Kohlberg's moral reasoning scale in an effort to measure these two theories and to estimate its differences in a middle class sample.

According to Argyris, we employ the theory-in-use routinely and naturally but, if the acts we carry out cause embarrassment, we look into our espoused-theory to build explanations of our acts. If Argyris is right, confronted with a moral dilemma in which is not possible to be exposed by the decision taken, we would be able decide at a lower moral level to the one that we would had used if there had been a higher possibility of being exposed. To test this, we adapted Kohlberg's scale to a series of moral dilemmas, each one, different in terms of the possibility to associate the effect of the decision to the agent that takes it. In each dilemma, different options were presented, each with a different moral reasoning level. We found that the level of moral reasoning changes positively with the possibility to associate an agent with the effects of its decision, and that this change is differ with gender, age and education. Additionally, in our data set, we found that neither a formal courses of ethics, nor religion or the level of religious involvement, are elements that determine the form in which the moral reasoning changes (Martell and Mansilla, 2006).

For this article in particular, we used the same data set and constructed a mult-agent model to simulate a small society — certainly a middle class one. This society's operation were on some basic game theory rules. When given a long period to interact (simulated through very large amount of transactions), the speed at which the dominating

strategy is changed is inversely linked with the level at which the imputability[1] of the system is set; the higher the imputability, the slower the change. Also, the rate of change is positively linked with the probability of two agents to interact; if the probability is low, so is the speed at which the strategy changes. In other words, the model simulates the effects of a justice management system reflected in how the acts are imputed to agents and the effects that the moral reasoning gaps of individuals operating in a social network has on the economic activity; represented by the number of transactions in a given period.

Introduction

Some time ago while talking with a freelance consultant about the scenarios for the next presidential election in Mexico, we could not avoid a very important subject in the voters mind. Is corruption ever going to be reduced to reasonable levels? Two issues stand out: on one hand the implicit idea of some sort of action is taking place to curb with poor results, and on the other hand, the idea that attempts are not being made to eliminate corruption but merely lower it to reasonable levels; whatever that means.

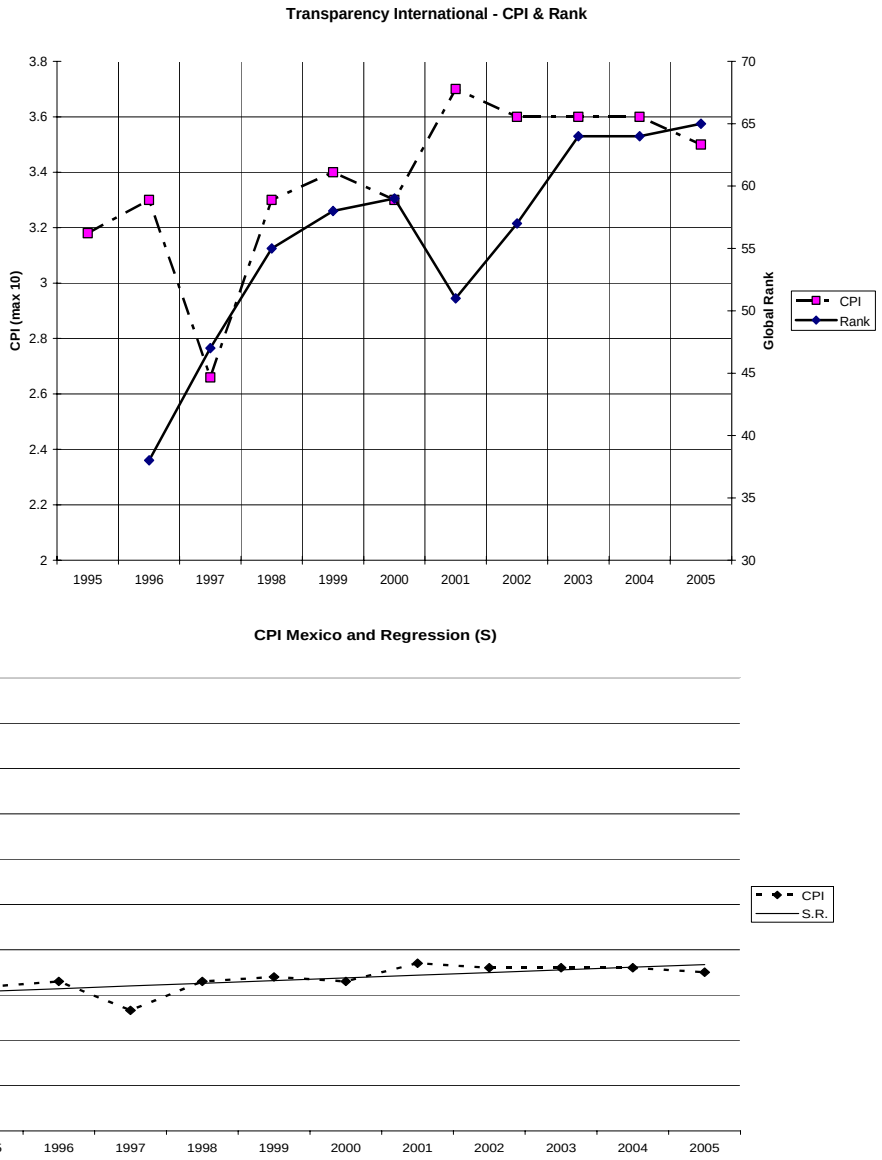
Our discussion touched on several anecdotes of how innocent civilians are considered guilty (and actually go to jail) for being a bystander when something wrong happens; or even worst, for opting to heroically help another fellow citizen in distress. Another example is the story of the woman who was physically attacked by her ex-husband and when arriving at the precinct to lodge a complaint was strongly encouraged by the judge not to pursue the complaint.

Of course all these are just anecdotes; these stories, however, are becoming all too frequent in the Mexican society and affect trust in government.

Transparency International conducts a yearly poll in regard to corruption. Even though the Corruption Perception Index (CPI) does not measure every form of corruption, the results in the last 10 years for Mexico are not promising.

As a general frame of reference for the reader, we took the values of the CPI by year for the period of 1995–2005, as well as, the ranking that the country occupied. CPI's scale goes from 0.0 (the worst possible scenario) to 10.0 (the best possible). Mexico received in the period, grades that range from 2.66 (worst) in 1997 to 3.7 (best) in 2001. We ran a simple regression and found that, if the trend continues, we will break the 5.0 grade in the year 2028 and if that is not what my friend calls a reasonable level; 7.0 will be achieved by 2062. Against any standard, that is a very slow pace.

1 The possibility to associate an agent to the effects of its acts (Abbagnano, 2000).



Note: Top figure – the CPI and Ranking for Mexico
Bottom Figure – the CPI and its simple regression.

The flourishing of Democracy and Market-Economy may be possible if the majority of the citizens of the country are able to morally-reason based on a social contract.[2]. In the first part of our research, we worked on understanding some of the factors that affect moral reasoning of adults and approximated it to a measure of how moral reasoning is affected by some of these factors (Martell and Mansilla, 2006).

For this particular paper, we established the following objective: to construct a simulation model of a society, to partially emulate how these factors make moral reasoning of a population behave and to study its effects. According to game theory and social networks theorists, cooperation emerges when two agents interacting ignore how many times they will face each other to negotiate (Axelrod, 2000). So, we designed a multi-agent model in which a population interacts under the assumption that each encounter of two agents is

2 Corresponds to the fourth level of the six defined by Kohlberg.

unique. In other words, in each transaction, the agent ignores if the counterpart will be met again. This game has a set of rules which are explained in the following section.

Mutli-Agent Model

Since most social networks follow a scale-free distribution, we design the model to construct a network following this law. The model replicates the distribution of the probabilities function of the 81 subjects interviewed (Martell and Mansilla, 2006) into a population of 1,000 agents. The power law used to construct the network is p (k) = 1/k^α with α =1.6988.

On each encounter of a pair of agents, a transaction takes place. Its value is symbolic and does not necessarily represent the exchange of goods. The value of the transaction is generated randomly following a Pareto distribution; Transactions with very low value have a high chance of happening and transactions with high value have a low chance of happening.

The transaction cost[3] is represented as a proportion of the value of the transaction that Agent Ai pays (on top of the transaction value itself) when interacting with Agent Aj as a result of the difference between their moral reasoning and both to the post-conventional level; with the highest associated value (five).

This way, TCAi=(5-Aj)*T and TCAj=(5-Ai)T. We added an accumulator that represents the "social cost" (or what the social group pays altogether):

> STC = ΣTCAi + ΣTCAj+…+ ΣTCAn, in a simulation going from t=0 to m transactions for all agents on the board; we tried several m values. Then, for the network previously described, the Agent vector (Ai) is composed of the following attributes:
>
> MRi ↔ In : Moral Reasoning MR= {1,2,3,4,5} associated to an imputability scenario In {1,2,3,4,5}. Each Agent has a value of MRi for each In.
>
> UiT : Variable that accumulates the transaction costs (TC) that the Agent Ai has "paid" in its interactions with other Agents Aj of lower moral reasoning in a t set of transactions, so after every transaction UiT = UiT + TCAi.
>
> P(β): Represents the probability of changing from MRi to MRi-1; this is assigned randomly. We speculated that the probability of changing the moral reasoning level to a lower one, could only be higher for agents that have had low variations in the moral reasoning levels when imputability levels are changed, however, this construct has not being tested in this exercise.
>
> Ui : Represents the threshold that the agent intrinsically has to accept a certain level of payments of transaction costs TC. It represents a kind of limit that the individual has before changing its moral reasoning level. This attribute deserves a more detailed explanation:

3 Similar to Williamson's concept in his development of Transaction Cost Economics.

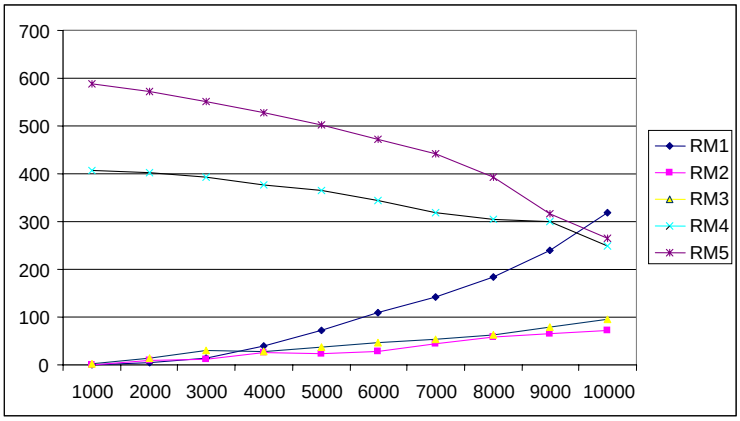
Moral Reasoning (MRAi) changing threshold (Ui):

> Each Agent has an "acceptance capacity" for accumulating extra payments; we defined this as the Moral Reasoning Changing Threshold. If an Agent accumulates extra Transaction Costs and surpasses the threshold, for all Ai a Ui exists so, if ΣTCAi>Ui, MRAi = (MRAi – 1) with a P(β) = (0.50, 0.33, 0.25) distributed randomly. So finally, Ai= {RMI1, RMI2, RMI3, RMI4, RMI5, UiT, P(β), Ui} represents the vector for each agent.

Results

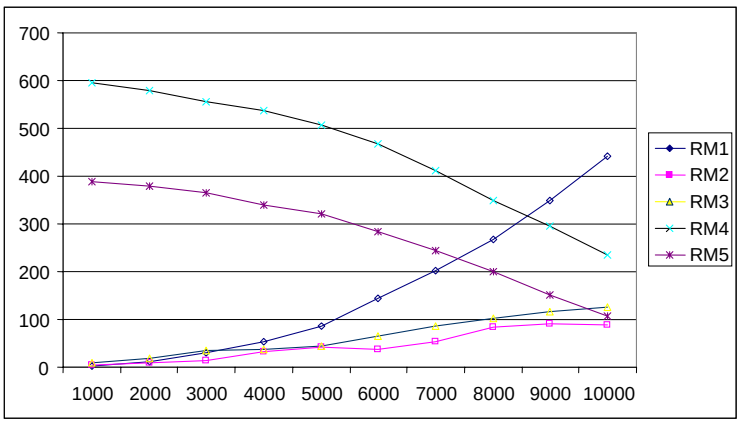
Based on the probability-distribution-function of our data set, our model is able to represent the effects of two variables. On one hand, the effect of the imputability of the environment in which the agents operate. The greater the imputability level the longer the time it takes for opportunism to emerge as a dominating strategy (see figure 1, 2 and 3 to follow).

Figure 1:



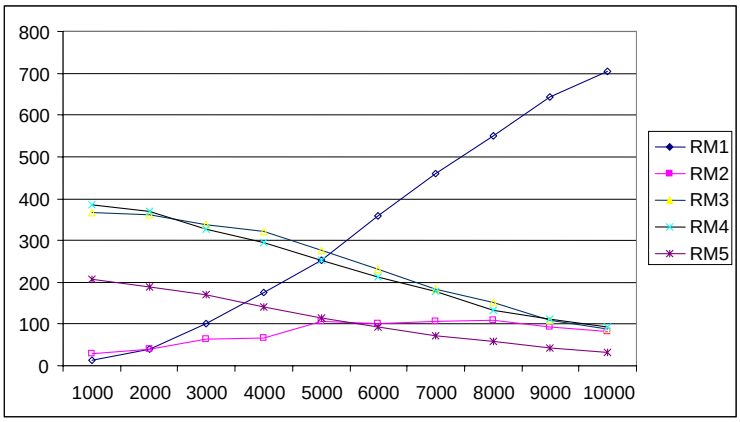
Ten thousand cycles, Imputability stated at level 4, with threshold stated at 500 monetary units and p1=0.3

Figure 2:



Ten thousand cycles, Imputability stated at level 3, with threshold stated at 500 monetary units, and p1=0.3

Figure 3:

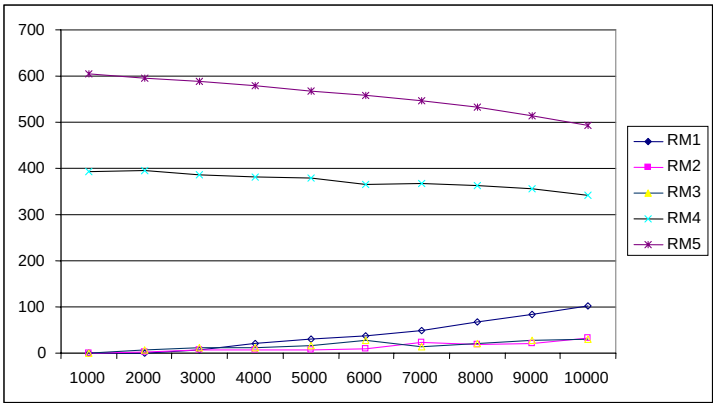


Ten thousand cycles, Imputability stated at level 3, with threshold stated at 500 monetary units, and p1=0.3

From the results, it is obvious that the dominating strategy after 9.5k transactions for I=4, after 9k for I=3 and after 5k transactions for I=2, is to reduce the moral reasoning level used. In the words of game theorists: to betray.

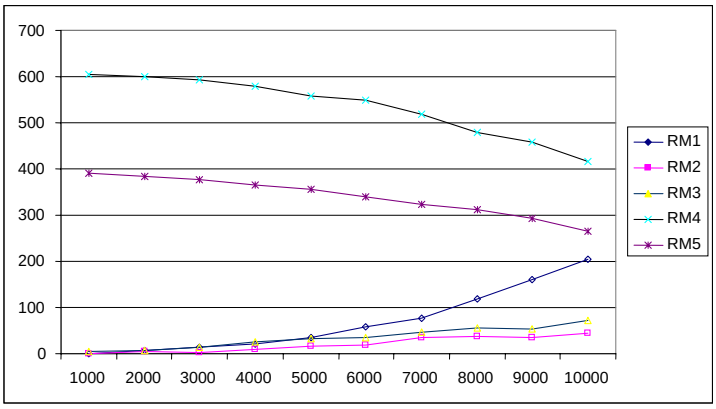
For this same combination of values except for the probability of two agents meeting (which for the last group was set to 0.30), on the next group of figures we show that reducing p1 in 10% drastically changes the time frame for the strategy to dominate.

Figure 4:



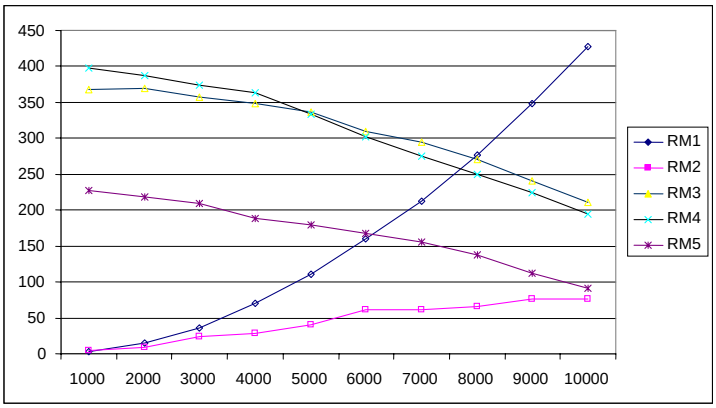
Imputability at 4 with p1=0.2

Figure 5:



Imputability at 3 with p1=0.2

Figure 6:



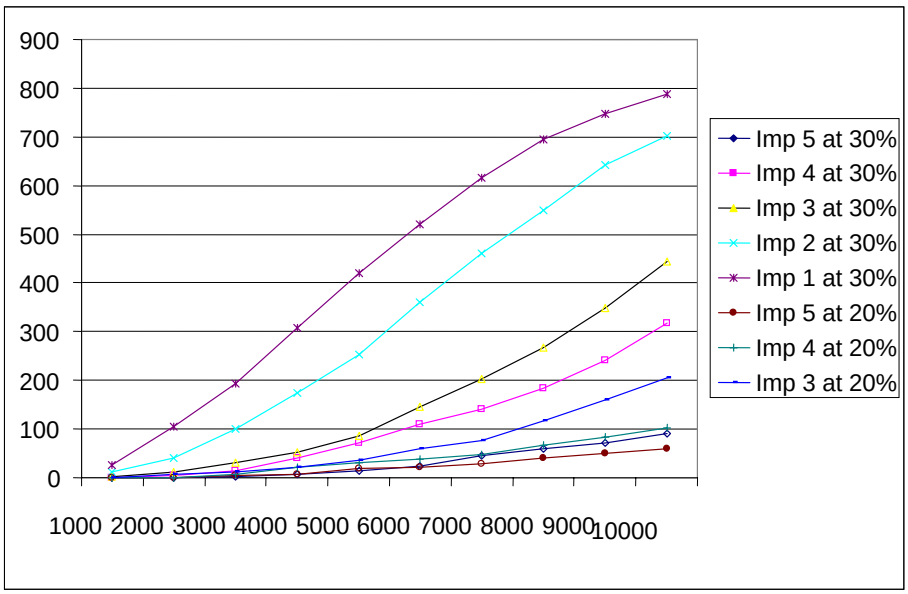
Imputability at 2 with p1=0.2

What this intends to represent is the execution of the freewill of the agents to reduce the level of interaction with the network. When this happens, the speed at which the agents change strategy reduces, so the amount of transaction (or time) that it takes for the betrayal to become the dominating strategy is affected by both, the imputability level in the environment in which the agents operate as well as, the willingness of the agents to evaluate the probability of interaction.

In environments with low imputability, the low moral reasoning strategy dominates or the system reduces interaction; both results have an effect in socio-economic exchange by means of increasing the transaction costs accumulated or by reducing the number of interactions between agents.

As a summary, we present in one graph (next page) the behavior of the betrayal-opportunistic strategy at variations of imputability and probability of encounter.

Figure 7 Different speeds of strategy change on different levels of Imputability and probability of agents' interaction.



It is worth mentioning that the effect of the agent's threshold is on the number of cycles needed to achieve the transition phase and, as a result, in the convergence to asymptote.

Based on the rules of the model and the probability distribution function of the agents, one could derive the following conclusions:

> The greater the imputability, the lower the speed at which agents change their strategy and, the lower the probability of interaction, the lower the speed at which agents change their strategy.

What are these conclusions related to? The first one is related to the level in which developed societies impute the effects of an agent's decisions. In other words, developed societies have legal systems that make individuals accountable for their acts and accountability enforces higher moral reasoning in transactions resulting in higher levels of economic activity. In short, development brings more development.

The second is related to the effect of the costs associated to interacting with agents with greater moral gap. To the extent that agents find large gaps in the other agents with which they operate, and these gaps are generated by a lower moral-reasoning-acting-theory, the agents collectively and without agreement could consider reducing the number of interactions. This effect, from the collective perspective, could result in the reduction of the probability of interacting and in doing so, reduce the speed in which agents change strategy. The results of this perspective are not a promising: we all become betrayers or reduce our interaction. In short, fussy accountability in underdevelopment inhibits economic development. We understand, these are common knowledge expressions but, our idea is only to model how moral reasoning could be linked with social and economical development in an effort to prove that the pursuit of moral values and higher moral reasoning could be based on other factors rather than just its intrinsic value.

Discussion

During both faces of our studies, we had found that:

> By group of age (<= 25 and > 25 years), by gender (men and women) and by level of studies (High school or less and Bachelors or more) the individuals are distinguished only in dilemmas with the smallest degree of imputability in the scale. By age, gender and education, the mean of moral reasoning varies (the gap reduces while age and education increases and is smaller in women) and is closer among the different groups that we compared when the level of imputability is perceived higher. We agree that the moral performance of an individual is a supremely complex result that depends on multiple factors. Our work was intended to approach the imputability as one of them.

The level of the moral performance of an individual and possibly of groups of the middle class of Mexico City cannot be supported only in the level of education and in its accumulation of experiences. In fact from our sample, taking or not taking ethical courses does not show a statistical difference. Our work shows, in an initial way, that is necessary to make evident the implications of the acts, otherwise, the results seem to show that before the opportunity given by low imputability structures, the individual tends to choose alternatives of "potential" action that are situated in lower moral levels than what could be –according to Kohlberg – its developed moral reasoning level.

We consider relevant a deeper understanding of the social representation (Moscovici, 1988) of imputability and the evaluation of some possible effects of it in public and private management. All this aside, from the greater need for a profound review, and as a result, the restructuring of the justice administration system in countries like Mexico.

We consider convenient to revisit Argyris (1997) in regards to his idea that the subject is capable of modifying his in-use-theory only when he receives feedback that allows the profound questioning of the basic assumptions although, we believe our ideas are in accordance to this.

We are aware of some of the limitations that the present work has, among the ones we could emphasize are:

- the size of the sample
- the possibility of the biased interpretation of the dilemmas on the part of the young or the older adults,
- the differences that should exist in an important number of people with respect to what truly would be their choice of acting against their elections in each one of the dilemmas.

This work is a part of a more extensive research than intends to seek some explanations of the moral adaptation of people when associated with working and societal environments. Though according to the sample, the imputability perceived in a moral dilemma seems to be a relevant factor, we consider convenient to expand the study to a more representative sample of the Mexican society. We also believe that we should enlarge the number of dilemmas to include some that could help us to avoid the generation biases. We consider that is indispensable to a closer exploration of the act, whether by simulation or by experimentation. We expect to be able to present the results of our following approximations in a next future.

Final Thoughts

The fight against the corruption is not only a moral one in the sense of being the battle against an intrinsically bad thing. It is clear that the fight contains moral elements that should be the concern of every religion and institution but, the motivation for the fight, also relates to the suffering and degradation that the corruption brings to societies and particularly to those less developed or poorer nations.

An integrated approach to the battle against corruption, such as the National Integrity System of Transparency International, is based on a series of fundamental pillars: democracy, efficient judicial systems, responsible media and an active civil society. Although consensus as for the need of an integrated system has been achieved and has been incorporated into public discourse, the success in the fight against the corruption continues to be marginal. A possible explanation of the limited success lies in its seemingly tautological construction.

With high levels of corruption, neither democracy, nor the efficient judicial systems can flourish, and in this sense, neither can a responsible media nor, perhaps, an organized civil society. As one pillar, the civil society may maintain its activism, creativity and strength in maintaining the issue on the agenda, even when the fight seems not to be fruitful. But to increase activism also requires a responsible media. On the other hand, in order for democracy and judicial systems to exist and operate efficiently, a responsible media is required, as well as, the active participation of civil society. Finally, it is clear that for the media to act as a weapon in the fight against corruption, basic democratic elements are required, such as freedom of speech and an active civil society. All in all, a system such as the one proposed by Transparency International for the reduction of corruption requires elements that, in order to exist, seems to require having corruption under control.

The perspective presented, forces us to see corruption and its antidote as a system; a system that requires all its constituents operating in an integrated fashion and sharing a single teleological approach. On this point, we should assume that the joint operation of these elements, as a consequence to be a human construction, is supported in the collective thought; and not only as a cultural construction in its broad sense. It is necessary to accept the point of view that the corruption is not an attribute of a given culture. It is not specific to the Latin-American cultures; it can be found in greater or smaller measure in Africa, in the Middle and Far East, and in any country of Europe or North America. It is neither exclusive of regions nor of nations. Also, there are high profile cases at the institutional level; within the United Nations, FIFA, the International Olympic Committee, within corporations or even schools. In the final analysis, the act of corruption is carried out by people; the policeman and the driver, the buyer and the supplier, the leader of a group and the representative of the corporation.

Corruption is not “a culture” although can be, at less in part, explained by elements that constitute what we understand as culture. Culture is the assembly of values, beliefs, symbols and basic shared assumptions. It is similar to a shared-by a population-program (Hofstede, 1980; Trompennars, 1997). And, in a certain form, it is possible to associate corruption to each one of these elements. But, we built our arguments on the assumption that nations, as well as institutions, are human constructions and that their operation is supported by basic assumptions, some of which are found in every person and that their manifestation, in greater or smaller measure, can be perceived in social interaction.

We assume (maybe wrongly) that the ecological balance is not the result of the rationality of the species; it is an emerging pattern of a system. To remain alive, every species can be characterized as taking advantage of the opportunity that is presented to it to guarantee its subsistence. Life seems to flourish by this opportunism. Opportunism did not escape from man with birth and the development of reason. Reason may be able to regulate opportunism, but human rationality is submitted to limits (Simon, 1999). Human rationality is limited by the availability of information and time to decide. And, the information that the agents have at hand is not structured by the environment; the agent has to work on it. The information that the rational agent uses does not stem from the environment; it is not at all structured.

One of the elements that integrate risk perceived by the agent with a decision is the possibility that the agent senses, based on the information at hand at the decision moment, to respond with integrity or its assessment of the consequences of its decisions; in simple terms, being accountable. So, in order for the sense of the possibility for being accountable to exist, it is necessary that the effects of the decisions can be associated with the agent.

The economic environment in which business operate is supremely dynamic. The information that would allow us to correctly interpret the situations that are presented at a given moment arrive unsynchronized and the speed of the change demands faster responses from us. All these considerations amplify the effects of our bounded rationality (Simon, 1999). On the other hand, the dynamism and the lack of the information increase uncertainty and does not allow us to construct perfect contracts (Alchien and Demsetz, 1972; Williamson, 1975) even at a social level.

The dynamism of the environment, our bounded rationality, the construction of incomplete contracts, all these obliges us, to only develop critical specifications in its minimum expression and, as a consequence of this, a greater dependence on the capacity of third parties — institutions — to resolve the conflicts in case of opportunism (Williamson, 1985). But if industrial organization, the businesses and individuals do not trust third parties, what possibility is there to create the economic movement that is required in less developed societies?

A simplistic answer usually is to focus on the development of laws and the construction of rules that are complete and useful. But this ignores the fact that the contract that represents the law, as well as private contracts, has a low chance of being complete. But still, even if this hypothetical assembly of rules could be created so that it was complete and useful, it cannot function alone. Before any rule can be applied — even the most complete one — the individual should be capable of recognizing the situation in which the rule applies. Each rule depends on the individual for its interpretation and application. Rules are useless if are not applied (Giddens, 1979; Polanyi, 1969). The application of any rule will depend, eventually, on the judgment of the individual and the individual is not governed by rules (external to him/her). The interpretive element that we had just described is what brought us to try to understand what affects the individual's judgment, particularly moral judgment, and how these affect the system in which the individual operates.

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Ethics Management Internationally*

Donald C. Menzel

Ethics management internationally is a rapidly evolving reality with many countries placing considerable emphasis on anti-corruption initiatives. A recent study of the 26 member countries of the European Union notes that 'the focus in national public administrations and the media is on corruption, fraud and conflicts of interest, but much less on unethical behaviour in general' (Bossaert and Demmke 2005, 3). This paper provides a broad overview of worldwide efforts to put into place ethics management strategies that encourage ethical behavior and combat corruption.

International Organizations

International bodies, including the United Nations, Transparency International, the Utstein Group (United Kingdom, The Netherlands, Norway, Sweden, Canada, and Germany), and the Organization for Economic Cooperation and Development (OECD) have launched a number of anti-corruption initiatives. The UN, for example, promulgated an International Code of Conduct for Public Officials in 1996 (see Figure1). Additionally, the United Nations International Centre for Crime Prevention has developed an Anti-Corruption Tool Kit to 'help U.N. Member States and the public to understand the insidious nature of corruption, the potential damaging effect it can have on the welfare of entire nations and suggest measures used successfully by other countries in their efforts to uncover and deter corruption and build integrity.'[1]

1 www.u4.no/document/toolkits.cfm Accessed January 3, 2006.

Transparency International (TI), the only international non-governmental organization devoted to combating corruption, seeks through information and education to discourage corruption and foster integrity in governance. TI publishes a Bribes Payers Index, a Global Corruption Report, and a Corruption Perceptions Index (CPI) that track corruption in 158 countries. Iceland, Finland, New Zealand, Denmark, and Singapore are the five most corruption free countries in the world according to the 2005 CPI report.

The five most corrupt countries, according to the CPI, are Chad, Bangladesh, Turkmenistan, Myanmar, and Haiti. The U.S. is ranked number 17, one spot ahead of France and one spot behind Germany.

Transparency International also publishes guides and books that promote integrity in governance. A National Integrity System source book is available in over 20 languages that

Figure 1 UN General Principles of the International Code for Public Officials

- A public office, as defined by national law, is a position of trust, implying a duty to act in the public interest. Therefore, the ultimate loyalty of public officials shall be to the public interests of their country as expressed through the democratic institutions of government.
- Public officials shall ensure that they perform their duties and functions efficiently, effectively and with integrity, in accordance with laws or administrative policies. They shall at all times seek to ensure that public resources for which they are responsible are administered in the most effective and efficient manner.
- Public officials shall be attentive, fair and impartial in the performance of their functions and, in particular, in their relations with the public. They shall at no time afford any undue preferential treatment to any group or individual or improperly discriminate against any group or individual, or otherwise abuse the power and authority vested in them.

offers 'an holistic approach to transparency and accountability and embracing a range of accountability 'pillars', democratic, judicial, media and civil society.'[2]

The Utstein Group, with headquarters in London, was established by the ministers of international development from Germany, the Netherlands, Norway and United Kingdom when they gathered at the Utstein Abbey in Norway in 1999. The Group has created an online resource center at www.u4.no/about/utsteinagencies.cfm that lists studies, reports, and anti-corruption projects currently underway throughout the world.

The Organization of Economic Cooperation and Development (OECD) with 30 member countries and a history dating to the early 1960s have long been in the forefront of promoting good governance. The OECD was instrumental in putting forward the 1997 Anti-Bribery

2 www.transparency.org/sourcebook/00-about.html Accessed January 3, 2006.

Convention that is 'the first global instrument to fight corruption in cross-border business deals'.[3] Thirty-six countries, including six non-OECD members, have enacted anti-bribery laws based on the OECD Convention. Estonia is the most recent party to the Convention.

In 1998, the OECD also adopted a recommendation to improve ethical conduct in the public service that contains twelve 'Principles for Managing Ethics in the Public Service' (See Figure 2). These principles, the preamble to the OECD recommendation states, are intended to be a point of reference for member countries 'when combining the elements of an effective ethics management system in line with their own political, administrative and cultural circumstances.' The extent to which these principles have been drawn on by member countries and other countries to develop an effective ethics management system is difficult to say. Nonetheless, the twelve principles are noteworthy and the intention is certainly meritorious.

Figure 2. OECD Published Principles for Managing Ethics in the Public Service

1. Ethical standards for public service should be clear. Public servants need to know the basic principles and standards they are expected to apply to their work and where the boundaries of acceptable behaviour lie.
2. Ethical standards should be reflected in the legal framework. The legal framework is the basis for communicating the minimum obligatory standards and principles of behaviour for every public servant.
3. Ethical guidance should be available to public servants. Guidance and internal consultation mechanisms should be made available to help public servants apply basic ethical standards in the workplace.
4. Public servants should know their rights and obligations when exposing wrongdoing. Public servants also need to know what protection will be available to them in cases of exposing wrongdoing.
5. Political commitment to ethics should reinforce the ethical conduct of public servants. Political leaders are responsible for maintaining a high standard of propriety in the discharge of their official duties.
6. The decision-making process should be transparent and open to scrutiny. The public has a right to know how public institutions apply the power and resources entrusted to them.
7. There should be clear guidelines for interaction between the public and private sectors. Clear rules defining ethical standards should guide the behaviour of public servants in dealing with the private sector, for example regarding public procurement, outsourcing or public employment conditions.
8. Managers should demonstrate and promote ethical conduct. An organizational environment where high standards of conduct are encouraged by providing appropriate incentives for ethical behaviour has a direct impact on the daily practice of public service values and ethical standards.
9. Management policies, procedures and practices should promote ethical conduct. Government policy should not only delineate the minimal standards below which a government official's actions will not be tolerated, but also clearly articulate a set of public service values that employees should aspire to.
10. Public service conditions and management of human resources should promote ethical conduct. Public service employment conditions, such as career prospects, personal development, adequate remuneration and human resource management policies should create an environment conducive to ethical behaviour.

3 www.oecd.org/dataoecd/43/8/34107314.pdf Accessed January 3, 2006.

11. Adequate accountability mechanisms should be in place within the public service. Accountability should focus both on compliance with rules and ethical principles and on achievement of results.
12. Appropriate procedures and sanctions should exist to deal with misconduct. Mechanisms for the detection and independent investigation of wrongdoing such as corruption are a necessary part of an ethics infrastructure.

13. http://www.oecd.org/dataoecd/60/13/1899138.pdf

The principles are consistent with the OECD's recommendation that countries build their ethics infrastructure 'to regulate against undesirable behaviour and to provide incentives to good conduct.'[4] A well built ethics infrastructure would include politicians who are advocates and exemplars of ethical governance, an effective legal framework, accountability mechanisms, workable codes of conduct, education and training, and an active civic society. Admirable? Without question — doable? Not easily. As a working model, OECD classified nine countries along two dimensions — an integrity-compliance dimension and a public administration-managerialism dimension. (See Figure 3) The United States is characterized as having an ethics infrastructure that is a mix of compliance based ethics and managerialism. That is, the emphasis is on 'getting the job done' while at the same time complying with ethics rules and regulations.

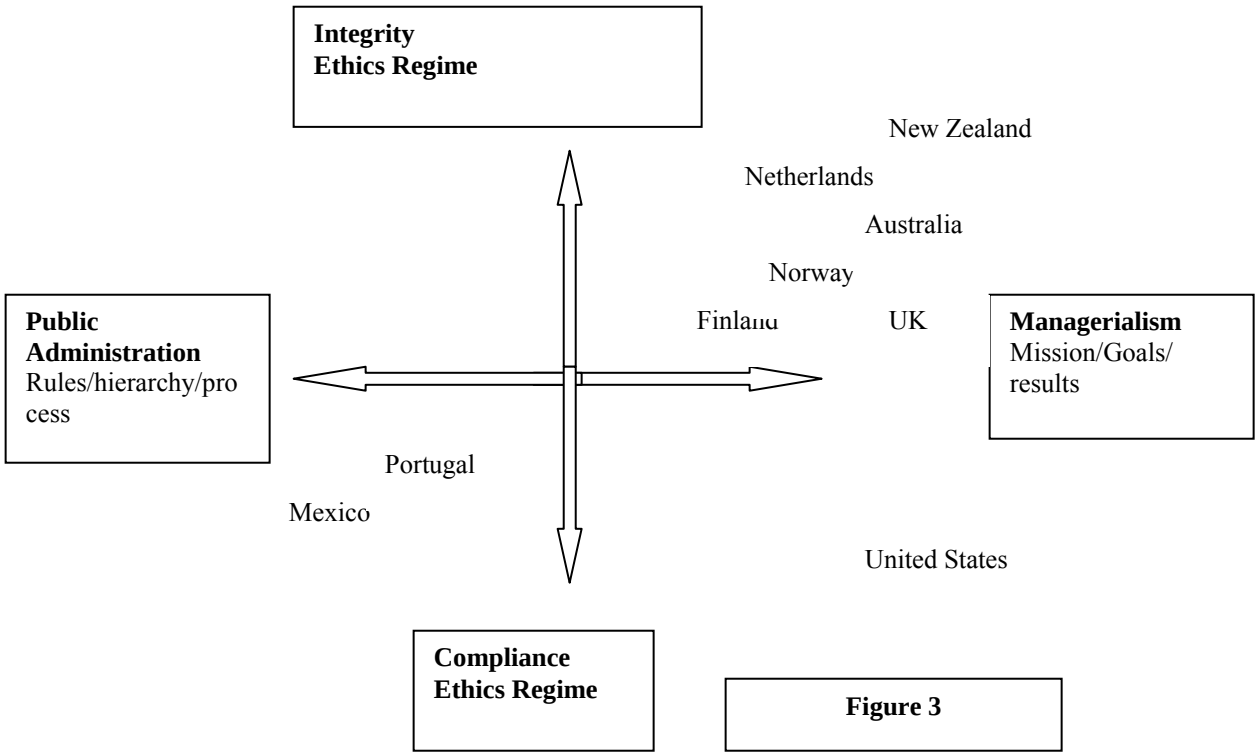

Figure 3

4 www.oecd.org/dataoecd/59/60/1899269.pdf Accessed January 3, 2006.

Ethics Laws and Codes Internationally

Ethics laws and codes of conduct are widely used tools in the international ethics manager's toolbox. For example, Australia's Northern Territory placed a code of conduct in the 1993 *Public Sector Employment and Management Act.* Neighbour, New Zealand passed a nation-wide code of conduct in 1998 that emphasizes obligations generally expected of civil servants in their professional lives. Each agency has been encouraged to develop specific codes of conduct consistent with the standards set out in the national code. The United Kingdom Committee on Standards in Public Life, known as the Nolan Committee, promulgated the 'Seven Principles of Public Life' that have been incorporated into codes of conduct by various agencies. (See Figure 4)

Figure 4

UK Committee on Standards in Public Life:
Seven Principles of Public Life

Selflessness: Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or friends.

Integrity: Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity: In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability: Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness: Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty: Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership: Holders of public office should promote and support these principles by leadership and example.

These principles apply to all aspects of public life.

Source: http://www.public-standards.gov.uk/default.htm

In Brazil, the Public Ethics Committee was established in 1999 to promote ethical behaviour in the federal executive branch. The Committee is also responsible for the implementation of the Federal Code of Conduct of High Administration and oversees and coordinates decentralized ethics initiatives in order to ensure the adequacy of the Brazilian administration's ethical standards. Another part of the agency's duties is to ensure that the relevant rules and procedures are known and understood, which includes publicity and training for officials and guidelines and help in dealing with ethical dilemmas.[1]

South Korea adopted a code of conduct for maintaining the integrity of public officials in 2003. This code specifies the standards of conduct to be observed by both state and local public officials, and covers conflicts of interest, the use of one's office for private purposes, and the obligation of officials to exercise neutrality and impartiality in their agencies.

The Philippines enacted a Code of Conduct and Ethical Standards for Public Officials and Employees in 1989. The standards include upholding the public interest over and above personal interest, discharging duties with the highest degree of excellence, professionalism, intelligence and skill, acting with justness and sincerity and discriminating against anyone, especially the poor and the underprivileged, and leading modest lives appropriate to their positions and income. Moreover, officials are admonished to not indulge in extravagant or ostentatious display of wealth in any form. The code also emphasizes positive incentives for exemplary behaviour, stating that incentives and rewards to government officials and employees may take the form of bonuses, citations, directorships in government-owned or controlled corporations, local and foreign scholarship grants, and paid vacations. Public officials so honoured are automatically promoted to the next higher position with the commensurate salary suitable to their qualifications.[2]

One ethics management tool under development by the Philippines Civil Service Commission is an Ethics-Based Personality Test. The Commission believes that an ethics-based personality test will result in the 'recruitment of the right people in all aspects and dimension' (Valmores 2005). The test will 'determine the behavioural tendencies and personality profile of a job applicant … [to] … address the long standing problem of hiring otherwise qualified people who are deficient on the moral and ethical requirements of public service.'

Perhaps the most active region of the world today in the development and implementation of codes of ethics is Central and Eastern Europe where many countries are in transition from authoritarian regimes to democratic regimes. A recent study by Palidauskaite (2006), a scholar from Lithuania, tracked the approaches taken in ten countries—Albania, Bulgaria, Czech Republic, Estonia, Lithuania, Poland, Macedonia, Romania, Slovak Republic. She reports that two trends are discernable—some countries focus on the behaviour of public servants through laws and codes while other countries rely on statutory regulation only. The implementation of ethics codes and/or laws follows one of two paths. The first path is the use of an impartial council or board much like that found in the United States and the United Kingdom. The second path is left up to the individuals themselves 'to interpret and apply the code of ethics' (2006, 45) This latter approach is consistent with the professional norm of

1 www.transparency.org/ach/pub_sector/conduct/implementation.html.Accessed January 3, 2006.
2 www.tag.org.ph/phillaw/law4-RA6713.htm Accessed

self-enforcement which is central to the codes adopted by many professional societies in the United States.

Ethics codes and statutes are not, of course, sufficient tools to ensure ethical governance. As Mike Nelson (1999) notes:

> …the problem with Codes of Conduct is that it is easy to stick them on the wall, but hard to make them stick in practice . . . without an effective development and implementation strategy which is integrated and engages with the heart and bowels issues of concern to the organization, the net result seems consistently the same: that the Code of Conduct remains a mere piece of paper, displayed or appealed to when convenient, but ignored the rest of the time.

In assessing the role of codes in European Union countries, Bossaert and Demmke (2005, 7) conclude:

> Despite their popularity, codes of ethics make little sense unless they are accepted by the personnel, and maintained, cultivated and implemented with vigour . . . codes are useless if staff are not reminded of them on a regular basis and given continuous training on ethics. Codes are only effective if they are impressed upon the hearts and minds of employees.

Alas, even with a vigorous implementation strategy, a code may still not deter unethical behaviour.

Whistleblowing laws and practices vary enormously throughout the world. The United States has numerous laws that encourage and protect individuals who blow the whistle on those who engage in corruption, waste, fraud, and abuse of power. And, there is a high incident of whistleblowing. Like the U.S., Israel laws provide extensive protection for whistleblowers, although there is a low incident of whistleblowing. India, the largest democracy in the world, has no statutes that encourage or protect whistleblowers. 'In fact, whistleblowing is technically illegal, according to civil service rules, and might even be personally dangerous' (Johnson, 1057). Still, there is a growing grassroots movement in India to expose government wrongdoing. Until the collapse of the Soviet Union, whistleblowing in Russia was encouraged as a form of spying that enabled the government to sustain itself and control its citizens. This historic and unique Russian history, Roberta Johnson contends, is changing as there is evidence that new breeds of whistleblowers are emerging who are motivated to serve the public interest (1056). Johnson's case study of these four countries has led her to conclude that there is no direct correlation between law and the incident of whistleblowing. Rather, she contends that the 'cultural context, more than any other factor helps explain why in some countries whistleblowers play an important role in opposing corruption and in other countries they do not' (1051).

To further assess ethics management internationally, I turn next to a more in-depth look at Europe and Asia.

Europe

The founder of Transparency International and an activist European lawyer, Jeremy Pope, notes that when TI was launched in the early 1990s the guiding philosophy was to fight corruption by building a country's 'national integrity system.' More than a decade later, he concluded that no matter how hard we work trying to strengthen public institutions and implement international standards, little seems to change. The bottom line is that 'it does not really matter how strong one's institutions are if the wrong people are inside them' (Pope 2005). An individual's ethics, however acquired and influenced, cannot be ignored. Thus education and training programs are essential to building an individual's ethical infrastructure.

Moreover, he points out that the differences between ethics 'best practices' in Western Europe and the United States are apparent. He suggests that the American approach can be seen in a famous cartoon in which a company's ethics advisor is shown addressing his Board of Directors: 'My role,' the advisor says, 'is to draw a line between what is acceptable, and what is not. And then get the company as close to that line as possible.' Drawing the line and then getting as close to it as possible? … a risky and low, low road proposition. The Western European approach to ethics management is not, as Jeremy Pope puts it, 'simply a case of lawful conduct'.'

Still, lawful conduct has a place in Europe. Seventeen of the 26 EU countries prohibit accepting gifts and invitations with eight of those countries prohibiting gifts above a certain amount—United Kingdom, Austria, Cyprus, Lativia, Lithuania, Italy, Slovenia, and Sweden. All but five EU countries—Luxembourg, Czech Republic, Germany, Denmark, Belgium--require public officials to disclose financial interests. (Bossaert and Demmke 2005, 105) Seventeen EU countries provide for punitive measures for those who violate ethics rules.

Russia, a non-EU country, is struggling with rampant corruption in many sectors. A recently completed two year study funded by the World Bank reports that Russians pay about $37 billion each year in bribes and unofficial fees.[3] Bribes paid by businesses are mostly directed at low-level local officials to secure licenses and fix the bidding for contracts. Higher level officials, however, are not immune as some businessmen claim that they pay monthly bribes to federal ministries.

Still, there is an effort underway in the Russian Federation to build an ethical culture in government. In November 2005, the Moscow Duma put forth a code of ethics for deputies. The decree outlined basic ethical principles, including rules 'regulating interactions between the deputy and his/her constituents' as well as norms of conscientious conduct and corporate ethics (Arkhipova and Sedova 2006). Among other things, the code obligates deputies to not 'make false public promises, be friendly, diplomatic, attentive, open and tactful' (Arkhipova and Sedova 2006). Moreover, deputies are admonished to not use their status, influence and power for personal gain or in the interest of specific groups. These positive first steps are just that.

3 www.templetonthorp.com/fr/news31 Accessed January 3, 2006.

I turn now to an examination of ethics management in two countries—the United Kingdom and the Netherlands.

United Kingdom

The United Kingdom is a unitary government, although local governments exercise a great deal of autonomy. Nonetheless, the Seven Principles of Public Life put forth by the Nolan Committee in 1995 (See Figure 6.3) provided a starting point for more aggressive efforts to deal with ethical challenges in government. This landmark event found expression in the 2000 Local Government Act that set forth three principal components for ethics management in the UK:

1. A requirement that every local authority adopt a Code of Conduct that all councillors must sign up to;

2. A requirement that authorities set up a standards committee to oversee ethical issues and provide advice and guidance on the Code of Conduct and its implementation; and,

3. The establishment of an independent body (the Standards Board) with responsibility for investigating alleged breaches of a Council's Code of Conduct and promoting and maintaining high standards of conduct.

(Committee on Standards of Conduct in Public Life 2004)

The Standards Board became operational in March 2001 and has regulatory responsibility for 386 local authorities, 8,000 parish councils, 31 fire and civil defense authorities and 44 police authorities. It also covers the Greater London Authority and other regional assemblies. More than 4,000 complaints have been received by the Standards Board, with less than half investigated. Michael Hunt describes this number of complaints as very high (Hunt 2005). A significant number of complaints deal with a failure to register a personal or financial interest. Other complaints allege councillors bring disrepute on their community and do not treat others with respect. Eight-two councillors have been disqualified from holding office and 15 members suspended following a hearing by the Adjudication Panel. The Panel is an independent judicial tribunal that hears and adjudicates serious matters concerning the conduct of elected officials. (Committee on Standards in Public Life 2004, 13-14)

Another agency, the Audit Commission, is also involved in ethics management. The Commission describes itself as an 'independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local and national service for the public.'[4] The Commission's approach is not to define ethical governance, but to include it as part of an overall definition of governance in the public sector. That is, it is expected to audit the ethical standards and practices of local governments. The audits can result in a Public Interest Report that focuses on any governance issue, including failure to maintain high ethical standards.

4 www.audit-commission.gov.uk/aboutus/index.asp Accessed January 3, 2006.

Of central importance to the Audit Commission is determining whether poor ethical governance adversely affects performance—a very difficult task. Indeed, the Commission's more traditional focus has been on performance compliance and risk assessment. However, it has developed a toolkit, *Changing Organisational Cultures*, that tests 'the operation of ethical standards.' This includes an assessment of officers' understanding of the local authority's code of conduct.

In 2004, the Commission conducted ethical audit reviews of 38 local authorities and concluded that 'it is questionable as to whether or not the problems identified by these audits will lead to service failure or poor quality services.' (Fawcett and Wardman 2005, 10) At the same time, more than 1,700 middle and senior managers completed the *Changing Organisational Cultures* exercise and were quite positive about their local government's commitment to combating fraud and corruption.

The approach taken to ethics management in the UK is not as heavily compliance driven as that in the U.S. but it is moving in that direction. Jeremy Pope points out that should a litigation culture take hold in the UK and Western Europe like that in the U.S., 'the ethics scene here may well shift to that of the United States.'—adversarial and 'gotcha' oriented (Pope 2005,6)

The Netherlands

The Netherlands, a decentralized unitary state with a population of 16.5 million, has begun to shift its ethics and integrity policy from a strong compliance focus on rules and regulations to one that emphasizes personal integrity and moral judgment (Hoekstra, Belling, van der Heide 2005). This has been described by senior policy advisers in the Ministry of the Interior and Kingdom Relations as going 'beyond compliance.' That is, the government recognizes the need for rules and regulations but also recognizes that these are not sufficient to ensure ethical governance. Thus, the emerging strategy is one that combines 'structure and rules on the one hand and of culture and awareness on the other.' (7) This shift in emphasis began slowly in the 1990s but has moved rapidly since 2003 when an investigation into the building industry found that many attempts were made to bribe civil servants. Responding to this situation, lawmakers amended the Civil Servants Act in 2005. The Act obligates government bodies to adopt a code of conduct for civil servants and requires all new civil servants to take an oath of office.

The central government's commitment is reflected as well in the establishment in 2005 of a Bureau for Ethics and Integrity Stimulation in the Dutch Ministry of Interior and Kingdom Relations. The bureau provides guidance to managers on the development and implementation of ethics management programs, supports various studies, and analyses trends and international developments in this field.

The Netherlands Tax and Customs Administration is suggestive of a Dutch agency's attempt to go beyond the establishment of a code of ethics. In 2000, the Tax Administration embarked on an ambitious project to infuse its 30,000 employees with values inherent in the nature of the agency's work. As the Director-General of the Tax Administration states, 'Due to the nature of their work, employees of the Tax Administration can easily find themselves

in uncertain or even precarious situations where guidelines and rules alone are not sufficient' (Van Blijswijk, et.al. 2004, 725). Tax employees must deal with the public fairly and apply the rules in a consistent manner. But this is not always easy to do on a case-by-case basis. Thus rules are not enough. Other necessary steps include (1) training new and current employees on how to handle dilemmas, (2) appointing integrity counsellors who will 'serve as the first line of inquiry to employees' questions with regard to integrity,' (3) creating reflection groups from among integrity counsellors to 'discuss real-life cases and what actions have been taken,' and (4) offering intranet group discussion opportunities for employees (723). The integrity project in the Netherlands points to the value of striking a balance between codifying ethics and meeting the day-to-day challenges of acting with integrity.

Asia

Asian values with an emphasis on personalism, paternalism, and particularlism are sometimes asserted to be different than Western values with an emphasis on impersonalism, merit, and rationalism. Thus the giving of gifts in return for favours, for example, is commonplace in much of Asia. Indeed, bribing public officials for favourable considerations is not uncommon. Consider the small Pacific island country of Vanuatu located about three-quarters of the way from Hawaii to Australia. With a tiny population of 205,754, one might expect high ethical standards to prevail. Apparently, not so according to Marie-Noelle Ferrieux-Patterson (2003), the President of Transparency International, Vanuatu. She asserts that there is no recognizable moral or ethical code to define right and wrong in the public sphere. Conflicts of interest are especially rampant as people are linked by strong tribal allegiances and 'take actions or decisions to pay back past favours or to store up future favours or rewards, such as jobs or contracts.'

The situation in all Asian countries is certainly not as dire as suggested by Vanuatu's experience. There is a strong movement to embrace the rule of law throughout the Pacific, Asia, and Southeast Asia. Many countries are putting into place legal and institutional barriers to combat corruption and promote ethical governance.

China

We should combine the rule of law with the rule of virtue in order to build a lofty ethical foundation for maintaining a good public order and practice,' asserted President Jiang Zemin in 2001.[5] Law and virtue in combination would indeed be a powerful antidote to corruption and unethical behaviour. China, with a population of 1.3 billion and more than six million persons in the civil service, has long strived to break the grip of corruption. Since 1981, five major anti-corruption campaigns have taken place. Alas, the struggle continues. The 2005 Corruption Perceptions Index published by Transparency International places China 78th among 158 countries. In 1995, the first year that TI published the Index, China placed next to last among the 41 countries surveyed.

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5 www.news.xinhuanet.com/English/20010726/433649.htm Accessed August 2, 2005.

Building organizations of integrity among China's 29 ministries of the central government, 32 provincial governments, 1,735 counties, and 48,000 townships is a substantial challenge. Nonetheless, it is one that officials are committed to meeting. China is a single-party dominated government. Thus both the Communist party as represented by the Central Disciplinary Committee and government Ministry of Supervision share responsibility for disciplining civil servants who engage in illegal and unethical acts. The approach taken by China, according to Robert W. Smith, is strikingly similar to that in the United States, although more formalistic. That is, there are fewer opportunities for informal, negotiated settlements of cases in China than there is in the United States.

Smith (2004) also asserts that China has many anti-corruption and ethics entities, perhaps more than any other country (311). Audit bureaus, centers for reporting corruption, offices of general inspection of financial and fiscal discipline, and nonofficial corruption monitors and bureaus of anti-graft and bribery have been established at various levels of government. These bodies possess strong investigatory and sanctioning powers and invoke harsh penalties, even death penalties, on offenders. In 1999, 4,322 public servants were found guilty of ethics violations, among whom were 58 senior officials. In corruption cases, the death penalty 'has been exercised with great frequency during the past few decades (314).

In 2005, four years and 13 drafts later, the Chinese national legislature approved a law featuring a code of conduct that outlines the rights and obligations of civil servants. The law, however, stopped short of requiring top civil servants to disclose their personal financial obligations which critics assert is a significant omission. 'There should be no doubt that the public's right to know should weigh more heavily than officials' right to privacy', a news article in the *China Daily* asserts.[6] As this criticism suggests, mainland China's approach to ethics management is limited in scope and focuses almost exclusively on corruption.

Whistleblowing is encouraged in some Chinese provinces. The Guangdong provincial government, for example, began rewarding whistleblowers in 1995 to root out corruption. Financial rewards were paid out to 55 whistleblowers totalling 140,000 Yuan — approximately $18,000 U.S. dollars (Gong 2000). Whistleblowing can be done by telephone, letter, or personal visits. Whistleblowing centres also exist in many localities that provide toll-free hotlines for reporting wrongdoing. The effectiveness of whistleblowing in China is difficult to estimate. Ting Gong who has studied whistleblowing in the Chinese culture claims that many potential whistleblowers remain silent because corrupt officials 'are often protected by an organizational network involving lower and higher ranking officials and sometimes even people in anti-corruption agencies. They collaborate with each other to cover up their corrupt activities' (1915).

Hong Kong

Hong Kong, a former crown colony of Great Britain until 1997, is a Special Administrative Region (SAR) in China with a population of seven million. Scholars describe the prevailing brand of administrative ethics in Hong Kong as 'a curious mix of modern Weberian notions

6 www2.chinadaily.com.cn/english/doc/2005-04/29/content_438416.htm. Accessed January 3, 2006.

on the one hand and traditional Confucian values on the other' (Lui and Scott 2001,650). Hong Kong civil servants are expected to be competent administrators who subscribe to the values of neutrality and loyalty to the hierarchy—Weberian notions. Confucian values enter in as well which stress virtue and rule by scholar-officials. That is, good government depends on the kindness and wisdom of those who rule. This is a form of 'rule by man' whereas the Weberian notions emphasize the 'rule of law.' The result, according to Lui and Scott, is that the Hong Kong bureaucracy 'operates as a corporate moral entity' (657).

The individual official remains a faceless, anonymous bureaucrat, a cog in a machine who has no moral identity outside his place in the collectivity. An 'ethical' civil servant is one who abides by the norms of the organization and the orders of his superiors. (657)

Hong Kong civil servants do not espouse values 'beyond what the bureaucracy has inculcated in them' (653). Although rules and regulations abound, 'they are largely designed to facilitate efficient organizational operations rather than to prescribe norms of moral behaviour' (653). While Hong Kong has an Ombudsman and an anti-corruption body, the Independent Commission Against Corruption, they have not been capable of drawing much attention to the significance of administrative ethics (653). Professionally oriented codes of conduct also exist but are not well publicized and are nearly unenforceable (Lui 1988).

Ethics management in China as well as Hong Kong is at a nascent stage with much distance to go before a claim to ethical governance can be asserted. At the same time, there is promise of a more professional civil service as the management of civil servants is increasingly merit-oriented with an emphasis on performance, character, ability, self-discipline and achievement as the basis for promotion and reward. (Zhu 2000) Nonetheless, administrative behaviour is dependent on self-control as there are few significant controls outside the institution of government. (1961)

Japan

Japan has 4.4 million public employees of which one-quarter work for the national government and the remaining three-quarters for local governments in prefectures, cities, towns and villages. School teachers are considered public employees and constitute one-fifth of the public employee workforce.

Ethics management in Japan is a work-in-progress. In 1999, the Japanese Diet (the National Assembly) enacted the National Public Service Ethics Law. This law set in motion a limited but nonetheless important approach to advancing ethics and integrity in the governance of Japan. Among other things, the law set forth three general ethical principles, established an Ethics Board in the national administration, created ethics supervisors, called for the promulgation of a National Public Service Officials Ethics Code, and provided for the introduction of ethics management in local government.

Figure 5

General Ethical Principles in Japan's National Public Service Ethics Law

1. Employees shall not give unfair, discriminative treatment to the public . . . and shall always engage in their duties with fairness, recognizing that they are servants of the whole nation and not of any group thereof.

2. Employees shall always distinguish between public and private affairs and shall not use their duties or positions for private gain for themselves or the organization they belong to.

3. Employees shall not take any actions that create public suspicion or distrust against the fairness of public service while performing their duties, such as receiving a gift from entities influenced by their duties.

The Ethics Board was placed in the National Personnel Authority, an independent agency whose mission is to ensure fairness in personnel management and develop personnel management policies. The Board is composed of a president and four members. All members of the Board are appointed by the Cabinet. A 15 person staff supports the work of the Board (Kudo and Maesschalck 2005). The Board's central ethics management responsibilities include:

- preparing and revising standards for disciplinary action against employees who violate ethics principles or rules;

- planning and coordinating ethics training programs within and across ministries and agencies;

- investigating alleged violations of the Ethics Law and taking disciplinary actions against violations or requesting ministers to do so for violations in their ministry.

The law also called for the appointment of an ethics supervisory officer in each ministry or agency. The ethics supervisory officers are expected to provide guidance and advice to co-workers on ethics issues and to establish management systems that foster ethical behaviour consistent with directions provided by the National Public Service Ethics Board.

The Ethics Code incorporated the three ethical principles above and added two more standards for ethical behaviour:

- Employees shall, in performance of their duties, aim at increasing public interests and exert their utmost efforts.
- Employees shall always behave recognizing that their actions may influence the trust in the public service, even outside of their official hours.

Following the inclusion of these two principles, the Code then becomes 'very specific and in fact focuses on only one issue of ethics management: whether or not public servants can accept favours (presents, hospitality, benefits, etc.) from individuals or entities' that could be

affected by the actions of government officials during the course of their work.(Kudo and Maesschalck 2005,13-14)

The National Personnel Authority is responsible for the development of training programs which consist of two basic types: general training for improvement of administrative duties and professional training that focuses on specific skills and techniques. Ethics sensitivity training is available to junior and mid-level managers, although senior level administrators are exempted.[7] Training for ethics managers is organized by the Ethics Board and is typically a 'detailed explanation of the Ethics Law and Ethics Code and the discussion of specific cases, including actual case of violations against the Law or the Code.' (Kudo and Maesschalck 2005, 15). The Ethics Board has also published and distributed an ethics handbook that explains ethics regulations.

In summary, ethics management in Japan is narrowly focused on compliance with the Ethics Law and Ethics Code as evidenced by the fact that, among other things, it is directed at curbing expensive wining and dining of senior bureaucrats by those who seek favours from them. The approach taken in Japan parallels closely the legalistic approach taken by many American states with an emphasis on prescribing and proscribing acceptable behaviour.

Moving Forward

Are nations around the globe embracing ethics management strategies? Yes, but primarily from the perspective of combating corruption through laws, rules, and regulations. The limitations of this approach are straightforward. It reduces ethical behaviour to a minimalist conception (don't break the law or regulations) and encourages a narrow, legalistic approach to defining acceptable behaviour. However, there is reason to be optimistic about a change in direction. Kenneth Kernaghan (2003), a Canadian ethics scholar, points to changes in Australia, New Zealand, the United Kingdom, and Canada. He suggests that these countries are moving toward a value-driven approach to strengthening the ethical culture of their governments. He points to the 1999 *Vision and Values Statement* intended to complement the UK Civil Service Code as evidence. In Canada, he notes that the Office of Values and Ethics, which was established in 1999, published a *Values and Ethics Code for the Public Service (2003)*. In New Zealand, the State Services Commission put the accent on core values in public service with the publication of *Walking the Talk: Making Values Real* (2001). This guide encourages public servants to uphold core values such as trust and integrity in their decisions and actions. Australia, he asserts, 'is the most notable for its recognition of the central importance of leadership to effective integration of the right values into public service' (718).

Ethics management worldwide is important. Indeed, the United Nations has been at the forefront in encouraging countries to embrace ethics and integrity in governance. At a 1997 conference on Public Service in Transition held in Greece, more than twenty countries from Eastern and Central Europe and representatives from international organizations such as the European Commission gathered to discuss what can be done to facilitate 'capacity building in the broad areas of governance, public administration and finance' (United Nations 1999,15).

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7 www.jinji.go.jp/english/fig/fig_15.htm Accessed January 3, 2006.

Ranked near the top of the list was the critical importance of probity and integrity. The raising of ethical standards and performance in government would require more than combating corruption. 'Public service ethics encompass a broad and widening range of principles and values, objectivity, impartiality, fairness, sensitivity, compassion, responsiveness, accountability, and selfless devotion to duty' (2). More than anything else, the conference participants concluded, 'the transition to a free and open society calls for rededication to democratic values, the respect of human rights and belief in the service of citizens and of the common good' (2)

There is little question that corruption impedes the possibility of a universal public service ethic and therefore international agreement on the adoption of effective ethics management strategies. There is another important reason why a universal public service ethic has yet to emerge. It is the belief that cultural and religious norms and traditions strongly influence the ethics of a society. Consequently, what is an acceptable ethical practice or behaviour in one society may not be acceptable in another. This culturally deterministic definition of ethics suggests that right and wrong behaviour is relative, not universal. Put differently, ethical norms and behaviours are embedded in and defined by a country's culture. But does this mean that there are no values that transcend the cultural diversity of societies? Not necessarily, Gilman and Lewis contend. 'There are fundamental values—treated at a high level of abstraction—that are closely associated with democracy, market economy, and professional bureaucracy' (Gilman and Lewis 1996, 518). These fundamental values include respect for human dignity, freedom from oppression, fairness, and truth and honesty in civic life.

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The Public Sector Integrity Systems in Queensland and Victoria, Australia, and the Impact of Recent Ethics Management Measures: a Practitioner's View

Jan Morre

Abstract

Due to some major corruption cases and misbehaviour of civil servants and politicians, citizens are increasingly aware of the importance of integrity and ethics management. Codes of conduct, prevention measures, whistleblower protection and other means of strengthening the ethical dimension of politics and administration have reached a high status on the agenda in many countries.

Australia was one of the first countries to introduce modern approaches of integrity and ethics management in the public sector, starting already in the seventies and this on all government levels (federal-state-local). The paper describes the main public sector integrity systems of Queensland and Victoria, and the latest ethics management initiatives, emphasising the practitioners' view. It also highlights the instruments that are used by the institutions in both states for their prevention role. Finally, the paper examines the different public sector integrity policies in Queensland and Victoria, even put in the broader context of whole Australia.

This paper is primarily based on interviews held during visits in April 2005 to the Key Centre of the Griffith University (KCELJAG), Brisbane, and to several public sector institutions involved in integrity and ethics management in Queensland and Victoria. It was recently updated following the latest developments in both states.

The Australian Environment

A few general facts

Australia, with an area of 7.69 million km², is the sixth largest nation of the world in area. Its population, however, is relatively small (estimated at the moment around 20.2 million).

Australia has been inhabited for about 50,000 years, originally by Aboriginal and Torres Strait Islander peoples. Eastern Australia was claimed by the British in 1770, and officially settled as a British colony when European settlement began in New South Wales in 1788.

As the population grew and new areas were explored, six self-governing Crown Colonies were established within Australia. In 1851 the colony of Victoria was granted independence from New South Wales in the same year. In 1859 an Order-in-Council gave Queensland its own Constitution. Queensland became a self-governing colony with its own Governor, a nominated Legislative Council and an elected Legislative Assembly.

More than a century after the first settlements, the Commonwealth of Australia was established on 1 January 1901, a federation of Australia's six former separate colonies (New South Wales, Queensland, South Australia, Tasmania, Victoria and Western Australia). Between 1901 and 1927, Melbourne was the capital of Australia while Canberra was under construction.

Australia, a Parliamentary Democracy and a Federation

Australia's system of government reflects the British and North American models of liberal democracy, but has uniquely Australian features. Vote is compulsory in Australia.

Australia has a written federal Constitution, an Act that was passed on 9 July 1900. This Constitution creates a federal system under which the Commonwealth and State parliaments both have legislative power. It also sets out the functions of the federal government such as foreign relations and trade, defence and immigration. Outside those limited areas listed in section 51 of the Constitution, the Commonwealth parliament is without power and cannot legislate for the six States.

In addition to the six States, Australia has two internal territories: the Australian Capital Territory (where the Commonwealth parliament sits) and the Northern Territory (formerly the Northern Territory of the State of South Australia). Unlike the States, the Commonwealth Parliament has plenipotentiary legislative power over the Territories. Although both Territories have their own parliament, the Commonwealth Parliament can pass laws that apply to the Territories or overturn Territory legislation where the subject matter of the law is not listed in section 51 of the Constitution.

The responsibilities of governing Australia are shared by the Commonwealth Government and the governments of the six states and two self-governing territories. In practice the Commonwealth government and the governments of the States and Territories cooperate in many areas. Local government bodies are created by states and territories.

Table 1: States and Territories of Australia

States and Territories	Area in km²	Population at end of December 2003	Capital
New South Wales	800 642	6,716,277	Sydney
Victoria	227 416	4,947,985	Melbourne
Queensland	1 730 648	3,840,111	Brisbane
South Australia	983 482	1,531,375	Adelaide
Western Australia	2 529 875	1,969,046	Perth
Tasmania	68 401	479,958	Hobart
Northern Territory	1 349 129	198,700	Darwin
Australian Capital Territory	2 431	322,579	Canberra
Other Territories (b)		2,646	
Total for Australia	7 692 024	20,008,677	

(a) Data for December 2003 are preliminary and subject to revision.
(b) Comprised of Jervis Bay Territory, Christmas Island and the Cocos (Keeling) Islands.
Source: Australian Bureau of Statistics

Developing Australian Integrity and Anti-corruption Systems

Evolution of the Australian Integrity and Anti-corruption Systems

Integrity and corruption prevention measures in the Australian public sector have a long history. For most of Australia's post-colonisation history — from the establishment of responsible democratic government in the 1850s until the consolidation of the modern welfare state in the 1970s — integrity and anti-corruption measures were defined by the traditional accountability institutions of Western liberal democracies. The Audit Offices took an important role with their financial audits.

Since the 1970s, a more complex integrity and anti-corruption system has evolved, as a result of three historical changes:

- From the 1970s, the enlarged size and complexity of the liberal democratic welfare state provoked two types of accountability reform: the introduction of the Scandinavian inquisitorial tradition of the Ombudsman to investigate citizen grievances against appointed (but not elected or judicial) officials; and simplification of traditional British public law remedies to enable 'aggrieved persons' to more easily challenge the merits and legality of administrative actions in the courts;

- From the late 1980s, the complexity of detecting and prosecuting intentional wrongdoing or gross misconduct by public officeholders (appointed and elected) led to introduction of additional, independent commissions against corruption in three states *(NSW 1988; Western Australia 1989; Queensland 1990)*, with ongoing debate about the need for similar bodies in Victoria and at a federal level; these three anti-corruption commissions were the result of :

    - Institutional corruption in the NSW Police Force → Wood Royal Commission
    - Allegations of institutional corruption in the WA Police Force → Kennedy Inquiry

- Institutional corruption in Queensland under the Bjelke-Petersen government (including the Police Force) → Fitzgerald Inquiry

- In parallel, the introduction of 'new public management' approaches has seen devolution of primary responsibility for public sector standards to the managers of and within individual units of administration; ethics and accountability are dealt with through contractual, results-oriented management, as well as more recently through rediscovery of 'values-based governance' and 'results-oriented accountability' approaches.

From Corruption to Ethical Behaviour

The Queensland experience The successive Bjelke-Petersen governments (08.08.1968-01.12.1987) involved the politicisation of the police force. The police force saw itself as an arm of government and the government saw the police as an arm of itself. Especially the 1980s were a turbulent period in Queensland's political history. Allegations of high-level corruption in the Queensland Police and State government led to a judicial inquiry presided by Tony Fitzgerald.

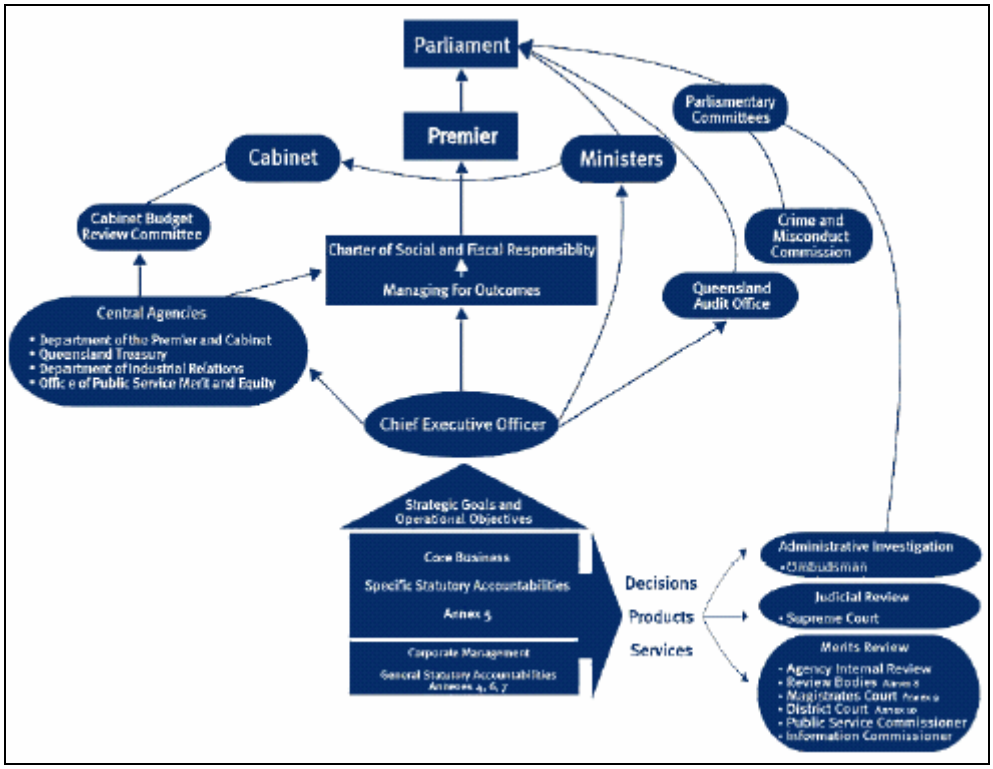
The early findings of the Fitzgerald Inquiry, which ran from July 1987 to July 1989, caused its terms of reference to be expanded to include a comprehensive investigation of long-term, systemic political corruption and abuse of power in Queensland. The inquiry would eventually outlive the Bjelke-Petersen government. Based on the inquiry's final report, a number of high-profile politicians were charged with crimes; notably Queensland Police Commissioner Terry Lewis was charged with corruption, and Bjelke-Petersen himself was charged with perjury for evidence given to the inquiry. Lewis was convicted to imprisonment, while the Bjelke-Petersen trial resulted in a hung jury amidst allegations that the jury foreman (later revealed to be the leader of the youth wing of Bjelke-Petersen's National Party) had misrepresented the state of deliberations to the judge.

The Fitzgerald Inquiry resulted in a new approach of governing and the introduction of an integrity and ethics policy for the public sector, not only in Queensland but indirectly also nationwide. In Queensland, its recommendations triggered major reforms. These included the Criminal Justice Commission (since 2001, the Crime & Misconduct Commission) and the Electoral & Administrative Review Commission (EARC) (1990-1993), both of which successfully fostered ongoing reform throughout public institutions.

The proactive approach of the successive Queensland governments promotes strongly a good personal behaviour of each individual, as to maintain and further develop an organisational culture, where integrity and an ethical behaviour becomes a natural part of the daily work sphere of every public official. The next sections of this paper give some samples of ways to achieve this goal and mention the role of each organisation in this ever continuing process.

A government project, the Queensland Accountability Framework *(see figure 1)*, is launched to streamline the accountability requirements imposed on Government agencies to ensure a suitable balance between proper reporting, transparent and effective administrative decision-making, well-managed risks and efficient and effective use of Government resources.

Figure 1: The Qld Accountability Framework



Source: Queensland Accountability Frameworks, OPSME, p. 46.

The Victoria experience Unlike Queensland, state of Victoria has not had many major corruption cases or scandals until the second half of the 1990s (see the BART investigation within the Victoria police force which led to charges with disciplinary offences against 550 policemen and even charges with criminal offences against two policemen and some shutter services operators). Therefore, the state has had a slower and less radical reform on integrity and ethical behaviour. Its integrity policy was mainly based on the belief that a positive attitude, based on ethical principles and Codes of Conduct, was sufficient to create an integer community. Also, since the 1980s, the state has had a strong conservative policy with many privatisations, public-private partnerships and a decentralisation of public sector institutions.

At the beginning of 2004 the Victoria police department became again subject of an investigation, after allegations of corruption, mishandling of investigations into child sexual abuse, racketeering and even murder. Nevertheless, the state government choose not to install a Royal commission (like the Fitzgerald Inquiry) to examine the allegations or to establish an independent anti-corruption body, like those in other states (like Queensland's CMC or New South Wales' ICAC). Instead, it was decided that the Victorian Ombudsman would get extended power and financial resources to investigate police matters.

The Ombudsman already had an existing capacity, in respect of complaints about a possible breach of discipline, to require answers from police under the *Police Regulations Act 1958*.

Under the new legislation, this will be extended to cover all matters under investigation by the Ombudsman in relation to police conduct and also to include former police and others. The Government also amended legislation to establish the Office of the Police Ombudsman, which had all the current functions of the Deputy Ombudsman.

In June 2004 however, the Victoria police department became subject of an investigation, ordered by the Ombudsman and led by Mr Fitzgerald, QC, following media reports of the unauthorized disclosure of a sensitive police information report relating to information supplied by a murdered informer.

Nevertheless, the Government has repeated claims that the Ombudsman Office would be as effective and powerful as a royal commission or an independent crime commission in tackling police corruption. On 16 November 2004, the "old" Office of the Police Ombudsman was given extra powers and renamed the Office of Police Integrity. More resources (+ 70 staff for OPI and again a substantial increase of the budget) were given.

Public Sector Integrity Systems in Queensland and Victoria

The states in Australia are responsible for introducing or improving of their public sector integrity systems [1]. This includes also the local government bodies that they created.

Victoria and Queensland, respectively the second and third largest states in numbers of population, have since the 1990s both developed good integrity systems, not only based on a compliance approach, but also with much attention for the ethical side of the organisational culture. Proactive prevention policy has become in recent years the main factor in their policy.

Table 2 mentions the key core integrity institutions in Queensland and Victoria. However, there are some other specialised officers and agencies in the integrity systems of these states [2], but they are not examined in this paper [3].

1 The NISA-project (see also section 5.3. of this paper) describes a National Integrity System (NIS) as the sum total of institutions, processes, people and attitudes working to increase the likelihood that official power is exercised with integrity in any given society. As the Australian states have different jurisdictions, their integrity systems can be considered as an NIS, too.

2 E.g. the Health Rights Commission, Parliamentary Committees and the Anti-Discrimination Commission in Queensland; Health Services Commission and Privacy Commissioner in Victoria.

3 The 'distributed' integrity institutions, which are the more diffuse integrity-related strategies and networks operating routinely within and through most organisations, are also not examined.

Table 2: Key core integrity institutions

Main role	Queensland 193,500 civil servants *(163.500 FTE)*	Victoria 228,000 civil servants *(186.000 FTE)*
Advice	Office of the Public Service Merit and Equity Office of the Queensland Integrity Commissioner	State Services Authority *(ex Office of Public Employment and the Office for Workforce Development)*
Prevention and investigation	Queensland Audit Office Queensland Ombudsman Queensland Information Commissioner Crime and Misconduct Commission	Victoria Audit Office Victoria Ombudsman Office of Police Integrity

Whilst the public sector integrity policy in Queensland is focused on a major role for an anti-corruption and crime commission (the CMC), Victoria's integrity policy is still built upon the strong role of the Ombudsman, who is also entitled to examine police matters as Head of the in 2004 created OPI [4].

Core Institutions Involved in the Public Sector Integrity Systems

In this chapter is given a description of the tasks of the key core institutions in the public sector integrity systems of Queensland and Victoria. Recent important developments within these institutions are also mentioned.

Institutions in Queensland

Office of Public Service of Merit and Equity The role of the Public Service Commissioner and the Office of Public Service of Merit and Equity is to assist the Premier in assessing the overall effectiveness, efficiency and management of the Queensland public service by leading its development in the areas of organisational and executive capability and performance, public service reform and governance.

Under the *Public Service Act 1996*, the Public Service Commissioner has a in the first place a role to hear appeals lodged by public servants in relation to unfair or unreasonable

4 Nonetheless, it is expected by the author that the importance of the in 2005 created SSA in Victoria will increase in the future, especially in the prevention field.

administrative decisions relating to public service employment. Appeals may be lodged in relation to promotion decisions, disciplinary issues and fair treatment matters.

Although its role concerning ethics and integrity is now more a monitoring or advising role than a controlling role, the OPSME provides expert advice to government and agencies on ethical behaviour and conduct relating to the public sector workforce. This includes advice based on the provisions of the *Public Sector Ethics Act 1994* and the *Whistleblowers Protection Act 1994*.

Nevertheless, the OPSME oversaw in 2003 the development of a major policy-setting document *'Realising the Vision — Governance for the Smart State'* and released in 2004 *'The Queensland Accountability Frameworks'* report, which brings together the integrated governance frameworks that have been established in the state to ensure high standards of public accountability and transparency in decision making and ethical behaviour in delivering public services.

The OPSME facilitates also the Queensland Public Sector Ethics Network

Queensland Integrity Commissioner The function of the Queensland Integrity Commissioner, on a part time basis, was established in 2000 and is a unique function in Australia and probably in the rest of the world, too.

The Integrity Commissioner has the following functions:

- To give advice to designated persons about conflict of interest issues;
- To give advice to the Premier, if the Premier asks, on issues concerning ethics and integrity including standard-setting for issues concerning ethics and integrity;
- To contribute to public understanding of public integrity standards by contributing to public integrity standards by contributing to public discussion of policy and practice relevant to the Integrity Commissioner's functions.

The Integrity Commissioner may be contacted directly by some people, including:

- The Premier, Ministers and their staff, Parliamentary Secretaries and their staff, and Government MPs (not from the opposition!);
- CEOs of government departments or public service offices, Statutory office holders, Senior Executive Officers or senior officers employed in a government department or public service office whose request for advice is supported by their CEO, and CEOs of a government entity or a senior executive equivalent employed in a government entity and is nominated by the Minister responsible for administering that entity;
- Other persons nominated by a Minister or Parliamentary Secretary.

Some people can request advice about other people:

- The Premier may seek advice about any designated person;
- A Minister may seek advice about their own staff or any statutory office holder or CEO in their portfolio;

- Parliamentary Secretaries may seek advice about their staff;
- CEOs may seek advice about senior executives and senior officers in their agencies.

No one can seek advice if they are no longer a designated person. Nor can anyone seek advice about a person who is no longer a designated person.

The Integrity Commissioner does not provide legal advice, but primarily provides advice on whether public officials may have a conflict of interest. He is not entitled to investigate proactively. The Integrity Commissioner, if asked, is also responsible for giving the Premier advice on issues concerning ethics and integrity standards and building the public's awareness about ethical issues.

A conflict of interest exists if a public official has an interest in the decision making process which will prevent them from acting impartially. The interest could be that they, their friends or relatives may benefit from a decision if it is made in a particular way. This interest conflicts with the public interest. Public officials who have an interest in a matter should remove themselves from the decision making process. A public official should make all decisions in an unbiased manner and in the interest of the public. This ensures that everyone who deals with the government is treated fairly and on their merits.

If someone does have a conflict of interest, the person has seven days to resolve the conflict of interest to the Commissioner's satisfaction. The Commissioner will advise him in writing. A copy of the Commissioner's advice may be provided to the Premier if the conflict of interest is not resolved within seven days.

In the period 2004-2005, 31 requests for advice on conflicts of interest were received *(see table 3)*. This may well indicate the extent to which significant conflict of interest issues arise among "designated persons". However the number of requests received is not the only indication of the significance of the Office of the Queensland Integrity Commissioner in the public sector. The very existence of the office draws attention to the need to recognise and resolve conflicts of interest. The material produced by the office assists in that process.

Table 3: Summary of Requests received by the Qld Integrity Commissioner

Requests received from	01.07.2004-30.06.2005	01.07.2003-30.06.2004	01.07.2002-30.06.2003	01.07.2001-30.06.2002
Premier	4	1	2	4
Minister or Parliamentary Secretaries	9	10	2	3
Directors-General	4	5	6	4
Other designated persons	8	5	14	14
Preliminary discussions (*no written request necessary)*	6			
Totals	31	21	24	25

Source: Annual reports 2001-2002, 2002-2003, 2003-2004 and 2004-2005, OQIC

Beside these requests, other enquiries were made which were clearly outside the jurisdiction of the Integrity Commissioner. They were usually founded on the misapprehension that the Integrity Commissioner has an investigative role. Assistance was given to refer the matter to the appropriate authority.

Queensland Audit Office The Queensland Audit Office (QAO) is responsible for conducting audits of 800 plus public sector entities comprising departments, statutory bodies, government owned corporations, local governments, Aboriginal councils and Island councils and controlled entities of those bodies. As there are many remote areas in Queensland, around 300 audits are undertaken by contractors (private sector accounting firms like KPMG). QAO employs around 190 permanent staff, of which approximately 140 are auditors (130 for financial audits and 10 for performance audits).

QAO's output is more and more directed towards:

- Audits of performance management systems;
- Better Practice Guidelines and checklists on accountability and governance.

The reports prepared by the Auditor-General for presentation to Parliament are directed towards ensuring high standards of public accountability by public sector agencies.

The Queensland Ombudsman Under the *Ombudsman Act 2001*, the Queensland Ombudsman, who reports to Parliament through the Legal, Constitutional and Administrative Review Committee (LCARC), looks at the actions and decisions of public agencies (government departments, bodies and councils (local governments)) and their staff that may be made for an improper purpose, made on irrelevant grounds, illegal or contrary to law, unreasonable, unjust, improperly discriminatory, based on a mistake of law or fact, made without giving reasons, or wrong. The general term for action that falls into any of these categories is 'maladministration'.

Some matters are also not within our power to investigate, such as the actions of:

- Ministers and Cabinet, courts and judges, legal advisers to the Crown, or the Auditor-General;
- Police in most circumstances;
- Private individuals or businesses;
- Commonwealth or interstate departments or agencies.

The Ombudsman makes recommendations to the public agencies involved to correct decisions if required. In almost every case, the recommendations are implemented, making the Ombudsman's Office an effective mechanism to improve the standards of administrative practice to the long-term benefit of the Queensland community.

If someone is concerned about the decision or action of a Queensland public agency, this person should first approach the agency concerned and genuinely try to resolve his problem. If that does not work, the Ombudsman can be contacted.

The Ombudsman Office also help agencies (e.g. WorkCover Queensland) with training programs, delivering a series of presentations to make its key decision-makers more aware of the role of the Ombudsman and how to improve the quality of their decision-making. This is a new dimension of the Ombudsman role, enacted in the *Ombudsman Act 2001*. This Act, introduced in December 2001, ushered in some significant reforms: it recognizes the dual role of the Ombudsman to remedy complaints about specific administrative actions and to

facilitate capacity building in agencies. Importantly, there is now a focus on improving agencies' internal decision-making, complaints handling and administrative practices. The informal investigation and resolution of complaints is now promoted to a greater extent.

Despite his extended role, no extra budget was given for this extra function to the Ombudsman, which means that the Ombudsman Office sometimes needs to look for extra income on a cost-covered base.

Two new initiatives outlined below were developed to discharge the Ombudsman's obligation under the *Ombudsman Act 2001* to assist public sector agencies to improve their administrative procedures:

- Good Decisions Training Program:

  This program was developed to help officers in public agencies improve their decision-making so as to provide a better service to the community and reduce the risk of decisions being challenged; it targets non-legally trained public sector decision-makers, who may not have had any training in decision-making or who would find a refresher useful; in 2005, the content of the training program was refined and a half-day workshop was developed; during the workshop officers are taught how to make decisions that are fair, reasonable and consistent and less likely to be the subject of complaint; this training should help agencies reduce the cost of complaint handling and enable them to provide a higher level of service to the community; in the new financial year, the Ombudsman Office will be promoting the training throughout the public sector and making it available on a cost-recovery basis to state and local government agencies.

- Complaints Management Project:

  This project was developed to assist public sector agencies to implement complaint management systems that comply with recognised national and international standards;

  Phase 1 of this project involved the Ombudsman Office working with 11 selected State and local government agencies to assist them to introduce complaint handling systems that meet recognised national and international standards; nine agencies already had developed appropriate complaints handling policies and procedures, when phase 1 concluded on 30 June 2005;

  Phase 2 of the project involves publicising the complaint handling models developed during phase 1 and encouraging all public sector agencies (including local governments) to adopt or adapt a model that best fits their requirements.

  In October 2005, the Public Service Commissioner has agreed in-principle to the Ombudsman's request to issue a directive under the Public Service Act 1996 requiring each department and public sector unit to develop and implement, by a date he specifies, a complaints management system that complies with the relevant Australian Standard.

The Queensland Information Commissioner The Queensland Information Commissioner (QIC) is, like the Ombudsman, an officer of the Queensland Parliament, independent of ministerial control. He reports only to Parliament through LARC.

The QIC can conduct an independent review of decisions made by government agencies under Freedom of Information legislation. The Commissioner's role is to ensure decisions made by agencies about access to information held by government are correct according to law.

The Office of the QIC has been in operation since 10 November 1992, and the *Freedom of Information Act 1992* came into operation on 19 November 1992. This Act appoints the Queensland Ombudsman as the Information Commissioner, unless Parliament decides otherwise.

In November 2004 it was announced that the Ombudsman and Information Commissioner would in future be two separate persons, and that the Offices would be split. The present QIC was appointed on 24 February 2005.

The Crime and Misconduct Commission The CMC, which has the central role in the Qld integrity system, was created on 1 January 2002, under the *Crime and Misconduct Act 2001*. It absorbed the functions of two well-established Queensland law enforcement agencies: the Criminal Justice Commission (CJC — created in 1990 as a result of the Fitzgerald Inquiry) and the Queensland Crime Commission (QCC — created in 1998).

The purpose of the CMC is to fight major crime and improve continuously the integrity of the state public sector. The *Crime and Misconduct Act 2001* also requires us to help public sector agencies prevent and deal with misconduct by increasing their capacity to do so while retaining their power to investigate cases of serious misconduct. This means that, since this Act, smaller or less important investigations are now in principle left to the agencies itself, although the CMC is making a follow-up about all these investigations.

The CMC is not a court. It cannot find people guilty or not guilty, or discipline anyone, although they can refer matters to the Director of Public Prosecutions with a view to criminal prosecution or to the appropriate Chief Executive Officer to consider disciplinary action. They can also charge officers with official misconduct in a Misconduct Tribunal.

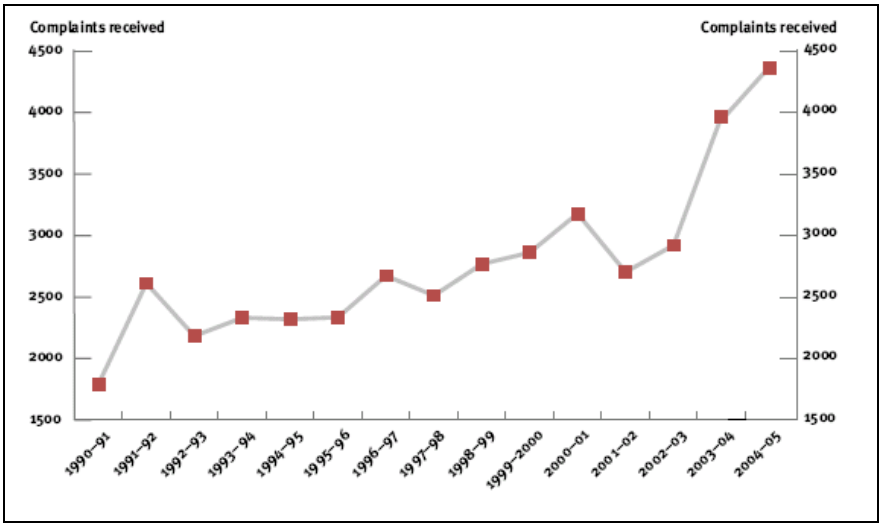
The CMC is headed by a five-member Commission comprising the Chairperson, who is also the CEO, and four part-time Commissioners who are community representatives. One of the four Commissioners must be a lawyer with a demonstrated interest in civil liberties. The other three must have qualifications or expertise in public sector management and review, criminology, sociology, community service, or research related to crime or crime prevention.

About 300 people work at the CMC, including lawyers, investigators, police, social scientists, financial and intelligence analysts, IT specialists, administrators and support officers. About 10 % of them work for the prevention section that analyses intelligence and results of investigations to help agencies improve their management and internal control systems. It

also provides general information to the community, and work to increase the capacity of public sector agencies to prevent crime and misconduct.

Figure 2 shows the evolution of the complaints received by the CJC/CMC since 1990-1991:

Figure 2: Number of complaints received by the CMC



Source: Annual report 2004-2005, p. 27

Although its reversed role, which led to a significant fall of number of complaints in 2001-2002, the complaints received by the CMC are rising again substantially. According to the Annual Report 2004-2005 this should not be seen as reflecting an increase in public sector misconduct. A more likely explanation is an increase in public awareness of the CMC misconduct function and successful capacity-building activities, which have given CEOs a better understanding of their obligation to notify the CMC of complaints.

Institutions in Victoria

The State Services Authority The State Services Authority (SSA) has been created on 4 April 2005 by the *Public Administration Act 2004*. Unlike the OPSME in Queensland, the SSA is not part of the Premier's department. It subsumed the Office of Public Employment and the Office for Workforce Development. A Commissioner for Public Sector Standards was also appointed. The SSA has now a staff of around 40 employees.

The current Labor Premier of Victoria outlined the following reasons for the transformation of the OPE into a new Authority, as part of his governments' "Growing Victoria Together" vision:

- Repeal of *Public Sector Management and Employment Act 1998* by the former conservative government that wanted to align public sector with private sector management practices/values;

- Strengthening the public sector by expanded definitions and clarity about the values and principles; public sector body Heads must promote these values and principles;
- Introducing a new employment principle;
- Workforce management / development:
- High standards of governance;
- Protecting public officials.

The *Public Administration Act 2004* represents a shift from a limited view of public service, to the broader concept of public sector and from the rigid definition of public servant to the all-encompassing public official. It provides four major roles for the SSA (section 45):

- Role 1 - Service integration and development: the SSA is to identify opportunities to improve the delivery and integration of government services and report on service delivery outcomes and standards; to facilitate this role, it can undertake:

    - Systems Reviews: a review of management systems, structures or processes within public sector bodies or of the functional relationships between two or more bodies/classes of bodies;
    - Special Inquiries: an inquiry into any matter relating to a public service body, public entity or special body even if the body (or member of the body) is not subject to the Public Administration Act 2004; (→ report to the Parliament)
    - Special Reviews: a review into any matter relating to public service bodies or public entities (not special bodies) even if the public entity is not subject to the Public Administration Act 2004; (→ report to the Premier and the responsible Minister)

- Role 2 — Standards and equity: the SSA is to promote high standards of integrity and conduct in the public sector; this role will be the particular responsibility of the Public Sector Standards Commissioner; the initial work plan aims to:

    - Develop and promote an ethics framework as the basis for applying public sector values, employment principles, together with associated codes and standards;
    - Commence research of best practice in the development and application of 'Fair and Reasonable Treatment Policy' for employers and employees in the public sector;
    - Commence research of best practice in the development of Codes of Conduct;
    - Commence a program of extensive and on-going consultation forums with public sector organisations state-wide to inform the development of policies, codes and standards;

- Role 3 — Workforce planning and development: the SSA is to strengthen the professionalism and adaptability of the public sector: the aim is to promote the Victorian public sector as an attractive career choice;

- Role 4 — Promote high standards: the SSA is to promote high standards of governance, accountability and performance for public entities; the SSA will work with these entities

to help them improve their governance, tin the first instance by developing a Governance Manual and a Training program for al Directors appointed to governing bodies across the sector; the initial work plan aims to:

- Commence the development of a public entities database for the whole Victorian public sector;
- Commence the development of an effective governance framework for public entities through the development of a Director's handbook and the provision of training.

The Public Sector Standards Commissioner, who has a larger role than the previous Commissioner for Public Employment, has the intention to develop tools, as well as standards to promote the application of the values and employment principles. This reflects a strong commitment to provide support and assistance to sector organisations. Also, the Commissioner intends to ensure that any requirements to provide information, which are developed to support his reporting obligations, also provide practical and valuable information back to heads of public sector bodies.

Victoria Audit Office Like the QAO, the Victoria Audit Office expanded their financial statement auditing activities to include performance auditing, which evaluates whether public sector agencies use their resources properly, to meet their objectives. Publishing good practises are also becoming common.

However, the former Conservative government approved in 1997 important amendments to the *Audit Act 1994*, which defines the powers and responsibilities of the Auditor-General. These amendments removed the Auditor-General's power to directly conduct audits in his or her own right, and required the Auditor-General to appoint external contractors to assist in the conduct of audits. They also established a new government statutory body, Audit Victoria, initially staffed by audit personnel transferred from the Office, to participate in the contestability process for audits in conjunction with private sector audit service providers.

In 2000, the incoming Labor Government proposed new changes to the audit legislation. These legislative changes, which became effective from 1 January 2000, have:

- Enshrined provisions relating to the appointment, independence and tenure of the Auditor-General in the Constitution Act;
- Restored the discretionary power of the Auditor-General to carry out audits in whatever manner he or she deemed appropriate;
- Strengthened, in several ways, the relationship of the Auditor-General with the Parliament and the accountability of the Auditor-General to the Parliament.

With the passing of these particular reversing provisions, Audit Victoria ceased to operate from 1 January 2000. Staff and audit responsibilities from this body were re-integrated into the Office with effect from this date. Victoria Audit Office has 138 employees and is responsible for auditing around 620 public sector agencies. Around 2/3rds of the financial audits were in the financial year 2004-2005 still done by private sector accounting firms. Part of the performance audits is also undertaken by contractors.

The Victoria Ombudsman The Office of Ombudsman was established in October 1973 under the *Ombudsman Act 1973*. The Ombudsman is required to report to Parliament on an annual basis. In addition to these Annual Reports, the Ombudsman may make special reports to Parliament and has done so on a number of occasions where special circumstances arise and it is considered that Parliament should be aware of the results of a particular investigation.

The *Accident Compensation And Transport Accident Acts (Ombudsman) Act 2005*, which commenced on 1 October 2005, amends the Transport Accident Act 1986 and Accident Compensation Act 1985, clarifies Ombudsman Victoria's jurisdiction to include WorkCover agents and certain delegates, and increases Ombudsman Victoria's jurisdiction to include self-insured organisations. The Ombudsman can also examine the processes and procedures used by agencies and bodies in handling TAC and WorkCover complaints. He cannot review the merit of a specific claims decision but can review the administrative actions taken to make that decision.

The principal function of the Victorian Ombudsman is to investigate complaints concerning administrative actions taken by any government department, public statutory body or by officers or employees of any municipality to which the Act applies. An "administrative action" means any action relating to a matter of administration, and includes:

- A decision and an act;
- The refusal or failure to take a decision or to perform an act;
- The formulation of a proposal or intention;
- And the making of a recommendation (including a recommendation made to a Minister).

Although the Ombudsman has no jurisdiction over the legislature or the judiciary, he is empowered by the Ombudsman Act to investigate complaints against the executive arm of Government.

The Office ensures compliance be designated agencies with the provisions of the *Freedom of Information Act.* The Ombudsman plays also a central role about whistleblowers protection.

There are a number of categories of complaint, which the Ombudsman is specifically denied jurisdiction and in some cases jurisdiction is restricted. For instance, the Ombudsman has no power to investigate the actions of private companies, private individuals, Ministers of the Crown, or administrative actions taken in Commonwealth departments. Under Section 13(3) of the Act the Ombudsman has no power to investigate administrative actions taken by:

- A court of law, a judge or a magistrate.
- A board, tribunal, commission or other body presided over by a judge, magistrate, barrister or solicitor presiding as such by virtue of a statutory requirement and appointment.
- A person acting as a legal adviser to the Crown or as counsel for the Crown in any proceedings.
- Persons in their capacity as trustee under the Trustee Act 1958.

- The Auditor-General.
- The council of a municipality or by a councillor of a municipality acting as such.

Unlike the Queensland Ombudsman, the Victoria Ombudsman has no legal obligation to provide help to public organisations.

The Office of Police Integrity The Office of Police Integrity was created with the purpose to maintain the highest ethical and professional standards in the police fore by ensuring that police corruption and serious misconduct are, detected, investigated and prevented. OPI was established following the proclamation of the *Major Crime Legislation (office of Police Integrity) Act 2004*.

OPI, which is completely separate from and independent of the police department, is headed by the Director, Police Integrity, (formerly the Police Ombudsman) who is the same person as the person who holds office as Ombudsman (s.102A of the *Police Regulation Act 1958*). The Director, Police Integrity, is an independent and impartial investigator responsible to the Victorian Parliament. In contrast to the limited powers previously available to the Police Ombudsman, he is no longer required to notify the Minister and the Chief Commissioner before he conducts an investigation on his own motion and he no longer has to provide the Chief Commissioner with an opportunity to comment before making a report adverse to Victoria Police.

OPI staff include lawyers, investigators, financial and intelligence analysts, administrators and support officers. Police members seconded to OPI are now subject to the sole direction and control of the Director, Police Integrity, and are subject to the same confidentiality requirements as other OPI staff. In the financial year 2005-2006 OPI is to become completely separate from the Ombudsman Office.

OPI investigates police conduct, police corruption and police policies and procedures, with the aim to improve police management, morale, service and integrity.

The Director, Police Integrity, can investigate police actions with or without a complaint. OPI also monitors and reviews complaint handling and investigations by Victoria Police's Ethical Standards Department, a police unit created in 1996.

Instruments for the Prevention Role

The most important prevention instruments that are used for developing an ethical organisational structure are mentioned hereafter.

Ethical principles and Codes of Conduct

The basis of the proactive integrity policies are embedded in the public sector through ethical principles that are enacted in specific acts of Queensland and Victoria.

The principles that have to be included in a Code of Conduct in a public sector entity of the two states, are mentioned in table 4.

Table 4: Comparison of ethical Principles and Codes of Conduct

	Queensland	Victoria
Legislation	Public Sector Ethics Act 1994 (s. 4-11)	Public Administration Act 2004 (s. 7) *(replaces the PSME Act 1998)*
Ethics principles to apply in Codes of Conduct	1. Respect for the law and system of government 2. Respect for people 3. Integrity 4. Diligence 5. Economy and efficiency	1. Responsiveness 2. Integrity 3. Impartiality 4. Accountability 5. Respect *(new)* 6. Leadership *(new)*.
Responsibility for Codes of Conduct	Every public sector entity should have a Code of Conduct Each CEO must ensure that a Code of Conduct is prepared and applied by employees	
Education and training	The CEO must ensure that public officials of the entity are given appropriate education and training about public sector ethics	
Control on the Codes of Conduct ?	No control (except audits - partim)	Role 2 of the SSA

The Codes of Conduct in Queensland The *Public Sector Ethics Act 1994* requires each public sector entity to provide a code of conduct for its public officials while performing their official functions (sections 12, 13). The purpose of a code of conduct is to provide standards of conduct for public officials consistent with the ethics obligations in the Act. A code of conduct must relate to a particular public sector entity, and must apply to all public officials of the entity. However, a code of conduct may make different provision, consistent with the ethics obligations, for different types of public officials. This is necessary because of the diversity of tasks performed in each public sector entity. So, every public sector entity is responsible for making their own code of conduct and for the application by its employees.

Chief executive officers of a public sector entity have the responsibility under the *Public Sector Ethics Act 1994* for the preparation of a code of conduct for their department. The *Financial Administration and Audit Act 1977,* sections 34 to 36, also makes them accountable officers who are responsible for the financial administration of the department. Those duties include efficient, effective and economic management of assets and finances. The chief executive officer of a public sector entity must also ensure that public officials of the entity are given appropriate education and training about public sector ethics.

The Codes of conduct in Victoria If an organisation in Victoria does not take the necessary step to introduce or adapt a code of conduct and develop a grievance management, the SSA can impose now this upon these organisations. The SSA can also review the process of grievance (not the contents) and will make recommendations to agencies, if necessary.

The SSA will conduct in 2006 a project about the codes of conduct in the Victorian public sector. In its early stage, this project contains an approach towards developing a generic code, however this should not remove the right of public sector bodies to produce in conjunction

with the Public Sector Standards Commissioner an organisation specific code to meet their particular requirements.

Ethics Training, Guidelines and Communication

Ethics training and awareness programs in general Training staff in ethics is a comparatively new phenomenon. There was a reasonably rapid growth in the interest in and implementation of ethics training in all areas of public sector employment in Australia since the early 1990's.

In the early nineties, a number of agencies commenced 'ethics training' which had the knowledge and skills to assist. In Queensland, these were the then Criminal Justice Commission (now the CMC) and the OPSME.

During the 1995-2000 period a number of training resources, often video or CD based were developed. Some of these included the OPSME's Public Sector Ethics CD Services, NSW ICAC's 'Conduct Becoming' and the Australian Tax Office CD series.

It is now widely accepted (not only in Queensland) that, for any effective ethics-training program, the content and planning must extend beyond the planning and delivery of a half-day workshop and built around the identification of ethical issues, principles and values contained in a series of scenarios.

Training and awareness programs provide a valuable tool for raising awareness among stakeholders within an organisation. But to really entrench an organisational ethics strategy and create an ongoing commitment to its goals, we need to go a step further and work on developing what is called an 'ethics regime'. This will involve multiple initiatives on an ongoing basis, negating the often held concept that a half day ethics seminar provides 'ethics vaccination for life!'.

An ethics regime encourages employees to internalise ethical values and standards to such an extent that it becomes a way of life for the organisation. For this to occur, ethical principles and values need to become a part of everyday life for employees — something that they know so well and are so fully committed to that they no longer have to think about it — 'the way we do things around here'.

There are many ideas and possibilities for attempting to create an 'ethical regime'. Implementing an overall strategy, which addresses identifying ethics risks and provides for reporting and protection policies makes a good start to developing an ethics regime, as it can identify problem areas and addresses ethical difficulties in a systematic way and provides greater potential for internalising ethical values. Awareness programs can assist in this internalisation by keeping ethics at the forefront of employees' consciousness on a consistent basis. Some ways of achieving this can include:

- Publications (such as brochures, flyers, posters);
- Simple policy statements or policy briefs, e.g. receipt of gifts, security of assets;
- Material in agency staff newsletters;
- General awareness strategies:
    - Computer 'backgrounds';
    - Messages on pads, rulers, or anything in regular use;
    - Ethical decision making guide cards;
- 'Regular integrating strategies' such as training:
    - Include as part of 'induction training';
    - Include as part of management/supervision training, etc.

Apart from formal training sessions in ethical decision making, there are many other less expensive and equally valuable methods, such as adding snippets on ethical behaviour to your internal newsletters and memos, by having tasteful or humorous posters around the office, little wallet-sized cards and by consistent reference to ethics by managers at all levels when discussing issues, at meetings, and in seminars.

New developments in training and helping public sector entities In recent years many efforts have been done about ethical training, making guidelines and communication in general. Almost all information is available on the websites. Concerning toolkits and guidelines, many are really worth mentioning, e.g.:

- "The Grassroots of Ethical Conduct. - A guide for local government staff and councillors" (2001), and the "Turf it out"-CD and facilitators Guide (2002), CJC / CMC; the combined toolkit became the winner of the National Awards 2004 of the Australian Institute of Training and Development;
- "The public scrapbook. - Guidelines for the correct and ethical disposal of scrap and low-value assets", March 2002, CMC;
- "Managing conflicts of interest in the public sector", November 2004, CMC; this guideline got much attention from the OECD;
- "Fraud and corruption control. - Guidelines for best practise", March 2005, CMC + ICAC; it was the first time that the CMC developed a major toolkit with ICAC, the anti-corruption investigation body from New South Wales;
- "An easy guide to good administrative decision", 2003, Qld Ombudsman;
- "Developing effective complaints management policy and procedures", March 2004, Qld Ombudsman;
- "Building integrity in the Queensland public sector. - A handbook for Queensland Public Officials", April 2004, Qld Integrity Commissioner;
- "Whistleblowers Protection Act 2001: Ombudsman's Guidelines", November 2001 - *revised*, Victorian Ombudsman;
- "Managing Internet Security", June 2004, Victoria Audit Office;
- "Managing risk across the public sector", June 2004, Victoria Audit Office;
- "Ethics resource kit", 2006, State Services Authority.

The Use of Networks

State networks State networks have become an important part of supporting a good integrity policy and stimulating ethical behaviour. Three examples of these networks in use in Queensland are mentioned hereafter.

- The Integrity Committee: The Public Service Commissioner, the Ombudsman, the Integrity Commissioner, the Auditor-general, the chairperson of the CMC and the Information Commissioner meet on a quarterly basis. This committee aims to strengthen informal links between these agencies towards their common goal of good governance for the Queensland public sector. It discusses issues relating to integrity and accountability in the public sector.

- The Queensland Public Sector Ethics Network (QPSEN): In partnership with the OQIC, the OPSME facilitates the QPSEN which is a forum aimed at raising awareness and educating public officials about public sector ethics. Currently there are 71 members. It does this by sharing knowledge and practises and by improving outcomes in agencies ethics. Each Queensland government department is represented on the network, with leading academics in the field also being invited to participate in meetings. QPSEN also has a role in informing the administration of the *Public Sector Ethics Act 1994*.

- Queensland Corruption Prevention Network (CPNQ): The CPNQ is an informal network creating for interested public officials an opportunity to learn from one another. Through "brown bag lunches" organised every two months, and also via a recently renewed website, the CPNQ is sharing and spreading new ideas about ethics and corruption prevention issues in other agencies.

Unlike Queensland, Victoria does not have real integrity networks within the State, although regular contacts exist between organisations, e.g. between the Victoria Audit Office and the Ombudsman Office. However it is the intention of the Victoria Public Sector Standards Commissioner to establish in the future regular meetings between the Victoria Audit Office, the Ombudsman Office and himself, for an exchange of information and a greater awareness.

Interstate and international networks Another remarkable and positive trend is the growing cooperation and networking over the boundaries of the states. Not only are organisations like the Audit Offices or the Offices of the Ombudsman having contact with similar national or international organisations, sharing information and good practises in their own sector, other specific organisations like the CMC (e.g. with ICAC from New South Wales) are trying to develop a cooperation, which leads to the shared development of toolkits, guidelines, etc.

Surveys

Surveys have become a major instrument in integrity and ethics management.

In Queensland the CMC regularly holds surveys. And in the period 2004-2005 the Qld Ombudsman Office has conducted three client satisfaction surveys principally for the purpose

of finding out what people think of the services it provides and how it can improve its level of service.

The OPE, the predecessor of SSA in Victoria, has done several employee surveys in recent years. The first survey was held in 2000 (then based on the experience of ICAC), the second, more limited survey was held in 2002 (benchmarking with the results of NSW) and the latest one was finalised in 2004. In promoting high standards of integrity and conduct in the public sector, the in 2005 appointed Public Sector Standards Commissioner continues to rely on the 'People Matter Survey' for information on employees' perceptions of how well the public sector values and employment principles are applied within their organisation. Therefore the SSA finalised another survey in September 2005.

Annual Reports

As required by s. 23 of the *Public Sector Ethics Act 1994*, each annual report prepared by the chief executive officer of a public sector entity in Queensland must include an implementation statement giving details of the action taken during the reporting period to comply with the following:

- Preparation of codes of conduct;
- Access to ethics principles and obligations and codes of conduct;
- Inspection of codes of conduct;
- Education and training;
- Procedures and practices of public sector entities.

In Victoria, s. 74 of the *Public Administration Act 2004* requires that the SSA and the Public Sector Standards Commissioner mention in their annual report:

- The adherence by public officials to public sector values during the year and their compliance with any applicable code of conduct;
- The application during the year of the public sector values, public sector employment principles, codes of conduct and standards.

In preparation of the report, the Authority may require the Head of a public sector body to provide it with such information, at such times and in such manner as it may specify.

Reporting Conflicts of Interests

A public official can be confronted with a possible conflict of interest during his career. The entities have quite often a standard procedure to report some possible conflicts of interests.

In Queensland, employees of e.g. the OPSME or the Qld Audit Office have to sign annually a declaration that is about personal pecuniary and other relevant interests and those of the immediate family. This declaration has as purpose to make a public official think about his ethical behaviour and about possible conflicts of interests. If any conflict of interest should arise, then the chief executive officer / Auditor-general and the person have to find a way to

solve this conflict. The (open) annual declaration is kept in a confidential way by the chief executive officer / Auditor-general.

In Victoria, Boards of public entities are required to maintain a register of interests. Candidates for appointment to a Board have to complete a declaration of private interests. The register has to be updated at least once annually.

As a result of contract provisions, an annual declaration of interests is also required of CEOs, their immediate deputies, heads of divisions, any employee holding a financial delegation in excess of AUS$20,000 or any other employee engaged in a role where there is potential for a conflict of interest to arise (decision by the CEO).

Whistleblowers Protection

Although many efforts have been made to promote ethical behaviour, it cannot be avoided that some cases of poor administration and maladministration come to surface. Therefore some institutions must control that all legislation and Codes of Conduct are executed in a proper way. To ensure that corruption cases can be handled with success, a whistleblower protection is necessary.

Whistleblowing in Queensland Each of the agencies, which have been established to expose poor administration and maladministration, should receive some information and complaints from public officials. The *Public Sector Ethics Act 1994* expects public officials to disclose fraud, corruption and maladministration of which they become aware. If such disclosures are to be encouraged, there needs to be a clear process for making disclosures, and adequate procedures to protect those who make disclosures from reprisals.

The *Whistleblowers Protection Act 1994* identifies the kind of disclosures that should be encouraged (public interest disclosures), establishes a disclosure process, and provides for protection and compensation if reprisals occur. This is an important part of the integrity regime.

When a person takes contact with the OPSME to inquire about making a public interest disclosure (PID), then OPSME will provide appropriate advice regarding the Whistleblowers Protection Act and PID's.

However, PID's are made to public sector agencies that have responsibility or power to take appropriate action about the information or to provide an appropriate remedy for that type of disclosure (including the Ombudsman office).

The OPSME has commenced in 2004-2005 a review of the *Whistleblowers Protection Act 1994*. Preliminary findings, based on information provided by 28 agencies in response to a survey, interviews and a discussion paper, indicate that there is a need for ongoing education and cultural change to bring about an environment that is more supportive of public officials who wish to make disclosures.

Whistleblowing in Victoria The Victoria state was one of the last states to introduce legislation about whistleblowers protection.

The main objective of the *Whistleblowers Protection Act 2001*, which was introduced on 1 January 2002, is to encourage and facilitate the making of disclosures of improper conduct or detrimental action by public officers and public bodies. This Act provides protection to whistleblowers who make disclosures in accordance with the Act, and establishes a system for the matters disclosed to be investigated and for rectifying action to be taken.

The Ombudsman has a central role in handling disclosures of improper conduct made under the *Whistleblowers Protection Act 2001*. An Ombudsman's Guideline has been made about this Act (November 2001).

The *Audit Act 1994* expressly excludes the Auditor-General from application of the whistle-blowers legislation. Section 41 of the legislation allows the Ombudsman to refer a disclosure to the Auditor-General, if appropriate. However, the Auditor-General decides whether or not to investigate, in accordance with the powers of the position under the Audit Act.

The Department of Human Services, the largest of the Victoria Departments, has done a great job in implementing the *Whistleblowers Protection Act 2001* in their organisation. A whole and secure system with Whistleblower Complaints Procedures has been established by the DHS.

The project "Whistling While They Work" In 2005, a project, led by the Griffith University and jointly funded by the Australian Research Council, six participating universities and 14 industry partners, has commenced. The list of the industry partners includes e.g. the Qld Crime & Misconduct Commission, the Qld Ombudsman, the OPSME and the Victorian Ombudsman.

The "Whistling While They Work" project is a collaborative national research project into the management and protection of internal witnesses who expose corruption, misconduct or maladministration. It will describe and compare organisational experience under public interest disclosure regimes across the Australian public sector. The objectives are to identify and develop current best practice systems for the management of people in the public sector who are willing to make public interest disclosures or give evidence about misconduct or maladministration.

The project is scheduled for completion by December 2007.

Differences of Integrity Policy in Australia

It is clear that both the states of Queensland and Victoria have well developed integrity policies. Despite the fact that their integrity systems often use of the same instruments for implementing their policy, there are important differences concerning the basics of their integrity systems, as already mentioned before *(see section 2.3. of this paper)*.

Reasons for Different Integrity Policies

Dr A.J. Brown and Professor Brian Head from KCELJAG have explained in November 2004 the differences in all Australia's integrity systems as follows:

- Governments have long relied on a relatively independent Auditor-General to provide assurances of regularity and propriety in public financial affairs, often since the 19th century colonial period. In addition to regular financial auditing roles, auditors have often carried out investigations into major allegations of waste, fraud and corruption, and since the 1970s have only continued to grow in importance in the integrity infrastructure of Australian governments.

- From the 1970s, the enlarged size and complexity of the liberal welfare state provoked the introduction of the Scandinavian tradition of Ombudsmen to investigate citizen grievances against appointed officials. These 'watchdogs' were not generally scandal-driven, and are usually related to developments to make administrative law simpler for 'aggrieved persons' to challenge government actions in the courts. Following inquiries by the Australian Law Reform Commission in 1978 and 1981, ombudsmen took on special roles in relation to complaints against police, exercising more supervision over internal complaint handling than for other agencies. In many states, ombudsmen have also been set up for specific portfolio areas, such as Health Care Complaints Commissions. In the 1980s, Victoria and South Australia chose to apply this specialist model to their police forces, establishing separate Police Complaints Authorities.

- From the late 1980s, the complexity of dealing with *intentional* wrongdoing or misconduct by public officeholders (appointed and elected) led to introduction of additional anti-corruption commissions in three states. *(see also section 2.1. of this paper)*

- Since the 1970s, several governments have established separate crime commissions to investigate organised crime, undertake crime research, and track and recover criminal proceeds. Importantly, these are not accountability 'watchdogs' but rather have expanded criminal investigation roles (a form of 'super-police'). However wherever they exist, crime commissions tend to play a fundamental role in anti-corruption work due to natural links between official corruption and organised crime, and their evidence-gathering capacities. Queensland's CJC/CMC was always established as both an anti-corruption and crime commission (briefly separate in 1997-2000), and Western Australia converted to this model in 2004.

The fact that there are different jurisdictions within the states and the Commonwealth is also an important reason for the different integrity policies.

The Actual Situation of the Core Watchdog Agencies

The different combinations of core 'watchdog' agencies make for a complex institutional matrix in the federal state of Australia. As table 5 shows, among Australia's six state governments and the Commonwealth government, only Queensland and Western Australia have now similar public sector integrity agencies.

Table 5: No. of Independent Integrity Watchdogs by Australian Government (NISA report)

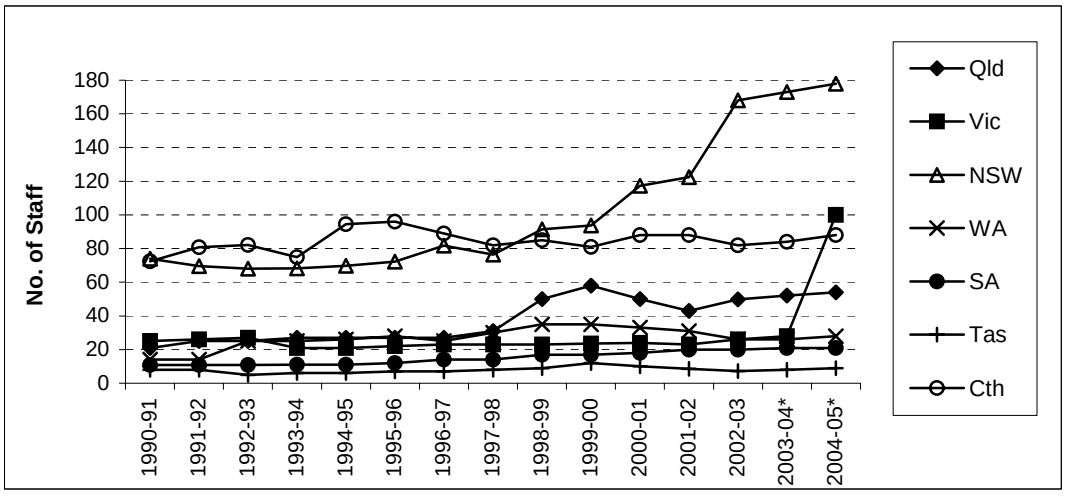
	Auditor - General	Ombuds-man	Police Complaints Authority	Police Integrity Comn	Anti-Corruption Comn	Crime Comn
NSW	1	2	3		4 (ICAC)	5
Queensland	1	2	3 (CMC)			
WA	1	2	3 (CCC)			
South Australia	1	2	3			
Commonwealth	1	2				3
Victoria	1	2 (inc. Office of Police Integrity)				
Tasmania	1	2				

NB: This table does not include Health Care Complaints Commissions and a range of other specialist independent integrity bodies, other than those dedicated to police.

Source: NISA Final Report 2005, p. 13

The Victorian government has — since the corruption revelations within the police corps started — always rejected to create a royal commission or an anti-corruption body like the CMC. Instead, it has chosen to reinforce the Ombudsman Office's role, which already included some police matters. Figure 3 show the important increase of resources (both in staff as in budget terms) given to the Victoria Ombudsman in 2004 *(including the OPI)*, making it now one of the strongest Ombudsman's Offices in Australia.

Figure 3: All Ombudsmen Staffing 1990-2005



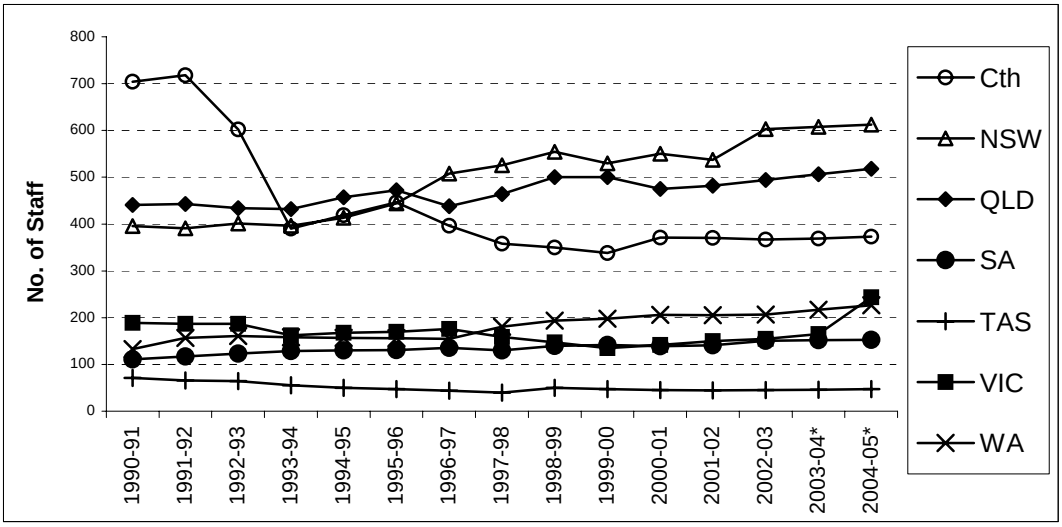
Source: Brown & Head (2004), p. 12

When taking into account all the integrity watchdogs, Victoria stands out as clearly still possessing the nation's weakest independent integrity resources, notwithstanding the boost to

its Ombudsman's office. This is not only because Victoria has no anti-corruption body, but because its Auditor-General is also comparatively weak.

Figure 4 shows, that, when compared in numbers of staff, Queensland is the Australia's second largest integrity sector, just behind New South Wales.

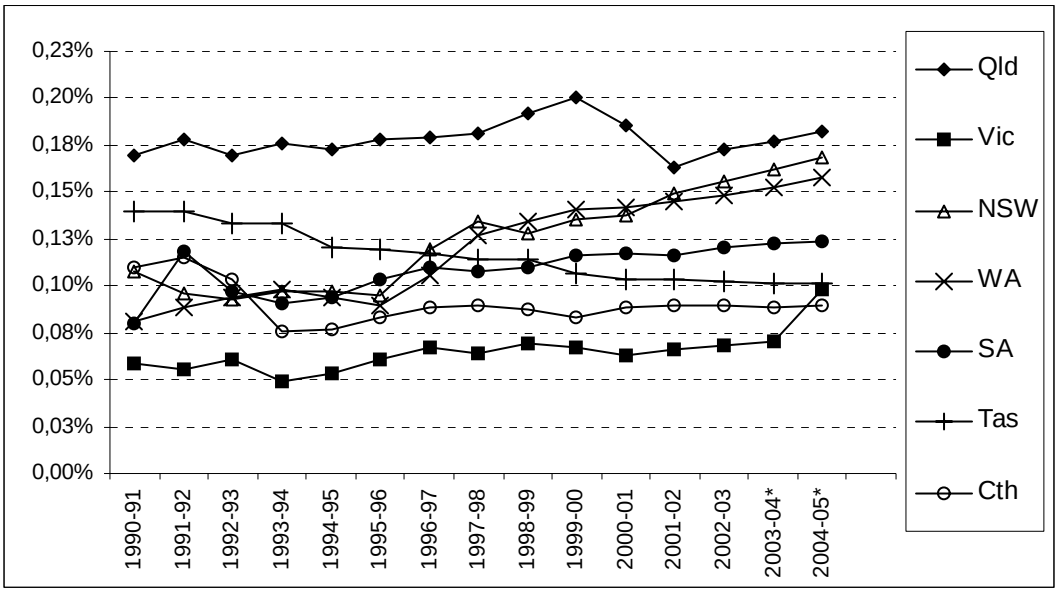
Figure 4: Core Watchdog Agencies - Staffing by state 1990-2005



Source: Brown & Head (2004), p. 14.

Figure 5, which compares all resources, shows dramatic variations between jurisdictions, even when adjusted for differing sizes of regions and operations, as well as substantial fluctuation over time.

Figure 5: Core Watchdogs - Averaged resourcing ratios (staffing & expenditure) 1990-2005



Source: Brown & Head (2004), p. 14.

It also shows the important role of Queensland, putting it in a leader's position. Although the Victoria Ombudsman has had a significant injection of resources in 2004, Victoria still stays quite behind compared with the other States and the Commonwealth.

For a good understanding of the figures 4 and 5, the agencies mentioned in table 6 were taken into account:

Table 6: Core watchdog agencies included in figures 4 and 5

Jurisdiction	Agency	Years
Commonwealth	Ombudsman	Whole period
	Australian National Audit Office	Whole period
NSW	Ombudsman	Whole period
	Audit office	Whole period
	ICAC	Whole period
	Police Integrity Commission	From 1996/97
Qld	Ombudsman	Whole period
	Audit office	Whole period
	CJC/CMC	Whole period
SA	Ombudsman	Whole period
	Audit office	Whole period
	Police Complaints Authority	Whole period
Tasmania	Ombudsman	Whole period
	Audit office	Whole period
Victoria	Ombudsman [5]	Whole period
	Audit office	Whole period
WA	Ombudsman	Whole period
	Audit office	Whole period
	OCC/ACC/CCC	Whole period

Source: Brown & Head (2004), p. 15.

***Which Integrity Model is Best to Implement*?**

The *National Integrity System Assessment* (NISA) project, started in 1999 by KCELJAG and Transparency International Australia and finished in December 2005, had six main aims:

- Compare the nature of ostensibly similar integrity-related institutions in different jurisdictions;
- Identify the ways in which the elements of the NIS interrelate, as well as any gaps or overlaps between those elements;
- Assess the strengths and weaknesses of the present Australian integrity systems and recommend improvements;
- Provide a benchmark for comparison between jurisdictions and against which changes in the effectiveness of the integrity system can be measured;
- Provide a basis for action by relevant Australian governmental and nongovernmental agencies and organisations, including Transparency International;
- Provide a case study for other countries, both developed and developing.

The project had five phases, structured primarily by sector and jurisdiction:

- Queensland pilot public sector integrity system assessment (1999-2001);
- Business integrity system assessment (RMIT School of Management, 2001-02);

5 Including the Office of Police Integrity, which did not yet exist as a separate entity at the time of the report.

- Commonwealth public sector assessment (Charles Sturt University, 2001-04);
- New South Wales public sector assessment (University of Sydney, 2002-04);
- National comparative and intersectoral research (Griffith University, 2003-04).

The final phase of the project involved methodological revision, supplementary research, comparative analysis of the results of the previous and in-progress studies, convening of analytical workshops, and preparation of publications including this report. A major objective was to develop the methodology for such assessments in the future.

The final NISA report of December 2005 includes 21 recommendations for government, business, civil society groups and members of the general community concerned to ensure continual improvement in Australia's integrity systems.

Concerning the question if there is any evidence that one model is better than another, in terms of basic capacity to promote accountability and control corruption, the research team concluded that:

> the NISA approach does not assume a particular institutional matrix to be 'normal' or preferred. Instead, the descriptive approach outlined is intended to emphasise that integrity system development lies in innovation, diversity and adaptation of old institutions to contemporary challenges in ways that ensure solutions are durably embedded in local political culture. (…) Some of the most important lessons of the Australian integrity system assessment lie less in the specific types and configurations of institutions discussed than its offerings as a new set of approaches for assisting communities to take stock of their own integrity systems in order to map their own particular path to their own version of public integrity.
>
> (NISA Final Report, p.18).

However, because of this project, clearer focus can now be given to what should have been done, or would be done if the project were conducted again. The report contains sample methodological recommendations from the project, which can be advised for future National Integrity Systems Assessments in a range of countries.

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Interrelations in the Implementation of Systems of Integrity, Ethics, and Public Administration.

Aive Pevkur

In democratic societies the question of ethics in government is an emerging topic. There are ongoing discussions about the different elements of a 'ethics infrastructure' approach to Public Sector Ethics (PSE), teaching ethics to public servants and core values of the public service. There are also discussions of the appropriate use of different moral language (through the use of behaviourist, role-based, and classical ethical theories).

There are only a few discussions about how to implement new ethics standards in the conditions created by various recent public sector reforms, especially in countries in transition. My aim is to look at interdependency of public administration system and implementation of professional ethics into the public service, based on the case of Estonia.

Public Administration

The Republic of Estonia regained its independence in 1991, after having been a part of the USSR for more than five decades. After the change of regime in 1991, the reorganization of the whole state system became one of the main tasks of the founders of the new Estonian Republic. One of the most important questions was the foundation of public administration system. In years 1992–1999 in ministerial and expert commissions for public administration reform, discussion concentrated on, among other things, whether the Estonian public service should be career-based or position-based (Sõõrd, 2005). In 1995 the Estonian Parliament (Riigikogu) adopted the Public Service Act (PSA), which became effective at the beginning of 1996. This shaped the Estonian public service as an open, position-based system with some elements of a career-based system. But this didn't stop discussions about the developments of public service. Already in 1997, the elaboration of a new comprehensive reform strategy was launched. In 1999, cabinet of Prime Minister M. Laar launched a new reform and declared New Public Management (NPM) as an official reform ideology. These discussions are continuing with different intensity until today[1].

In relation to other Central and Eastern Europe (CEE) countries, Estonia is an obvious exception in its inclination to build up a highly decentralised position based public service system with a few elements of a traditional system, such as a no-strike clause for civil servant, duty of secrecy or special pension system for certain group of workers (Bossaert, Demmke 2003, 9–10). The reforms have also lessened the degree of central coordination.

Public Service Ethics

There has not been much discussion about ethics in Estonian public service. In order to develop the ethical standards of values for the public servants, the Estonian Parliament in 1999 approved the Public Service Code of Ethics — the first in CEE countries. Formally the Code is a supplement to the Public Service Act. In this form, the code is unique from the European perspective (Demmke, Bossaert, 2004, 100). Its initial purpose was to inspire and to guide (Palidauskaite, 37). It contains twenty statements about the required conduct of public servants. As Saarniit pointed out,

> Comparison of its contents to the value cluster in the OECD report (2000) shows great similarities to the most important values of public service in the member states of the Organization for Economic Cooperation and Development.
>
> (Saarniit 2005, 53).

A similar set of values were also launched by European Union (EU 2004).

Since the adoption, the Estonian public service code of ethics has met implementation and enforcement problems (Saarniit, 2005). Only in 2004 did the State Chancellery begin a work towards implementation of the public service code of ethics.

Bossaert and Demmke refer to the lack of scientific evidence as to how management changes affect the public service and that such research must be undertaken (Bossaert, Demmke, 2005, 53). In 2005, the State Chancellery initiated a conduct of survey of values, roles and attitudes of public servants. The survey included 960 civil servants at all level, which is approximately 3.3 per cent of all civil servants.

The study revealed that public servants, when discussing ethical issues, do not really classify them as ethical; rather, they see them as issues arising from the nature of their work and also as manifestations of the uncertain conditions existing in the Estonian society generally (Lagerspetz et al 2006). The report observed that discussing public service ethics was a novelty. At the same time, most of answers indicated that public servants agree with the statement that there are higher ethical standards for public servants than for ordinary citizens.

The public service in Estonia lacks a clearly defined common ethos. There is no common understanding of who should impose rules and norms to the public service. The survey also reveals that lawfulness, even if it's highly valued, is not always the first rule in decision-making. The establishment of a common and clear ethos is complicated by the fact that Estonian public administration is becoming more and more position-based; also, rotation between the public and private sectors grows continuously. Public servants are relatively young. In 2004, 28 per cent of public servants were younger than 30 years, and 54 per cent were younger than 40 years. The public sector is frequently seen as a 'springboard' for entering the private sector. In 2004, 14 per cent of public servants left their position and 17 per cent were new recruits (Riigikantselei 2005). At the same time, the officials are aware of their accountability towards citizens; and, as officials, they recognize that the citizens are often inadequately informed of their rights and duties.

In spite of the fact that there are no well-developed mechanisms for avoiding un-ethicalness in the Estonian public service, nearly all organizations and institutions have their own practices for dealing with these issues. At the same time, my aim is to show the interdependency of the values, which are generally required in a modern (reformed) public administration system and the values, which are often explicit in a modern Public Service Ethics system.

As mentioned before, ethical questions are not widely discussed in the Estonian public service. Estonian public service code of ethics contains all the important values for democratic states listed in the documents of the OECD and EU (OECD 2000, EU 2004, Saarniit, 54). The importance of these values is also recognised by public servants.

Emergence of Values

According to the survey, the most important values are competency, honesty and lawfulness. In the literature, these values are defined as old, traditional values, related to a Weberian system of public administration. Achieving the objectives of independence and efficiency are less valued. These values are indication of a progressive understanding of public administration and the New Public Management ideology (Bossaert, Demmke, 2005, 54; Samier, 78). Here we can see that despite the Public Service Act declaring the Estonian public service to be an open, position-based system, actual public service values are more characteristic of a career-based system. My hypothesis is that this might be one of the most important reasons why implementation of an ethics regime meets resistance in the Estonian public service. If imposed values and actually held values are not coherent, public servants do not recognise them as intrinsic to their professional life.

Comparing the results of the Estonian survey with Finnish (Finland, 2000, p. 42) and Dutch (Bossaert, Demmke 2005, 54) surveys, we can see, that in these countries, old and new values are more mixed in the list of important values. In Finland, the most important values of State administration are legality (old), service (new), expertise (old), impartiality (new) and justice (old). In Dutch public service, values ranking as expertise, honesty (old), achieving objectives (new), legal precision (old) and service orientation (new) (Bossaert, Demmke 2005, 54). Both of these countries are also successful in the implementation of a position-based system (Bossaert, Demmke, 2003, 17–19).

In discussions on ethics management there are two basic approaches: ‘compliance-based’ and ‘integrity-based’. According to Jeroen Maesschalk,

> The *compliance* approach to ethics management emphasizes the importance of external controls on the behaviour of public servants….Typical instruments of this approach include legislation, strict behavioral ethics codes and other rules, extensive control mechanisms, and control institutions with extensive power. … The *integrity* approach focuses on internal control – self-control exercised by each individual public servant. The internal control mechanism consists of two components …the public servant’s moral judgement capacity … The other component of internal control is moral character.
>
> (Maesschalk, 2004,. 22)

The Estonian public service ethics system resembles an integrity–based system. The only document centrally imposed on public servants is a code of ethics that contains a 'general statement of common ethical principles but without any monitoring or enforcement provided' (Palidauskaite, 38). The Code lists twenty statements containing important values which characterise a democratic public service and which demand self-regulation by public servants. At the same time, awareness in organisations of the public service code of ethics and the regulatory documents is low. According to the survey in the case of apparent ethical problem, Estonian public servants turn to their manager (49 per cent), to colleagues (45 per cent) or to the law (45 per cent) for advice. This 'compliance approach counts as a prototypical example of the hierarchist management style' (Maesschalk, 25), revealing again a dichotomy in expected norms and actual behaviour.

This approach suggests that for the implementation of an ethic system in the public service, it is necessary to have coherence between the public service and ethics systems and values held by public servants.

Conclusion

My conclusion is that the level of acceptance of Public Service Ethics as an implicit part of a well-functioning system of Public Administration depends on the systems of administration already in place within the organisations. In my work as a practitioner, I see that the integrity-based principles and values of Public Service Ethics, as proposed by international organisations, are widely accepted. At the same time, the implementation of these values is progressing slowly or meeting resistance among civil servants, and the level of coherence between the adopted values of a given public administration system and the values of a proposed new ethics system determines the level of acceptance (or lack of acceptance) of the proposed Public Service Ethics framework. In the case of Estonia, there seem to be two solutions for improved implementation of ethics into the public service. First, change public service legislation and give greater weight to the relative importance of a career-based public service system. However, this scenario is highly improbable because of changes in many European countries toward a more open public service. The other reason is that the actual reform plans of the Estonian government are for a smaller and more open public service.

The other solution is to charge Public Service Ethics management with creating an rising awareness of public service values 'by learning and understanding the necessary values and norms and by developing the skills in ethical decision-making needed to apply those values (…) in daily practice" (Maesschalk, 22). To undertake these changes means the implementation of integrity-based Public Service Ethics. To accomplish this, the Estonian public service needs time, patience and resources.

Notes

1 A comprehensive overview about managing public administrative reforms in Estonia can be found in Georg Sootla's article (Temmes et al., 33).

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A Religious View of Public Ethics

Alan Rainer[1]

Introduction

Religions are concerned with eternity, creation and the natural laws and principles that underlie the way creation works and who ultimately the whole cosmos depends upon for its existence and pre-existence and who in temporal terms is authorised to continue these traditions and adaptation of traditions whereas modern ethical systems may have a very different time-span and terms of reference.

Old religious and philosophical traditions have been challenged because of the question of authority of theocratic or nationalistic states. World wars have resulted which have often been attributed to religious differences, though the ideals of world religions were never meant to allow for war. The very word Islam or Shalom in Hebrew means peace. Religion may have been the excuse for war- it is more the result of man's fallen nature- but never should have been the reason. In the modern world, the phenomenological method as developed by Edmund Husserl, on a humanistic approach to life, has produced realism and non-realistic ways of understanding religion in the sense that one may only accept the phenomenal world as one sees it. Even Jean-Paul Sartre was aware that, if you jettison the old traditions and codes of ethics that go with them, this ultimately means that you can choose your own world but that, in so doing, existentially, you have to live with it.

In a liberal and secular post-modern world, instant decision-making often seems to take priority over old established tried traditional methods. Innovation, to change and to adapt and to go forward in haste with the emphasis on productivity, competition and results and league tables, performance targets, benchmarking and winner takes all and the rest are sacked as in Alan Sugar's TV programme seems to be the modern tendency. Does the get-rich-quick, solve-the-problem instantly approach really meet the basic needs of society to day? What are the basic principles underlying modern ethical systems today, if not religious or ultimately derived from religion. As proposed by Aristotle in his Nichomean Ethics are people any happier? Is happiness the ultimate aim? Aristotle, being a scientist, approached the question of 'Man as a social animal'. Plato believed in an ideal absolute standard, but Aristotle was not inclined to this because how could this standard be proven? As JA K Thompson states for Aristotle 'it is no good evolving an ideal from your inner consciousness and then bidding ordinary men and women to pursue that. You must learn how people do behave before you are qualified to tell them how they ought to behave. As he puts its, in ethics we must proceed

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1 I am finishing a Doctoral Study in Religious Care at Derby University on 'The Unity of World Faiths Through Scripture as lived out by communities' — an Orthodox Synagogue, a Sufi group and a Hindu community, the Swaminarayan Temple, Willesden, London.

from what is 'known to us' before we can reach what is 'known absolutely' (Thompson, 1963, p. 23).

Ethical systems today may have evolved from religious perspectives drawn from revelation as from the Hindu Vedas and the stories of the gods or from the Torah of the Hebrews and its 613 rules (mitzvot) divinely revealed to Moses or the Qur'an to the Prophet Muhammad and the Shar'ia laws. The states may be theocracies or nation-states based on contractual law rather than revealed law. These laws or codes may be philosophical, empirically case based or have a scientific basis for the laws but ultimately, the basis of any code of legal system or ethics either must be decided upon within a traditional religious revelation and doctrinal approach or a humanistic approach based on scientific enquiry and human experience.

Immanuel Kant's Metaphysic of Morals is based on the law of Nature as envisaged by Aristotle and Aquinas, the medieval Christian theologian. Kant still has fairness and principles as the basis of his Formula for Universal Law, that a person's actions would become law applicable to everyone, as in the case of the Golden Rule (Paton, 1971). This approach to move away from a theological view to an abstract universal theory still does not retain that religious framework nor does it have a universal metaphysical acceptance. The division between the religious authority as represented by the Church of England and the state, the temporal political management of the country has far greater significance than we realise. The real question is whether the real world is religious or secular and whether human destiny is entirely in human hands? Who or what are our consciences beholden to for those who believe they have freewill and is the secular world a mirage for those who may accept a more deterministic view of human destiny? Is this ultimately the difference between knowledge and wisdom- an understanding through fairness and justice that there may well be judgement on the other side after death?

What is a Person's True Nature?

> *What are human beings that you think of them,*
> *Or the child of Adam that you care for him?*
>
> (Ps.8)

In the process of human evolution, perhaps man's greatest step, was not as Neil Armstrong said that first great step on the moon, but actually hidden away in the ancient Hindu scriptures. The difference between men and their counterparts in the evolutionary process, considering that apes have over 96 per cent of our DNA, was in the development of the ability to think and reason but it advanced with the knowledge of the self. Man developed the power of self-reflective thinking. He considered he was born in the image and likeness of God himself (Gen. 1.26).

It was with the growth in spiritual awareness that the rosy fragrant dwelling in the heavenly garden was shattered, because for the first time man knew he was naked and had freewill. He had given in to temptation- symbolised by the apple from the tree of authority and obedience:

> But of the tree of knowledge of good and evil you are not to eat; for the day you eat of that you are doomed to die (Gen.2.17).

This story may be a myth but it does in some strange way account for human being's fallenness, his tendency to evil (*yezer harah)* and death.

So let us explore the self. What is the self? As the Delphic oracle proclaimed: 'Know thyself!' In the Katha Upanishad v6 it calls for discrimination with mind controlled and disciplined,

> *Like well-trained steeds, his senses*
> *He masters fully, - he their charioteer*.
>
> *v.7* He is contrasted with the person who is mindless and not pure who will return endlessly to the cycle of life (why the police keep prison records on each individual).
>
> v.9 *But he who does know how to discriminate,*
> *Mindful, always pure,*
> *He gains that higher state…*
>
> v. 10 *Higher than the senses is wisdom (vijnana)*
> *Whose reins a mind (controlled),*
> *Reaches the journeys end…*
>
> v.11 *Higher that the senses are the senses' objects*
> *Higher than these the mind,*
> *Higher than mind is soul (buddhi),*
> *Higher than the soul is the self, the 'great'*
>
> (Zaehner, 1972, p. 176).

Freud, the eminent Jewish secular psychiatrist who lived in Vienna may well have been inspired by the *Halakah*, the Jewish law and accumulated jurisprudence. He divided the mind into the 'id', which represents amoral drives and desires; the 'superego, which corresponds to the conscience; and the 'ego', the intermediary or referee that keeps the id and the superego in balance. For the Jews the *Halakah* helps the spiritual nature of man keep in harmony with the natural person (Banks, 2002, p.62).

> What is this natural person? God did not want man to be alone and settled him in the garden of Eden to cultivate it and take care of it. The man gave names to all the cattle, all the birds of heaven and all the wild animals so that he could care for the environment and all it contains
> (Gen.22.15/22).

He gave him a helper, Eve and that is why a man leaves his father and mother and becomes attached to his wife, and they become one flesh (v.23) for eternity…. As God loves us and is faithful for eternity. This is the natural state of human beings, perfect harmony for eternity with the Father in the Garden of Eden.

Spiritual Awareness

It seems incredible than in our schools generally the process emphasises the acquisition of knowledge and passing exams and success in worldly terms before spiritual education and growth. One can hardly expect an individual to understand the process of individuation unless he or she is self-aware, understands her own silence through meditation, the deeper knowledge of the still mind and the purity of contemplation. This grounded in good manners and respect for all living things, as taught by great writers such as Jane Austen 'Pride and Prejudice' and Nancy Mitford with her emphasis on manners 'U and non-U' and of course the Jains with their emphasis on *ahimsa* non-violence which so profoundly influenced Mahatma Ghandi, and consequently his followers Martin Luther King and Nelson Mandela —in a word, the English gentleman and gentlewoman.

In so many classes in over 80 secondary schools I have taught in the comprehensive sector, the children were unable to keep quiet and attentive. It was equally true in most of the primary schools in which I taught. Why had they not learnt spiritual awareness in the home and at school? If they could not control themselves and keep quiet in class, how could they acquire a desire to improve themselves and their fortunes? If society does not respect their teachers, how can one love learning? It is not just a matter of knowing right or wrong, respect for others and oneself. As Confucius so eloquently taught filial respect for elders and the ancestors is essential. It is the whole school ethos that matters. The spiritual example must come from the Headmaster. Furthermore, it must come from the leaders in society. Pope Paul VI is renowned for saying 'Give me exemplars!' It is terrifying to think that the National Audit Office in England has just reported that 1 million pupils have been failed in our schools!

Education coming from the Latin means to draw out. This is why the Socratic method of dialogue is so sound. Socrates realised in a democratic city state of his time in which the decision-making was common to all (*the demos-except slaves*), that, to keep society from crumbling, *virtue* had to be upheld. Hence his question to put it into the mind of man- What is virtue? By challenging people to define what goodness, courage and virtue actually means, they then can come into the light of civil society. He explained with his analogy of the cave, man takes the images on the wall in the cave, where there is no light emanating except from behind him, for real as he knows no better. With the light of the sun, the source of all knowledge and goodness, when he comes out of the cave, he begins to see reality for what it is. He then has a sacred duty to return to help his colleagues in their plight.

What is this sacred duty? Surely, in a fallen world, it is to bring back the idea of what is sacred! The whole argument today over the Danish cartoons ridiculing Mohammed is over the question of what is sacred. President Clinton has admitted that the deal between the Prime Ministers Arafat and Sharon were not successful because they did not discuss the religious issue of the holy sites, the shrine to Abraham and Isaac on the Holy Mount from which Mohammed is declared to have ascended to heaven. Hence it is a holy site for all the members of the Abrahamic faiths, Jews, Christians and Muslims. As the theologian, Hans Kung, has repeatedly said 'There will be no peace in the world until there is peace between world religions'. His answer is dialogue. As a teacher I cannot understand why the schools no longer teach rhetoric as in ancient Greece. Dialogue I have learnt in the twenty years I have

been a member of the first philosophical inter-religious society to be founded, the London Society of Jews and Christians, and the World Congress of Faiths, needs to be learnt.

Both the Archbishop of Canterbury Rowan Williams and the Chief Rabbi Jonathan Sacks have publicly stated that the answer to our present problems in society cannot be obtained if we ignore the question of religion. Rather the quest is to draw on religious, philosophical, science and all branches of knowledge to advance the state of humankind. It is the search for the whole person and his relationship with the cosmos and the creator if one believes that is important. Beliefs are important, because they are the basis for our values and our vision. Without vision, spiritual awareness and moral standards in our nuclear age, we are all dead.

Moral Education

This is an area which will be well covered in this seminar, so I will be brief. Moral comes from the Latin for customs. Customs grow from living together, defining boundaries and knowledge of the self and learning what is right and wrong. There is something still more important: the dimension of the human family. We are related human beings in the dimension of time and space and made of mother earth (Gen.3.19). We are totally interdependent with one another and mother earth and the whole cosmos. Science has opened our eyes to ancient truths that the furthest star is still part of us and back in time, even the big bang, is part of us. We are beings in space and time and we are related to everything!

We exist existentially and, more important, like God, we are fully conscious beings and — we are!

It is this sacrament of the present moment that we have to understand. This sacred moment in the presence of the whole cosmos in which we move and have our being that we relate instanteously with everything round us. We have a conscience. Thomas Aquinas (1224-1274) believed there were two essential parts to the conscience:

- *Synderesis* which meant using right reason (recta ratio) based on acquiring right moral principles based on a knowledge of what is right and wrong; and
- *Conscientia* the actual decision one makes on those moral principles in a particular course of action.

We know we are accountable for our innermost thoughts, desires, words and actions. We can either choose for the virtuous world or the vicious, there is no alternative. This is laid down by the laws of cause and effect. What you do to others, you will receive. This is why human relations needs to be taught so carefully at school and all the skills, such as dialogue, handling conflict crisis, and respecting all things. It is in every religious and moral code across the globe. This is our destiny. This is our sacred duty to maintain. And it starts with us.

Conclusion

Whether one believes that God exists or does not exist, it is difficult to think that life is pre-determined. We may be a libertarian and believe that we are free to choose or take a compatibilist stance of a combination of determinism and freewill, but we have choice and we will be judged on that choice. Our decisions whether innate and deontological, dealing with the way one ought to behave, e.g. what a motorists obligations are to others or consequential, the consequences or teleological end results as justification for action, will be how we create the future universe from what we now have. We have a moral duty to each other. We are accountable for what we do for others and our contribution to society and the whole human race, both past, present and future and, I believe, we have an obligation to live up to that sacred duty.

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Leadership for East Africa: A Role for Transformational Virtue?[1]

Stephen Schwenke

Abstract

Transformational leadership in East Africa? Anyone who has lived or worked in these three countries will know that suggesting such a notion there would be greeting with a mixture of confusion and cynicism. After all, Kenya has been in the public eye recently for a severe failure of leadership virtues at nearly the highest level. In neighbouring Uganda, the electorate of the capital city of Kampala has just selected as its mayor a man who has been convicted in a Boston court for bank fraud, and whose previous tenure as mayor some time ago was undistinguished. Tanzania's recent leaders have been reasonably competent managers, but hardly inspirational or visionary leaders.

To understand the character, meaning, and possibilities of leadership in East Africa, this paper explores whether such a concept as transformational leadership grounded in morality and ethics has traction in these countries. What qualities or virtues would characterize a transformational leader, and how does this compare with the recent history of leadership in Kenya, Tanzania, or Uganda? Does the electorate in East Africa expect, aspire to, or demand virtuous and transformational leadership? Is this concept not sufficiently grounded in the experience of East Africans?

In seeking to understand whether the concept of a virtuous and transformational leader has traction in East Africa, this paper examines the current patterns and some examples of leadership and authority in the recent history of these countries. Do the moral foundations for transformational leadership currently exist? If not, is there anything that can and should be done to cultivate these qualities of leadership, and to educate the electorate to demand transformational leadership?

Introduction

To most people, the new mayor of Kampala, Mr. Nasser Ntege (Seya) Sebbagala, would hardly be the personification of transformational leadership. Having had to cut short his undistinguished earlier term as Kampala's mayor in a vain attempt to defend himself against

1 This paper was commissioned by Public Sector Governance Program (Poverty Reduction and Economic Management Unit) of the World Bank.

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bank fraud and money laundering charges in Boston, the convicted former criminal has returned to Uganda from his 15 months in an American prison to claim electoral victory in the March 2006 polls.[2] Mr. Sebbagala is obviously a man of charm, charisma and political aptitude, but there is very little about him or his proposed policies for this city of nearly a million persons that could be called inspirational or visionary. Mr. Sebbagala isn't known for his intellectual prowess either, or for fluency in the business language of the Ugandan capital – English. And while he does fashion himself as a champion of the common man, Mr. Sebbagala meets few of the criteria generally construed to constitute a transformational leader. The fact remains, however, that he is the new popularly elected mayor of Kampala.

One municipal election is hardly an adequate indicator of electoral behaviour and governance aspirations in Kampala, much less in Uganda, but it does raise interesting questions. Is there room in the political culture of East Africa for transformational leaders? Is there demand for such leadership? Given the very slow progress to date in tackling extreme poverty and the multitude of social and ethical problems confronting the region, isn't there an urgent need for such leadership? Assuming a demand exists for transformational leadership, what can be done to find or foster this form of leadership? Who is best positioned to advocate for such a change in leadership?

This paper will explore the concept of the transformational leader in the context of East Africa, briefly examining the recent history of national leadership in Kenya, Tanzania, and Uganda from the perspective of a moral ideal – the transformational leader as the virtuous leader. The paper will argue that those who assign greatest priority to the fostering of transformational leadership at the apex of national leadership are unlikely to succeed in changing well-entrenched senior leadership patterns, or in achieving the level of social change necessary to tackle the major development problems that confront East Africa. Arguably a thorough, dramatic, and rapid transformation is needed if the ravages of poverty, conflict, and underdevelopment are to be addressed in a manner morally responsive to the urgency of such issues, yet for the foreseeable future such a transformation is more likely to be driven – if at all – by the people rather than the senior national leadership in these three countries. Fostering an achievable, credible ideal of virtuous leadership may be essential for East African governance to become 'good governance', but starting at the top is likely to be an exercise in futility.

Transformational and Transactional Leadership

To begin, it is necessary briefly to attend to terminology, by describing the generally accepted attributes of an authentic transformational leader, to compare this form of leadership with transactional leadership, and to examine the role of morality in both of these leadership forms.

The moral character of leadership is a common theme in the literature on this topic. B.M. Bass and Paul Steidlmeier, and others before them, argue that the ethics of effective and authentic moral leadership depend upon three key attributes: 1) the moral character of the

2 It should be noted that some analysts attribute his victory more as a protest vote against his opponent, Peter Simatimba, and through association, with Ugandan President Museveni.

leader, 2) the ethical values that characterise the leader's vision and programme (as accepted or rejected by the electorate), and 3) the moral qualities of the processes of social ethical choice and action that leaders and followers collectively engage in. In short, authentic transformational leadership is characterised by its high moral and ethical standards.(Steidlmeier 1998)

Bass and Steidlmeier further claim that the components of transformational leadership are four: charisma, inspirational motivation, intellectual stimulation, and individualised consideration:

If the leadership is transformational, its charisma or idealised influence is envisioning, confident, and sets high standards for emulation. Its inspirational motivation provides followers with challenges and meaning for engaging in shared goals and undertakings. Its intellectual stimulation helps followers to question assumptions and to generate more creative solutions to problems. Its individualized consideration treats each follower as an individual and provides coaching, mentoring and growth opportunities.(Steidlmeier 1998)

Transformational leadership is commonly compared to the more common model of the transactional leader, who typically uses promises, praise, rewards – as well as threats, negative criticism, fear, and disciplinary actions – to achieve the desired actions and behaviour from his followers. David Boje refers to these as modal values, or values of the means, contrasted to transformational leadership's focus on the end-values such as liberty, equality, justice, compassion, and human flourishing. (Boje 2000)

In practical terms, leadership is usually both transactional and transformational, and the character and legitimacy of both aspects of leadership have deep roots in moral theory and ethics. Transactional leadership is more closely associated with the leader's pursuit of self-interest, as transactional leaders typically view followers and constituents as means to their own ends. The legitimacy of this form of leadership, however, still depends on honesty, respecting promises, providing genuine incentives, exercising fairness in the distribution of rewards and benefits, and affording to others the same degree of opportunities and freedoms that one grants to oneself.(Steidlmeier 1998) Transformational leadership, by comparison, is morally grounded in the leader respecting each follower or constituent as an end in himself or herself, and not as a means to the leader's ends. While the transformational leader has a strong sense of self and a vision that she wishes to pursue, that sense of self is situated in the context of community, family and friends – and accepts that the welfare of others or of the whole community is generally more important than the welfare of the leader herself. The transformational leader appeals to choice and not to coercion; followers are invited and inspired to embrace ideals with commitment, to pursue creative solutions, and to exercise moral discretion. Transformational leadership seeks to generate change within the hearts and minds of followers, while transactional leadership concentrates on managing results, with much less concern as to how these results are achieved.

Bass and Steidlmeier, together with Carey, Solomon, and Hollander, warn against the possibility of the pseudotransformational leader, and differentiate between moral and immoral transactional leadership:

> To bring about change, authentic transformational leadership fosters the modal values of honesty, loyalty and fairness, and the end values of justice, equality, and human rights. But pseudotransformational leadership endorses perverse modal values such as favouritism, victimization, and special interests and end values such as racial superiority, submission, and Social Darwinism. It can invent fictitious obstacles, imaginary enemies and visions that are chimeras. Likewise, transactional leadership is moral when truth is told, promises are kept, negotiations are fair and choices are free. It is immoral when information harmful to them is deliberately concealed from associates, when bribes are proffered, when nepotism is practiced, and when authority is abused.
>
> (Steidlmeier 1998)

The 'Virtuous Leader' Ideal

Models of the transformational leader as a moral ideal are well established, from Plato's 'philosopher king' to the virtuous minister of state under Confucian thought. The moral sage, the self-effacing exemplar of virtue who is raised by popular demand to leadership, the wise and benevolent ruler, and the honest small town lawyer pressed by the citizenry into public service are all common archetypes from literature and history.

Yet the underlying question remains – why should a leader be moral? For that matter, why should anyone be moral? This is a question that both consequentialist and deontological theories wrestle with extensively, yet from the perspective of virtue ethics the question itself is avoided by the premise that it is human nature to want to seek a meaningful life, and that a central method of pursuing this goal is to develop one's character through acquiring an elevated level of moral awareness. Such an ethical sensibility incorporates such virtues as caring about the kind of person we are, and facilitating (or at least not impeding) the efforts of other persons to become the kind of persons that they wish to become. As Christine McKinnon argues, the motivation to act in ways that are taken to be ethically admirable arises naturally out of the internalisation and expression of moral sensibility. (McKinnon 1999)

A leader, of course, need be neither a self-aware moral agent, nor a virtuous person. Yet we are interested in the transformative leader – itself a concept that entails moral agency – elevated to the status of a moral ideal. We should therefore consider what constitutes such a leader's character, starting with the attributes of being a moral agent. A moral agent, as a morally autonomous person, is generally perceived to be a person who is morally aware – who cares about moral values exercises critical evaluation in selecting which values and principles to be guided by, chooses moral ends, and selects the means by which to pursue such ends. He or she is emotionally mature, committed to accountability, and is concerned about the consequences of his or her decisions and actions.(Cooper 2004)

Bass and Steidlmeier are unequivocal about the moral attributes of the transformative leader as a morally autonomous person. They argue that such a person is notable by her inner moral compass, and is committed both to the individual moral development and growth of each of her followers, as well as to the larger moral good of society. She sees and fosters the best in people – not only their good works, but also their character virtues. As Bass and Steidlmeier state:

> The heart of the moral enterprise is the development of good character, which is defined by commitment to virtue in all circumstances.
>
> (Steidlmeier 1998)

If the ideal of the transformative leader is framed in the language of virtue, arguably the best approach to explore this ideal further would be to employ virtue ethics. In the past decade, there has been a resurgence of interest in virtue ethics, with important contributions from scholars such as G.E.M. Anscombe, Christine McKinnon, Alasdair C. MacIntyre, Ian Maitland, and Michael Slote, among others. Virtue ethics, with its roots in the ethics of Aristotle, Plato, and the Stoics (and later religiously situated by Thomas Aquinas) once dominated moral philosophy. Up until the time of Thomas Hobbes and Machiavelli, when moral pessimism replaced moral optimism, the concept of the virtuous person was the primary focus of ethical discourse. Under this ideal, the virtuous person attended to self-interest, but through the exercise of such cardinal virtues as temperance, justice, prudence, and courage, he placed the interests of others, and of society as a whole, as greater moral obligations.

Machiavelli disputed not the existence or influence of virtue, but instead questioned its relevance to the demands of survival in a violent, conflict-ridden world. Hobbes considered virtues, as well as such moral judgments as what is good or bad, as matters of preference, and he placed them at the service of self-interest while arguing that the effacement of self-interest was unnatural. (Pellegrino 1989)

Many other moral thinkers, from Friedrich Nietzsche, Bernard Mandeville, John Locke, David Hume, Lord Shaftesbury, Francis Hutcheson, and Ayn Rand, either dismissed or significantly reinterpreted the role and usefulness of virtues. In some cases virtues were even presented as vices, new weight was given to the moral legitimacy of the pursuit of self-interest over all other interests, and it was suggested that virtue be subordinated into something that brought pleasure or happiness to the moral agent, but served little other purpose. Through such criticism, virtue ethics fell out of the mainstream of modern Western rationalism, yet it remained very much alive in the domain of religious studies.(MacIntyre 1984)

Some moral thinkers did come to the aid of virtue ethics, with Ralph Cudworth, Henry More, Joseph Butler, and Richard Cumberland arguing that virtuous acts were both reasonable and valuable. In the more recent resurgence of interest in virtue ethics, thinking about virtues goes in new directions, often trying to link virtuous character and altruism to psychological or even genetic factors more than to philosophical ones[3].

Virtue ethics continues to suffer, however, from its inability to define the concept of virtue itself. While giving significantly less weight to the rational application of moral rules, principles, codes, or values, virtue ethics does not explain the mechanism by which virtue

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3 One of the leading current applications of virtue ethics is as a component of business ethics. With the renewed emphasis upon leadership in both strategic management and business ethics, the ideal of the morally virtuous business leader has assumed prominence, and may offer some insights in the context of political leadership.

helps us to resolve moral dilemmas. Pellegrino points out the problem of circularity inherent in the major premise of virtue ethics when he notes that the 'right and the good is that which the virtuous person would do, and the virtuous person is one who would do the right and the good'. (Pellegrino 1989) To break this circularity, either 'right and good' must be defined, or we must define what constitutes the 'virtuous person'.

Pellegrino raises yet other concerns with virtue ethics:

> Further difficulties include the relations of intent to outward behaviour. Is good intention a criterion of a virtuous person? How do we determine intention? Can a good intention absolve the agent of responsibility for an act which ends in harm -- a physician telling a patient the truth out of the virtue of honesty, and thereby precipitating a serious depression or even suicide? Few are virtuous all the time. How many lapses move us from the virtuous to the continent, incontinent, or vicious category? How do virtue ethics connect with duty and principle based ethics which give the objectivity virtue ethics seems to lack?
>
> (Pellegrino 1989)

These criticisms are persuasive to an extent, and current virtue ethicists are devoting considerable effort to addressing them. While it is not within the scope of this paper to pursue the merits of these arguments further, it is this author's conviction that the quality of the actions of morally autonomous persons – which includes transformative leaders – is determined in large measure by the character of the person choosing the action. Character also shapes how one perceives and defines a moral problem and how one decides which moral values and principles, as well as amoral facts, are relevant to the prevention or resolution of such problems. Whether a leader is motivated by self-interest or altruism may not affect the value of the outcome of her decision, yet it is an important determinant in the assessment of leadership quality over time.

From the perspective of virtue ethics, character matters. Becoming a virtuous person is more than an exercise of selecting certain values and principles, and rejecting others. Good character is a product of excellent moral and intellectual attributes, but there are also many other traits and qualities that lead to the development of virtuous character. Successful moral leadership results from a conscious and disciplined process of building a character of integrity and virtue, occurring within and for a community. At the end of the day, that character matters to us; we want our leaders – as persons of virtue – consistently and dependably to know what is right and good, and to be able to explain and model this to their followers in language and actions that are persuasive and inspirational. We want to be assured that our leaders are doing the right thing for the right reason, that they are timely in their handling of moral problem solving, and that they are accountable to us for what they do.(McKinnon 1999)

The Experience of Senior Leadership in East Africa

To many, including some of Africa's most notable political leaders, the continent is in decline, both developmentally and morally. President Olusegun Obansanjo of Nigeria places the blame for this decline squarely on poor leadership. (Africa News Service 2000) Indeed, leadership in Africa has never been more under scrutiny, and so far, the results are far from

heartening – yet the wringing of hands is hardly the place to leave such an examination. As Salim Ahmed Salim, the former OAU Secretary-General stated:

As we move in the new century and Africa faces up to its challenges, it is important that the leadership factor is given due attention. The role of leadership needs to be clearly understood, appropriate modalities of nurturing and appointing dynamic leadership have to be developed, and also critical is the need to foster accountability and transparency in the exercise of the leadership function.(Africa News Service 2002)

Salim Ahmed Salim's emphatic call for 'dynamic leadership' makes only a passing reference to the moral attributes of accountability and transparency. This is a far cry from advocacy for the moral ideal of a transformational leader of virtue. Where is the African demand for virtuous, moral leadership?

One cannot demand what one does not know. With the notable exception of Nelson Mandela, models of virtuous senior level transformative leadership in Africa are rare. The recent political history of East Africa demonstrates to the foreign observer and even more directly to the residents of East Africa the tangible realities and adverse impacts of poor – and often immoral – leadership in stark terms. In my own case (as an outsider living and working in Kenya and Uganda for 11 years, and as a frequent traveller to Tanzania over a 21 year period) my own hopes and expectations as to the probability of the coming to power of an East African 'Nelson Mandela' were – at best – guarded. This personal, experiential assessment is further supported by Eric Masinde Aseka's excellent and comprehensive survey of leadership in East Africa in his book: *Transformational Leadership in East Africa*.

Aseka describes a pervasive sense of alienation of leaders from followers in East Africa, an embedded system of economic plunder of national resources by leadership, and a record of electoral processes often resulting in the selection of what he terms 'devious political characters' who have frustrated the development of the essential institutions that East Africa needs to achieve progress. He summarizes his views as follows:
East African leadership, with the exception of Nyerere to some extent, has failed to weave the fabric of civility in its organizational quests. It allowed its ethnicised leadership ambitions, goals and demands of ethnic entitlement and its coercive subjection of other communities to lead to political malpractices. (Aseka 2005)

A closer look reveals unsettling findings, with what Aseka calls an emphasis by leadership on 'power over' instead of 'power to'. The political and social culture became far removed from Aseka's 'fabric of civility'; in the words of B.A. Ogot: 'Ethnicity was politicised and widespread thuggery, bribery and intimidation became established as part of the social culture'.(Ogot 1995) In East Africa, rigging of electoral processes has become the norm, particularly in Kenya and Uganda, and throughout this region there are numerous examples of multiparty democracy being more about the distribution of small bribes in exchange for votes[4] and the manipulation of tribal sentiments, and less about offering true choices of differing political and social visions for the future. Despite the presence of charismatic

4 In Uganda, vote buying has become so pervasive that it has now become commonplace for parents of schoolchildren to provide their child with sweets to use as inducements for other children to elect them as class prefect.

leaders such as Jomo Kenyatta or Julius Nyerere, transactional leadership is the norm in East Africa. Unlike transactional leadership in more developed countries, however, which is linked more closely to the exercise of bureaucratic power, the transactional leadership of East Africa maps more closely to Max Weber's traditional authority framework – the domain of the feudal prince. (Boje 2000)

The feudal model of governance is hardly an environment conducive to, or indicative of, the cultivation and flowering of transformative and virtuous leadership, particularly at the top of the political power structures. The very brief summary below of the record of political leadership in each of the three countries bears this out.

Kenya

Kenya's drive to independence clearly benefited from the flamboyant and charismatic leadership of its first president, Jomo Kenyatta, but unfortunately for Kenya the political framework that Kenyatta came to power under elevated him above the law. This elevation left him with little obligation for accountability, and a huge advantage in outmanoeuvring his political opponents. Not surprisingly then, Kenyatta presided over a process of ever expanding executive power, and the conversion of the state to a personalized, patrimonial fiefdom. Women did particularly badly in the political world of Kenyatta's Kenya, with far lower parliamentary representation of women than in Tanzania or Uganda[5].

In Kenya under Kenyatta, Aseka notes the beginnings and rapid acceleration of institutional decay in the 1960s and 1970s, rendering the public service largely ineffectual in the management of public affairs. Aseka attributes this institutional decline to systematic political undermining of the integrity of these institutions, leading to an institutional ethos that he characterizes as patrimonial capitalism, in which civil servants informally privatise public institutions.

Jomo Kenyatta, as a transactional leader, was not disposed toward visionary societal change. Kenyatta did not seriously advocate any particular social philosophy, and instead proffered a very indistinct political philosophy – '*Harambee*'. Kenyatta placed highest priority on the establishment and maintenance of law and order through the exercise of punishments and rewards, and not through the fostering of integrity. Public morality – arguably essential for the creating and sustaining the demand for transformational leadership – languished under his leadership, as a growing list of unethical practices became the order of the day.

Following Kenyatta's death in 1978, Kenya's vice president, Daniel arap Moi, assumed the presidency. Despite a serious effort by the former beneficiaries of Kenyatta's favouritism to displace him, Moi proved to be a formidable political force, and quickly moved to raise his public profile. He promised continuity with Kenyatta's '*Harambee*' vision, gradually forming his own version, which he termed his '*Nyayo*' philosophy[6]. Neither *Harambee* nor *Nyayo*

5 In 2000, Kenya's Parliament was only 4 per cent women, compared to 17 per cent in Tanzania and 18 per cent in Uganda.

6 'Nyayo' means footsteps, and was intended to indicate that his political beliefs and vision followed in the footsteps of Jomo Kenyatta.

compare to the intellectual rigor of Nyerere's *Ujamaa* philosophy of African Socialism. While all three claimed the lineage of African Socialism, only Nyerere seriously pursued his political beliefs as an authentic vision of governance. *Harambee* and *Nyayo* were simply affectations and rhetorical devices used for political advantage, not robust visions intellectually persuasive or morally grounded.

Moi was almost certainly underestimated by his political opponents, as time proved that he was a consummate political strategist, keenly aware of opportunities to bargain, persuade, or reciprocate. This transactional style of leadership allowed him to navigate through a period of considerable insecurity, and to gradually consolidate his power, often by means of severe measures. For example, one of Moi's earliest moves just three years after assuming power was to reinstate the colonial era detention laws, allowing the president to override the constitution in denying individual human and legal rights, as suited him. In short order, parliamentary supremacy also was subordinated to the executive branch and to the ruling party. By 1986, Moi had even successfully moved to limit the judiciary's authority over presidential discretion – and over presidential excesses.

Throughout this expansion of his power, Moi pursued a strongly ethnic agenda, in which he de-Kikuyunized the civil service (Jomo Kenyatta was of the Kikuyu tribe), replacing powerful Kikuyus with people of his own ethnic group, the Kalenjins. (Adar 2001) Moi demonstrated the continuity of political power and control linked to ethnicity and strong, personal rule from the executive, as he approximated the manner and style of a paramount tribal chief. (Adar 2001) His rule undermined the importance of institutions to governance, which weakened under the weight of rampant corruption and growing ineffectiveness. Parastatal organizations and even many private banks collapsed due to corruption and the important linkages between society's aspirations and needs, cultural traditions and values, and leadership unravelled under Moi. As Aseka argues, Kenya is:

> …building a primitive culture of glorifying the dishonest and corrupt 'big man' (*bwana mkubwa*) syndrome that is strongly engrained in the community perception of status and social function in society. This is encouraging the further development of deviant leadership that has no transformative agenda.
>
> (Aseka 2005)

It remains too early to judge Moi's successor, President Mwai Kibaki, although his brief time in power has been characterised by serious political insecurity, allegations of flagrant corruption among his cabinet ministers and even his vice president, and his failure during a referendum approval process to push through the new constitution that he supported. Kibaki has embarked on no ambitious leadership initiatives, espoused no new vision for Kenya's future[7], and left many wondering what his priorities will be.

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7 President Kibaki's vision for Kenya, delivered in a speech on December 31, 2002, offered little more than a statement of support for the National Rainbow Coalition, reconciliation with political rivals, and attention to various social and economic ills. See http://www.hartford-hwp.com/archives/36/527.html

Tanzania

Within East Africa, Tanzania is distinctive due to the somewhat enigmatic but clearly charismatic leadership and personality of its founding father, Julius Nyerere. Many have characterized Nyerere's leadership style as a combination of leadership by example and leadership by command, but it is clear that Nyerere was deeply influenced by moral exemplars[8]. Nyerere applied his intellectual prowess, formidable debating and rhetorical skills, and visionary spirit throughout most of his long political career to articulate a distinctive development path for Africa in general, and Tanzania in particular. The result was his doctrine of African Socialism, or *Ujamaa*, with its central project being the establishment of a modern interpretation of long-established African traditions by creating a public morality in Tanzania in which the individual was subject to the interests of the collective.

Nyerere incorporated many radical moral ideas into his ideology, such as the premise that leaders should build a relationship of equality with their followers. He spoke out strongly about leadership character, emphatically rejecting leadership that was arrogant, oppressive, or ostentatious, calling instead for leadership that embodied the virtues of courage, justice, and equal treatment for all. Nyerere and his leadership cadres failed, however, to offer practical means to translate these ideals into reality, or any practical solutions to the very real human problems of tribalism, greed, gender, and religion.

As Nyerere came to recognise his inability to transform the attitudes and moral behaviour of his followers through his ideology of African Socialism, he became much more focused on his own power and authority, and became increasingly intolerant of dissent. His party became the locus of centralised power, and the supreme institution in the country. Large numbers of people considered as political threats were placed under detention, suffering significant human rights abuses. By 1977, Tanzania had more of its citizens under detention than did apartheid South Africa at the same time.(Aseka 2005) Nyerere placed restrictions on civil society, discriminated against Muslims (he was a devout Roman Catholic), and tied the issuance of business licenses and even permission to attend university to membership in the ruling party. As a *de jure* one party state, political expression outside the auspices of the ruling party was severely constrained. This culture of political monolithism became implanted, creating a powerful disincentive for independent thinking in leaders and managers, and strengthened the growing culture of patrimonial rule.

Nyerere's retirement from the presidency did not entail a retirement from the political stage, and his successor as president – Ali Hassan Mwinyi, from Zanzibar – had to rule in Nyerere's shadow. Nyerere remained chairman of the ruling party, and Mwinyi therefore attended more to management than leadership, with his interest primarily in Tanzania's institutions of governance. Even though Nyerere continued to dominate the policy agenda for the country, Mwinyi's presidency is remembered as a time of improving civil rights and greater political freedoms for the populace. With Nyerere's blessing, Mwinyi was able to guide Tanzania into more liberal economic and political policies, which in turn resulted in a significant boost to development.

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8 For example, Nyerere – while a university student in Britain – was deeply influenced by Michael Scot of the Fabian Society

In 1995, Benjamin Mkapa was elected to the presidency, and his ten years in power were characterized as an extension of Mwinyi's move towards liberalization. The scholarly Mkapa consolidated his position within the ruling party, replacing many of the old guard with more liberal minded party officials. Mkapa has his critics, however, who have accused him as having a low regard for the rule of law, little commitment to ending high-level corruption, an inability to constrain or stop government abuses of power (such a widespread police brutality), and a disregard for freedom of expression. His initiatives to fight high-level corruption were high profile, such as the much publicized special presidential commission under the chairmanship of former Prime Minister Joseph Warioba, but little actual action was ever taken by Mkapa to bring the most corrupt senior officials to justice. Mkapa had more success improving the governance of Tanzania' largest city, Dar es Salaam, following his dissolution of the highly corrupt and inefficient city council.

With Nyerere's death in 1999, Mkapa was free to set Tanzania's policy direction, and he did make some strides in measures against mid-level corruption. He achieved most notable success however not as a leader championing the cause of government integrity, but as a manager addressing economic reforms. Mkapa's presidency did result in improved fiscal performance, placing Tanzania among the fastest growing economies in the Africa, but his larger political goal as stated in the National Development Vision's target of achieving a middle income status by 2025 was the stuff of vague dreams and wishful thinking, not inspirational vision.

The model of Tanzania's political leadership may be most distinguished among East African countries by its smooth succession from one administration to the next. President Mwinyi's peaceful transfer of power to Mkapa was replayed again, as Mwinyi gracefully transferred power to Tanzania's new president, Jakaya Mrisho Kikwete. Kikwete is an accomplished bureacrat, having served as Mkapa's foreign minister since 1995. Whether he has the makings of a transformative leader is yet to be seen.

Uganda

In Uganda, Aseka judges the late president Milton Apollo Obote as a 'skilled transactional operator', while at the same time noting that his few efforts at transformational leadership were very short-lived.(Aseka 2005) Under Obote's rule, the principles of the Westminster ideal of democracy that were assumed at independence – meritocracy, honesty, integrity, incorruptibility, and dedication to duty – were very quickly eroded, leaving the ideal with very little traction. Instead, Ugandan politics deteriorated into a zero-sum system of 'winner-take-all'. Obote's regime was also characterized by incompetence, as basic planning was ignored, taxation was raised to unsustainably high levels, the administration of the military became highly unprofessional, and the scheduling of elections became erratic. Of particular concern for Uganda's future, the armed forces were intentionally co-opted by Obote to become a personal army, dominated by members of his own Lango tribe.

When Idi Amin Dada replaced Milton Obote in a coup in 1971, the fabric of civility deteriorated precipitously. Amin presided over the militarization of Ugandan politics – including the executive branch and the judiciary – creating a tradition of governance still very much in evidence in Uganda. Amin's military comrades were granted positions of power as

rewards, and such men used these positions to accumulate wealth through blatant exploitation, corruption, smuggling, theft, extortion, and worse. Amin also favoured Islamic interests (while clearly not adhering to Islamic moral principles), ignored and then formally subordinated the constitution to presidential decrees, made a tragic mockery of the ideal of rule of law, and used terror and fear as tools to reinforce his power and control. Amin is most clearly remembered for his bloodshed and brutality; approximately 300,000 Ugandans died under his despotic and brutal rule.

After the Tanzanian invasion of Uganda that toppled Amin, and a period of turbulence and short-lived presidencies, Yoweri Kaguta Museveni assumed power in 1986 through a bush war that overthrew the brief and largely dictatorial return to power of Milton Obote. Not until 1996 did Museveni turn to the electorate to legitimise his rule, standing again for re-election in 2001 and in 2006.

Museveni began his rule with a very tall mountain to climb – the reconstruction of the social, political, economic, physical, and moral infrastructure of the entire country. After years of misrule and chaos, war and brutality, Uganda had reached almost the bottom rung of the long ladder to civility and development. To his credit, Museveni approached this challenge with charisma, vision, energy, and a military standard of personal discipline. His political agenda was far-reaching, and unlike anything ever seen in East Africa before. He presided over extensive decentralisation of governance, vastly increasing public participation in decision-making, and the raising of the political awareness of the country. He provided security and peace, reigned in the military's abuses of power, and demanded accountability from his officials. Uganda's development progress was nothing short of spectacular, and nearly the entire country benefited from his leadership – with the prominent exception of the northern parts of the country, which were (and still are) mired in a violent conflict with a ruthlessly brutal armed cult known as the Lords Resistance Army.

Museveni's presidency began with high hopes, and through his first decade in power his policies and accomplishments did much to earn his country's and the world's respect. His approach to leadership, however, was transactional at best. He has done very little to cultivate leadership in others, and over his many years in power he has come to represent a one-man-show approach to governance. Museveni's political commitment to decentralisation has weakened considerably over time, many of his former key supporters have defected to other parties, and he has become more isolated from Ugandan citizens. Many Ugandans argue that he is excessively arrogant, blind to his own failings, and hesitant to take advice.

Museveni now has achieved a reputation of being fixated on retaining power, by whatever means necessary, and of using this power to hold himself unaccountable and beyond serious reproach from political opponents. When the constitution's limitation of two terms became inconvenient to his ambitions, Museveni manipulated Uganda's parliament to remove term limits from the constitution, and he duly stood for and won a third term in March of this year. Given that the 2001 election was fraught with electoral irregularities – including as many as 1.3 million 'ghost voters' among the 7.5 million votes actually cast,[9] it is not surprising that this most recent election seems to have been similarly troubled. Human Rights Watch announced its conviction that this election was neither free nor fair, due to the lack of a level

9 Sunday Monitor Online, see http://www.monitor.co.ug/sunday/news/news02121.php

playing field and widespread government harassment of opposition candidates.[10] After so many years in power, President Museveni and his National Resistance Movement (NRM) party are clearly intent on not losing the privileges, influence, and patronage networks that come with such well-entrenched power.

Evaluating Leadership – Virtues or Values?

The recent international attention to the moral dimensions of leadership – as evidenced in part by this conference – has stimulated a vibrant dialogue, and even gone some way towards raising expectations. People are differentiating leadership from management, and are casting leadership in the context of the vision-driven development of the human spirit, and the deepening of public morality. Managers do things right, while leaders do the right thing, to borrow from Safty's succinct classification. (Safty 2003)

As previously discussed, it is generally regarded that one of the most notable features of authentic transformative leaders is that such leaders are self-aware, autonomous moral agents, cognizant of their moral choices and intentions, and of their accountability for the consequences of such choices. This moral core to transformative leadership raises an immediate concern – what values and virtues comprise this moral core? To what extent are such values universal or relative? How does such leadership address the tension that exists between conflicting universal and relative values? And what role does virtue play in this mix?

To understand better the leader's motivation to do the right thing, her ability to resolve moral conflicts between competing values, and to unpack the many moral attributes of leadership, the analytical lens of virtue ethics may offer valuable insights. The theoretical challenge that virtue ethics confronts in this context is to create plausible linkages and integration within the concept of the virtuous character between moral values and moral behaviour, between principles and character, between moral awareness and the motivation to behave in a morally admirable (or at least morally permissible) way, and between self-interest and altruism.

The effectiveness of leadership is arguably linked directly to these values and virtues questions. Leaders are challenged to find ways to bridge between competing interests to craft a persuasive and credible common ground where competing interests find their greatest convergence and harmony. If leaders are to be judged by their virtuous character, an assessment is needed of their ability to provide consistent and reliable moral guidance, to inspire moral growth in followers, to uphold and internalise core moral values, and to shape public morality.

Perhaps the most significant role that virtue plays in the ethics of leadership is the concept that the virtuous person doesn't merely subscribe to ethical principles and moral values, or apply such values to ethical decision-making; instead, the virtuous leader internalises and embodies these values within his or her character. The life of virtue is a disciplined, reflective, diligent life, moulding one's character on the basis of carefully considered values,

10 Human Rights Watch, see http://www.hrw.org/reports/2001/uganda/

life experiences, and access to a wide variety of moral resources. 'Virtuous' leadership springs from this internalised moral core, whereas simple moral leadership is less deeply grounded and perhaps more intellectually – even strategically – situated.

Virtuous character in leaders is subject to consistent public scrutiny, but there are no empirical measures appropriate to establish a 'virtue quotient'. Qualitatively, however, people tend to know (and respect) virtue when they see it. Moral leaders traditionally would sacrifice almost anything to protect their virtue; at the first sign of public doubt regarding their virtue they would resign so that this challenge to this prerequisite qualification for any office of public trust could be examined without impediment, and all doubt removed.

Virtuous leaders also project a simple but compelling message, which is an inspiration to many followers: virtue is its own reward. There is clarity as to what motivates a virtuous leader to assume a position of leadership; such a leader is not seeking external or material advantage, but instead is answering an internal calling. This ethos may best be illustrated by an ancient source:

> For Confucius, the moral sage (*shengren*) is the key person in bringing about personal righteousness and social justice. A superior person (*jyundz*) is a moral person, who walks the moral way and attempts to practice virtue through self-cultivation. Both the sage and the superior person live under the restraint of virtue and aim to transform society accordingly.
>
> (Steidlmeier 1998)

From the Confucian view, transformative leadership is a matter of virtue more than value, of modelling an internalisation of ethics and virtues. The consistency and pattern of behaviour of such a leader over time speaks to his virtue more than his words, in stark comparison to the modern moral 'flip flop' style of leadership. While still distasteful to many, it is now commonplace for leaders to adopt politically strategic positions (or to rely on advisors to 'spin' their positions to this end), offering expedient moral justifications, or no moral justifications at all for their decisions.

While the image of the virtuous leader as a source of inspiration and guidance is appealing, many people will criticize such a view as remarkably naive. The forces of self-interest, materialism, and the lust for power are all too evident; what chance does the model of a virtuous leader's life and guidance have to constrain capitalistic values that so persuasively promote greed and self-interest?

History answers this objection best. Authentic transformational leadership, founded upon leaders generally regarded as virtuous, can achieve radical results, overturn the status quo, and advance a new way of thinking – perhaps even a new sense of public morality. While the definition of what constitutes 'virtue' varies (often considerably) over historical time, leaders beginning as far back as Moses, Ramses II, Alexander the Great, Martin Luther, and more modern examples such as Charles Grey, James Madison, Franklin D. Roosevelt, Mahatma Gandhi, Martin Luther King Jr., Nelson Mandela, and arguable even Mao Tse-Tung together provide solid evidence that 'what is' doesn't necessarily preclude achieving 'what ought to be'. The key to the validity of the moral, transformational leader's challenge to the immoral status quo is that the virtue must be authentic. The force needed for radical positive change sufficient to overcome vested interests in the status quo is force of character, not intellectual

argument. If the virtue of the character that drives this force is found to be wanting, superficial, or fraudulent, the force quickly dissipates as trust is shattered. As Bass noted:

> The trust so necessary for authentic transformational leadership is lost when leaders are caught in lies, when the fantasies fail to materialize, or when hypocrisies and inconsistencies are exposed.
>
> (Bass 1990)

If we come to regard the virtuous character of leadership as a desirable social objective, worthy of nurture, what can be done to measure and promote virtuous leadership? Perhaps the cultivation of character, or what Carlsson calls 'personality development', may present a worthy avenue of investment of public resources. While liberal thought eschews such notions as character education in public schools, fearing that to pursue such an agenda would threaten individual freedoms to define value preferences, it may be time to revisit that objection. The state may have an overriding interest in articulating a range of virtues that are worthy of cultivation, and in finding effective ways to accomplish this. As Carlsson argues:

> Personality development must be central in the project of leadership transformation. Values and norms largely determine a leader's style of leadership. The talents of the leader are part and parcel of the leader's personality.
>
> (Carlsson 1998)

A People-Driven Ideal of Virtuous Leadership

Adel Safty makes an important distinction, relevant to East Africa, between a ruler and a leader. Leaders, after all, can be immoral yet still highly effective in pursuing a vision, and motivating their followers – one need not think any farther than Idi Amin, Saddam Hussein, or Adolf Hitler. Safty's distinction is hardly without precedent, however. James MacGregor Burns in 1978 argued that leadership which is amoral is not leadership at all, neither transformational nor transactional. Burns held that 'naked power wielding coercive' dictators are rulers with no moral purpose, and should not be classified as 'leaders'.(Boje 2000)

Safty, like Burns, believes that an authentic leader is distinguished as someone with a higher moral purpose, while a ruler lacks this quality. A ruler is someone who exerts his will through force, fear, intimidation, exploitation, or deceitful manipulation:

> From the dawn of history, leadership of all humanity has been either the call of the prophets, or the exclusive purpose of empires. The former relied mainly on moral authority, the latter principally on sheer physical force. One is more evocative of norms and principles and thus is closer to our conception of leadership, while the other stresses control and subjugation, akin to our view of rule. (Safty 2003)

Our brief historical overview would indicate far more of the empire than the prophet, the ruler instead of the leader, in East Africa. Moral authority and the ideal of the virtuous leader is not often associated with the presidents of Uganda and Kenya, and only partially with the presidents of Tanzania. East Africa has had a serious deficit in moral leadership, and there appears very little to be done about it at the top, given the prevailing atmosphere of

pessimism and loss of popular legitimacy in the institutions of governance, particularly in Uganda and Kenya.

Is it really as bad as all this? Ask many Ugandans, who watched as their recent presidential election was apparently stolen yet again, in which democracy again became the victim of widespread manipulation, harassment, and rigging. If they are among the opposition (who may well in fact be the majority) they are likely to be cynical and despondent. Ask many Kenyans, whose patience draws thin as the optimism for significant positive social change and development associated with President Mwai Kibaki's rise to power is now mired in the referendum defeat, and the vast scandals involving government ministers in flagrant corruption. Kenyans too are likely to be anything but sanguine as to a brighter future.

Perhaps there is a different way to the flowering of public morality and moral – even virtuous – leadership. Perhaps there are several ways. Perhaps thinking from the top down is counter-productive, and bound to lead to disillusionment. Perhaps it is time to change the rules of the game, so that a different set of differently oriented, differently qualified persons stand a chance at assuming leadership.

Safty has mused about such lists of 'perhaps', and is an articulate advocate for just such an alternative approach, which he terms 'people-driven moral leadership'. Safty derives considerable satisfaction and moral comfort from the recent wave of pro-democracy movements, people-led, that have swept through Central and Eastern Europe. He draws attention to the catalytic role of civil society in raising both moral awareness and moral expectations among the general populace. Safty's conviction is that:

> …people are rising to the challenges of leadership, doing the right thing, consolidating common values, and promoting human development. Leadership is no longer the monopoly of corporate chiefs, army commanders, or politicians. Leadership has become a people's business. Leadership, in effect, is being democratised.
>
> (Safty 2003)

How can people-driven moral leadership be organised? Civil society has a major role to play in this context, and already there are some organised initiatives that have begun, which may create a pattern for many similar initiatives to follow. The African Leadership Capacity Development Project (ALCD), for example, is a programme intended to provide capacity development projects entailing education, training, information, and network-based support to young Africans from diverse backgrounds who demonstrate strong leadership potential. This program's mission is directly focused on enabling young people to grow into transformational leadership roles, addressing issues of leadership vision, ethics, knowledge, sophistication, resourcefulness, creativity, and access to global resources.

A Global African Professionals/Experts/Scholars/Intellectuals Network has also recently been established, with one of its several objectives being to facilitate discussion and the dissemination of ideas about leadership and governance (among other topics). It is intended to nurture and provide intellectual support and mentoring to emerging leaders of Africa, to

assist in the establishment of 'African Leadership Information Centres' in African countries, and to hold annual international 'African Leadership and Progress' Conferences[11].

There is also the recently formed (but entirely virtual) African Leadership Institute (AfLI), under the patronage of Archbishop Tutu, which is focused on identifying Africa's future leaders and offering them a platform for leadership learning and application. AfLI's goal is to create and support a network of future leaders across Africa[12].

African universities are also initiating courses on leadership, which – like Makerere University's masters degree programme in leadership – include comprehensive exposure to the moral and transformational dimensions of leadership.

These are small beginnings to the solution of a monumental leadership challenge, but they are well-conceived, earnest small beginnings.

Conclusions

The history of East African political leadership is replete with moral failure and lack of moral virtue. Nearly all of East Africa's prominent past or current political leaders are or have been authoritarian, with a questionable allegiance to the principles of democracy, and a disdain for their follower's aspirations to be treated as dignified human beings. Authoritarian leaders in East Africa play transactional patrimonial politics, dispensing rewards and punishments to self-interested followers, with both leader and followers operating solidly in Kohlberg's Preconventional Level of moral development. Evidence of leadership that is authentic in its social consciousness, and committed to the cultivation of positive moral values more appropriate to Kohlberg's Conventional Level, is largely absent at the most senior echelons of power. Transformational leadership patterns are even rarer, being situated more clearly in Kohlberg's Post-Conventional Level where principles of universal justice and transcendent moral purpose prevail. Transformative leadership grounded in the virtuous character of the leader, as distinguished from transformative leadership supported by attention to moral values, would be found in this Post-Conventional Level. (Kohlberg 1971)

Transformative leadership, whether grounded in the virtuous leader or the leader attentive to moral values, is not without its critics. As noted by Steidlmeier and others, there are those who see transformative leadership as an exercise in the manipulation of sentiment and emotions instead of an appeal to reason. Boje argues that transformational leadership promises to be emancipatory, but does little to deliver marginalized peoples from command and control governance. Other critics worry that the force of personality of such leadership can distort democratic deliberations and override necessary checks and balances. The response to such criticisms, which I share, is that the power of inspirational and morally centred leaders to overcome narrow self-interest, greed, and exploitation rests with the identification and harnessing of the power of shared moral values, a common purpose, and a clear commitment to the welfare of all. In Bass and Steidlmeier's words:

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11 See www.africanprogress.net/leadership_capacity.htm for more details on these initiatives.

12 See www.alinstitute.org/ for more details.

> Truly transformational leaders, who engage in the moral uplifting of their followers, who move them to share in the mutually rewarding visions of success, who enable and empower them to convert the visions into realities, should be applauded, not chastised.
>
> (Steidlmeier 1998)

The quest for morally centred leaders or – more ambitiously perhaps – for virtuous leaders is unlikely to bear fruit in the current distorted democratic processes in East Africa, being a system that has evolved to create and sustain transactional top leaders of questionable virtue and thin commitment to the welfare and development of the populace. If transformational leaders are to be identified, nurtured, and succeed in the rise to power and influence in East Africa, both the demand and supply sides of the equation require attention. Public morality, and the expectations that the public holds for ethical leadership, must be freed from cynicism, pessimism, and lethargy. Through expanded opportunities for structured dialogue on the ethics of leadership, and through related measures to raise moral awareness, a new popular consensus on the need and urgency for ethical – even virtuous – leadership may be stimulated. Simultaneously, the ethically oriented middle level leadership, and the youth of East Africa generally, should be challenged by a well-articulated and widely disseminated ideal of the virtuous transformational leader. Moral exemplars already exist in East Africa, but to be influential to the shaping of public morality they need to be identified, publicised, and celebrated.

Finally, attention must continue to be placed on East Africa's institutions of governance, so that moral awareness can be strengthened, ethics training made relevant, and integrity fostered.

Advocating for the return to the ancient ideal of the virtuous leader, or at least supporting aspirations for a new form of moral leadership in East Africa, is intentionally bold. The status quo of immoral rule by self-interested leaders does not go away by thinking timidly. A culture of leadership that allows poverty, violent conflict, under-development, and bad governance to continue in East Africa for so long must be challenged and changed. New transformational leaders are called for, able to craft inclusive visions for a different and better direction, motivated by genuine care for their fellow citizens, and empowered with the ability to inspire, uplift, and lead their followers.

Not rule, but lead. Perhaps even lead with virtue.

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Leading with Integrity: Ethical Leadership — A Fundamental Principle of Integrity and Good Governance

Arthur Shacklock and Melea Lewis

Abstract

The assessment of 'Integrity Systems', sometimes referred to as 'Ethics Regimes', has generally focused on national perspectives, whether the right institutions, policies and procedures exist to achieve an effective national integrity system. The recently released Australian National Integrity System Assessment report highlighted the importance of mapping integrity systems and analysing whether the various elements have the resources to do their job (capacity), how they interact (coherence) and whether they are yielding the desired results (consequences).[1] However, no matter how sound an integrity system may be, without the right human capital operating within it, such a system can achieve very little. In practice, it is people, primarily leaders at all levels, who drive organisational direction, create and sustain an ethical climate and provide major incentives or disincentives for organisational and employee ethical behaviour.

This paper attempts to extend this framework beyond a systems and national focus to more fully recognise the interplay of complex human relationships within individual organisations. In this context the quality of the leadership is a critical dynamic as it deeply influences the predictability of the behaviour of people in organisations. Therefore, the development of ethical leadership skills, underpinned by sound ethical decision making, is fundamental to creating organisations in which people 'Lead with Integrity'.

This paper examines some of the relevant and recent literature on ethical leadership, focusing on the key issues surrounding ethical leadership roles and how these might be better understood, assessed and enhanced, not just as valuable qualities in their own right, but as a key to organisational integrity. The paper then presents some recommendations for actions within organisations to ensure and sustain ethical leadership. Finally, the paper recommends further research to assess the current standing of ethical leadership and ways in which it can be measured for improvements over time.

1 Brown, A.J et al (2005) Chaos or Coherence? Strengths, Opportunities and Challenges for Australia's Integrity Systems, *National Integrity Systems Assessment (NISA) Final Report*.

Organisational Integrity Systems

Introduction

Over the past ten years there has been a particular focus on the issue of integrity systems. This has primarily been aimed at national perspectives with examinations of entire national political and public sector management systems. Examples include Transparency International's NIS Country Studies[2] and various detailed reports by organisations such as the World Bank, Asian Development Bank and others. This ongoing 'NIS' work has been expanded upon in recent times by the work done by the Key Centre for Ethics Law, Justice and Governance (KCELJAG) at Griffith University in Australia, in collaboration with Transparency International Australia.

The resulting recently released report on the Australian National Integrity System Assessment entitled 'Chaos or Coherence'[3], examined the capacity, coherence and consequences of the four Australian integrity systems studied. This quest of integrity system analysis has also been summarised in Shacklock (2004)[4]. This report highlighted many important requirements for an integrity system to work in practice. In so doing it concentrated primarily on the structures and inter-relationships of agencies and functions, the 'bricks and mortar' that support and provide the context for integrity and good governance at the national level. This again placed major emphasis on structural and operational soundness, based on the quite reasonable belief that, with the right structures and processes in place, operating effectively together, there is a far better chance of integrity and good governance outcomes. The Australian NISA report went further than before in stressing the need to look beyond the idea of free-standing pillars of good governance approach[5] by extending this to examine the important interactions and capacity of the various systemic elements. The work of KCELJAG has also extended the metaphor in different ways. For example moving from Pope's 'Greek Temple' pillars, through what might be called a 'Rubik's Cube' type analogy, which describes three intersecting planes of data (of sectors, levels and dimensions) and then on to the analogy of a 'bird's nest', in which the supports are not concrete pillars but twigs carefully interwoven to give even greater strength and durability against any external threats to their integrity.[6]

While this is unquestionably a significant enhancement on earlier assessment approaches, it still does not provide the complete picture. Indeed one of the recommendations of the Australian NISA research was for there to be requirements for at least 'minimum integrity

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2 *Transparency International National Integrity System Country studies* http://www.transparency.org/policy_and_research/nis/regional.

3 Brown et al (2005) Chaos or Coherence? Strengths, Opportunities and Challenges for Australia's Integrity Systems, *National Integrity Systems Assessment (NISA) Final Report*.

4 Shacklock, A.H.. (2004). The Pursuit of Integrity Systems, refereed paper presented to the 'International Association for Business and Society' 15th Annual Conference, Jackson, Wyoming, 3 – 7 March 2004. Published in IABS Conference Proceedings, pp. 26–30.

5 Pope J (2000) *Transparency International Source Book*, Transparency International http://www.transparency.org/publications/sourcebook

6 Sampford, C., Smith R. & Brown A. J. (2005) 'From Greek Temple to Bird's Nest: Towards a Theory of Coherence and Mutual Accountability for National Integrity Systems' *Australian Journal of Public Administration* 64 (2):96–108.

education and training standards'[7] across the Australian public sector to ensure that people, especially leaders, were fully aware of their ethical responsibilities. There was a recognition that, even in a country like Australia, which fares well on the various integrity indexes[8] and has a relatively good system of integrity agencies and inter-connected functions in place, containing many key elements of capacity and coherence, it does not necessarily follow that the optimum desired consequences are always being delivered — hence the report's title.

The problem is that no matter how effective a system itself may be, in the final analysis it is the people who work within the organisations that provide the key delivery element. Only if the people are encouraged and developed in ways that will support ethical behaviour, will the system be successful in delivering and sustaining integrity. If the people working in an organisation are themselves without, or weak on, integrity and if the leadership lacks strengths and a commitment to ethical behaviour, then no matter how good the structure itself may appear the desired result of having an entity or a system based upon integrity will be illusive.

In particular, the achievement of effective leadership, the objectives of good governance and ethical behaviour will likely be unachievable in practice. This is because leaders at all levels from the CEO down to the first line supervisor, are the people at the coalface who set the scene, drive the organisational direction, set the ethical climate and, in the end, provide the major influence on employee behaviour, for better or for worse. This follows that old management adage that 'you get more of what you reward' (or conversely more of what you do not punish!). In reality, most people will behave largely according to the expectations of their leadership except when, in rare cases, they may be prepared to stand up to that leadership and become non-compliant with unethical demands or expectations.

As far as we are aware, this paper is the first attempt to bring together relevant content from the various literatures on national integrity systems, ethical leadership and strategies required at the organisational level to achieve a 'Leading with Integrity' outcome. The paper has four purposes:

1. To examine the links between the notion of 'integrity systems' as this is addressed at a national level and the relevance of this thinking to organisational settings.
2. To offer a preliminary scan of some of the recent literature on ethical leadership, particularly as regards its component parts (although in the space of this paper this cannot be a complete coverage).
3. To examine and suggest some of the key Human Resource Management strategies which organisations should be pursuing to enhance their prospects of achieving a 'Leading-with-Integrity' position.
4. The conclusions and recommendations, which suggest specific actions for organisations and raising questions for a desirable research agenda to empirically examine further the issues contained in the paper.

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7 Brown et al (2005), Recommendation 12.

8 For example, ranked 9 out of 158 according to Transparency International's 2005 Corruption Perceptions Index (CPI) http://www.transparency.org/policy_and_research/surveys_indices/cpi/2005

The primary focus of this paper is to scan the horizon of ethical leadership, concentrating at the organisational level. There will not be space here to discuss in detail the somewhat different nuances of political leadership. Nevertheless, the notion of integrity systems is still a relevant metaphor at the individual organisational level. One can very easily translate the issues in national integrity into organisational integrity, by examining instead the various segments of an organisation which together purport to protect and support the organisation's integrity. The notion of an integrity system (capacity, coherence and consequences) is just as valid, once organisational characteristics are defined in similar ways. Then the leadership issue becomes just as critical here as in political leadership or the leadership of integrity agencies in any national agenda.

This focus on the entire organisational system has also been discussed by others, most recently for example Kubal, Barker and Coleman. They have argued that organisations must spend time and resources in developing a comprehensive approach to corporate ethics.[9] They emphasise the need to address ethics training programs, applying key principles, making ethics a part of the organisation's business strategy, measuring ethical performance, investing resources in ethical performance, communicating regularly and tapping into the organisation's communication grapevine.

While this paper will attempt coverage of organisational leadership, we hope that many of the issues and principles that present themselves and are reported here will transfer equally as well to other spheres of influence from political leadership through to leadership roles in less formal and less structured settings.

Some of the key questions which arise for organisations are as follows:

- How ethical are our organisation's leaders?
- How effective are recruitment and advancement practices in selecting ethical leaders?
- How effective are the current practices in developing ethical leadership through awareness raising, education and training?
- How effective are performance management tools in stimulating and assessing and rewarding ethical leadership?
- How well, or poorly, equipped are our organisation's leaders in terms of ethical decision-making skills?
- What is the leader's role and impact in formulating, stimulating and sustaining the ethical climate of their organisation and work group and how well is this being done?

While we do not propose to try to answer these questions definitively in this paper, we do hope to scan the horizon of relevant issues and literature in order to bring the various facets of this ethical leadership requirement into sharper focus.

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9 Kubal, D., Baker M. & Coleman (2006) 'Doing the Right Thing: How Today's Leading Companies Are Becoming More Ethical' *Performance Improvement* 45(3): 5.

Leading with Integrity (the components)

In this second part of the paper we are focusing specifically on organisational leaders from the CEO down (as distinct from political or others areas of leadership) but many of the principles remain the same. The term integrity has been variously defined. Integrity comes from the Latin 'integritas' meaning uprightness, truthfulness, authenticity, reliable consistency between word and deed and as such it describes a kind of 'wholeness' as described by Worden.[10] We are told: 'There are many ways to fall short of integrity and many rationalizations for doing so', but that '[i]t is the leader's role to send the clear and pragmatic messages that good ethics is still the foundation of good business'.[11]

Koehn defined integrity as 'the compassionate and receptive work of making the self whole and enduringly happy through critically and assiduously separating who we truly are from the false ego.'[12] However, Koehn found that less than half of employees surveyed[13] perceived their senior leaders to be people of high integrity and suggested that there was a considerable need for a refined definition of 'integrity'. This is necessitated by the misleading nature of the way in which the term is regularly used in business.

Integrity has also been described as: 'adhering to what one believes to be right, especially when a price is paid in foregoing immediate gain.'[14] So by 'leading with integrity' we are talking about behaviours in the leader that seek to yield the most moral outcomes, even when there is a cost (however short-term) to the leader as a result.

Sampford has suggested that integrity involves asking questions about our values, giving honest and public answers and attempting to live by those answers.[15] Similarly, Bloskie concluded that integrity simply: 'implies a consistency or a coherence between one's personal beliefs and behaviour' and is the result of a 'coherence of values, aims and behaviours.'[16] Simons has also described integrity as: 'the perceived degree of congruence between the values expressed by words and those expressed through action.'[17] So it is

10 Worden, S. (2003) 'The role of integrity as a mediator in strategic leadership: A recipe for reputational capital' *Journal of Business Ethics* 46(1): 31–44.

11 Bloskie, C. (1995) 'Leadership and integrity' *Optimum* 26(2): 37.

12 Koehn, D. (2005). 'Integrity as a business asset.' *Journal of Business Ethics* 58(1): 125–136, p. 132.

13 Survey conducted by Walker Consulting Firm – Per Koehn, D (2005) see Clark S 'Ethical Lapses Can Destroy Business From Within' *Bizjournals*, January 6 2003 at http://bizjournals.com/extraedge/consultants/compnay_doctor/2003/01/06column345.html. Also see Walker survey data www.walkerinfo.com

14 Watson (1991) p. 186 in Worden, S (2003) 'The role of integrity as a mediator in strategic leadership: A recipe for reputational capital' *Journal of Business Ethics* 46(1): 31–44.

15 For a recent discussion and application see Sampford C & Berry V (2004) 'Shareholder Values, Not Shareholder Value: The Role of 'Ethical Funds' and 'Ethical Entrepreneurs' in Connecting Shareholders' Values with their investments' *Griffith Law Review* 13(1): 115–123, p. 121.

16 Bloskie, C (1995) 'Leadership and integrity' *Optimum* 26(2): 37.

17 Simons, T. L. (1999) 'Behavioral integrity as a critical ingredient for transformational leadership' *Journal of Organizational Change Management* 12(2): 89, p. 90 in Worden, S (2003) 'The role of integrity as a mediator in strategic leadership: A recipe for reputational capital' *Journal of Business Ethics* 46(1): 31–44, p. 33.

theoretically arguable that one could have integrity and yet not be a good person. However, the importance of integrity as part of a values framework in achieving workplace spirituality and its links to respect, justice, responsibility and trust in organisations clearly has direct relevance to the behaviour of leaders.[18]

Ethical Leadership

Ethical leadership has been defined in many ways and although much has been said about the importance of ethical leadership,[19] the topic has received somewhat patchy empirical attention. One recent definition tells us that ethical leadership should be about 'the creation and fulfilment of worthwhile opportunities by honourable means.'[20]

In a recent qualitative study of leaders within the UK nursing profession, for example, some 15 themes emerged and it was found that leaders, in that profession anyway, are not judged so much by their ethical decision making skills or for managing change, but rather it is assumed, by virtue of their status and success, that leaders do lead with integrity[21].

One of the most comprehensive summaries of ethical leadership is that by Caldwell, Bischoff and Karri.[22] Their paradigm is useful in relating the insights or nature of leaders, whom they call the umpires, and the 'Five Beliefs' model developed by Schein and related work by Senge, regarding how beliefs yield values in the workplace. This focuses on a leader's beliefs about his/her self-perception (talents, limits, individual worth, goals, roles, spirituality), beliefs about others (the nature of people, complexity of interrelationships), beliefs about the past (events, patterns, and values from the past, significant emotional events, key historical factors, the duty that we owe the past), beliefs about reality (its simplicity and complexity; what it is perceived to be), and finally beliefs about the future (tension between reality and the ideal future, the nature of limits, longer term notions of an achievable future). This is an incomplete summary of their work, but it indicates the important nature and complexity of beliefs and values that the leader brings to every leadership encounter or crisis.

Caldwell et al also show that the characteristics of leaders combined with the beliefs that they bring to an ethical dilemma comprise a useful framework with which leaders develop their own self-identity as ethical leaders. They conclude that the real need is for 'a model of leadership based upon teamwork, community, and ethical and caring behaviour. This

18 Jurkiewicz, C. J. and R. A. Giacalone (2004) 'A Values Framework for Measuring the Impact of Workplace Spirituality on Organizational Performance' *Journal of Business Ethics* 49(2): 129.

19 For example, see Ciulla, J. (Ed) (1998) Ethics, the heart of leadership Westport, Conn., Praeger.

20 Rubenstein, H (2003) *Ethical Leadership: the State of the Art Growth Strategies* http://growth-strategies.com/subpages/articles/069.html. For general discussion see also Rubenstein, H. (2005) 'The Leadership Revolution' *Vital Speeches of the Day* 71(11): 349

21 Storr, L. (2004) 'Leading with integrity: a qualitative research study' *Journal of Health Organization and Management* 18(6): 415.

22 Caldwell, Bischoff & Karri (2002) Caldwell, C., S. J. Bischoff, et al. (2002). 'The Four Umpires: A Paradigm for Ethical Leadership.' *Journal of Business Ethics* 36(1–2): 153–164.

emerging approach to leadership and service encompasses the concepts of stewardship which are normatively ethical and which we think best serve people and organizations long-term.'[23]

It appears that ethical leadership requires a range of skills and achievements in order to be accepted as fully operational. The more obvious requirements include: a concentration on values-based leadership, leading from the top (especially where the CEO is concerned), the ability to engender an ethical climate, ethical decision making skills, a combination of both transformational (including charismatic) and transactional leadership (albeit with reservations applied to both) and a particular focus on the complexities of interpersonal relationships (eg: using leader-member exchange skills). It is the combination of these types of qualities and skills that need to be fostered in an organisation, if it hopes to achieve a 'Leading with Integrity' outcome. The paper will now deal briefly with some of these essential ingredients.

Values-based Leadership

In any setting where the achievement of values-based governance is sought, the issue of leaders' values becomes integral to establishing an ethical organisation. The literature in this area is wide and varied, but the case for a strong focus on, and understanding of, leader values and beliefs is well established. There is little doubt that ethical leaders are those who adhere to strong personal values emanating from notions of correctness, fairness, equity and reasonableness. So we are looking for leaders who can deliver across a range of requirements, but whose personal integrity is unquestionable.

One such values-based leadership model was based on the tensions among values, interests and power (VIP) and tensions that exist within and among citizens, workers and leaders (CWL).[24] The model suggested that the promotion of value-based practice was based on the ability to reduce these tensions. The study found that leaders had four main roles in the promotion of value based practice: clarification of values, promotion of personal harmony, enhancing the congruence of VIP among CWL and the confrontation of individuals or groups undermining values or abusing power.

Integrity from the Top

The importance of the commitment of senior level leaders, particularly the Chief Executive Officer cannot be overstated in the quest for an ethical organisation in which people at all levels lead with integrity. Numerous authors in the leadership field have referred to the special importance of people at the very top of the organisation, those who hold senior executive roles.[25] However, in a 2002 CBS poll, less than one-third of respondents said that they believed most CEOs are honest.[26]

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23 Caldwell, Bischoff & Karri (2002). 'The Four Umpires: A Paradigm for Ethical Leadership.' *Journal of Business Ethics* 36(1–2): 153–164, p. 162.

24 Prilleltensky, I. (2000). 'Value-based leadership in organizations: Balancing values, interests, and power among citizens, workers, and leaders.' *Ethics & Behavior* 10(2): 139–158.

25 LeClair, D. T., O. C. Ferrell, et al. (1998) *Integrity Management: A Guide to Managing Legal and Ethical Issues in the Workplace*. Tampa, FL, University of Tampa Press; Waters, J. A. (1988) 'Integrity Management: Learning and Implementing Ethical Principles in the Workplace' in S.

In dealing with the aftermath of the Enron/Andersen collapses, a number of authors have spoken of the considerable impacts of CEOs on the corporate culture of an organisation, with the conclusion being: '[a]n important challenge to corporations and CEOs is the creation of a 'tone at the top' that promotes ethical conduct and permeates the corporate culture.'[27] One suggested method for assisting corporate leaders with the implementation of processes associated with the United States' Sarbanes-Oxley Act 2002 was a program[28] designed to internalise within an organisation ethical behaviour and the appropriate role of leadership, by focussing the program on the main issues facing leaders: freedom, principle, realism, grand strategy, and accountability.[29]

Murphy found that the CEOs in his study all 'accepted the need to clarify ethical dimensions of business and to provide corporate leadership by example.'[30] McDonald[31] recognised that theoretical and empirical research have a contribution to make to the study of ethical leadership, however such research is lacking in practical application. McDonald suggests some practical measures that improve ethics in organisations that include the need to activate CEO and senior management input, communication with and amongst senior managers to ensure support for an ethical program to be implemented into an organisation, the establishment of an ethical code of conduct, clarification of objectives, ethical training to modify internal values, recognition of ethical violations, the incorporation of ethical requirements into new employee programmes, ensuring the use of both discipline and rewards for behaviour and encouraging awareness amongst members of the organisation of their role in developing a climate that is ethical.[32]

Similarly, Hood[33] conducted a study to analyse the relationship between CEO values, leadership style and ethical practices in organisations. The study considered four categories of values[34] including personal, social, competency-based and morality-based as well as ethical practices such as formalised ethical codes and diversity training. According to this study, all four categories of values were positively and significantly related to transformational leadership; morality-based and personal values were positively related to

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Srivastra, *Executive Integrity: The Search for High Human Values in Organizational Life*: San Francisco, Jossey-Bass: 172–196.

26 Wallington, P. (2003) 'Honestly?! Ethical behavior isn't easy, just essential. Here's how to run an honest organization and be an ethical leader' *CIO* 16(11): 1.

27 Koestenbaum P, Keys P J & Weirich, (2005) 'Integrating Sarbanes-Oxley, Leadership, and Ethics' *The CPA Journal* 75(4): 13.

28 Entitled 'Leadership Diamond Realisms'.

29 Koestenbaum, P., Keys P. J., & Weirich (2005) 'Integrating Sarbanes-Oxley, Leadership, and Ethics' *The CPA Journal* 75(4): 13, p. 15.

30 Murphy, P. E. (1995) 'Corporate-Ethics Statements – Current Status and Future-Prospects' *Journal of Business Ethics* 14(9): 727–740.

31 McDonald, G. (2000) 'Business ethics: Practical proposals for organisations' Journal of Business *Ethics* 25(2): 169–184.

32 McDonald (2000) p. 181.

33 Hood, J. N. (2003) 'The relationship of leadership style and CEO values to ethical practices in organizations' *Journal of Business Ethics* 43(4): 263–273.

34 Based on Rokeach's 1973 typology.

transactional leadership; and laissez-faire leadership was negatively related to competency-based values.

Ethical Climate

Clearly leaders have a major influence on the nature of the climate that surrounds them. The construct of ethical climate is not new. Drexel and Elliot stressed that managers need to provide continuing support and participation if they are to maintain an ethical climate, stating: 'the managers must back up their commitment to an ethical atmosphere by positive outcomes in terms of promotion and other rewards.'[35] The body of work in this area has confirmed, however, that ethical climate is a multi-dimensional phenomenon that has many determinants.[36] It is clear that 'the ethical climate within which they (people) work, their leadership, and the pressures acting upon them are all factors that can influence what might be their natural inclination based upon their moral development as individuals. In other words, people in organisations more often than not have to compromise if they wish to survive to fight another day.'[37] Additionally, Khuntia and Suar developed a scale for the measurement of ethical leadership, finding that ethical leadership was evidenced by two key factors: the extent of empowerment of employees by their leaders and the identification of motive and character in the leader.[38] Further confirmatory work by Schminke, Ambrose and Neubaum has examined the links between leader moral development and its impacts on ethical climate taking into account the age of the organisation as a factor. The sum total of this body of work establishes clearly that ethical climate affects and is affected by the behaviour of leaders, as well as that it can be usefully measured.[39]

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35 Drexel, G. F. and Z. Eliot (1981) 'Integrity in Work and Interpersonal Relations: A Perspective for the Public Manager' *Public Personnel Management* 10(1): 110.

36 Upchurch, R. S. and S. K. Ruhland (1996) 'The organizational bases of ethical work climates in lodging operations as perceived by general managers' *Journal of Business Ethics* 15(10): 1083–1093; Victor, B., Cullen, J. (1987) 'A theory and measure of ethical climate in organizations' *Research in Corporate Social Performance and Policy* 9: 51–71; Victor, B. and J. B. Cullen (1988) 'The organizational bases of ethical work climates' *Administrative Science Quarterly* 33(1): 101–125; Victor, B., J. B. Cullen & Stephens (1989) 'An ethical weather report: Assessing the organization's ethical climate' *Organizational Dynamics* 18(2): 50–62; Wimbush, J. C. and J. M. Shepard (1994) 'Toward an understanding of ethical climate: Its relationship to ethical behavior and supervisory influence' *Journal of Business Ethics* 13(8): 637–647; Wimbush, J. C., J. M. Shepard, et al. (1997) 'An empirical examination of the relationship between ethical climate and ethical behavior from multiple levels of analysis' *Journal of Business Ethics* 16(16): 1705–1716; Engelbrecht, A. S., Aswegen A. S. v., & Theron (2005) 'The effect of ethical values on transformational leadership and ethical climate in organisations' *South African Journal of Business Management* 36(2): 19; Singhapakdi, A. and Vitell S. J. (1991) 'Analyzing the ethical decision making of sales professionals' *The Journal of Personal Selling & Sales Management* 11(4): 1; Singhapakdi, A. and Vitell S. J. (1993) 'Personal values underlying the moral philosophies of marketing professionals' *Business & Professional Ethics Journal* 12(1): 91.

37 Fraedrich, J., Thorne, D. M. & Ferrell (1994) 'Assessing the application of cognitive moral development theory to business ethics' *Journal of Business Ethics* 13(10): 829–839.

38 Khuntia, R. and D. Suar (2004) 'A scale to assess ethical leadership of Indian private and public sector managers' *Journal of Business Ethics* 49(1): 13–26.

39 Schminke, M., M. L. Ambrose & Neubaum (2005) 'The effect of leader moral development on ethical climate and employee attitudes' *Organizational Behavior and Human Decision Processes* 97(2): 135–151.

Ethical Decision-making

There is a considerable body of work on the issue of how to make better ethical decisions and the various dimensions and complexities of this leadership skill.[40] The various models are very helpful in the pursuit of enhancing ethical leadership.[41] For example, Koehn suggests that the value of integrity in the business setting is based on the way decision making with integrity avoids short term thinking and acting, assists with maintaining healthy relations with stakeholders, promotes genuineness when dealing with customers, promotes decision making that is undertaken with care and diligence, assists with seeking diverse perspectives and encourages introspective analysis that develops creativity.[42] Peters[43] considers the need for ethical leadership and discusses the ethics of leaders motives, influence process strategies, and the nature of the self-transformation required for ethical leadership. Similarly, Kanungo & Mendonca stress that the uncertainties of the leader's role can be turned into opportunities in which the leader's decisions can communicate his/her values.[44]

Transformational and Transactional leadership

Debates about ethical leadership have renewed the interest in the different impacts of transformational and transactional leadership. Included in this is the work on charisma as a factor closely associated with transformational styles.

Since the notion was developed some years ago, transformational leadership has been widely heralded in the literature as a desirable switch from traditional transactional forms of leadership.[45] Its focus on idealised influence, inspirational motivation, intellectual stimulation

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40 For example Banaji, M. R., M. H. Bazerman & Chugh D. (2003) 'How (un)ethical are you?' Harvard Business Review 81(12): 56; Bloskie, C. (1995) 'Leadership and integrity' *Optimum* 26(2): 37.

41 Ferrell, O. C. and Gresham L. G. (1985) 'A contingency framework for understanding ethical decision making in marketing' *Journal of Marketing* 49(3): 87–96; Hunt, S. D. and Vitell S. J. (1986) 'A General Theory of Marketing Ethics' *Journal of Macromarketing* 6(1): 5–16; McDonald, M. (1998) *A Framework for Ethical Decision-Making*, UBC Centre for Applied Ethics; Nash, L. L. (1981) 'Ethics without the sermon' Harvard Business Review 59(6): 78–90; Nash, L. L. (1989) 'Ethics without the sermon' in Andrews K. R. and David D. K. (eds) *Ethics in Practice* Boston Mass., Harvard Business School: 245; Rest, J. R. (1984) 'The Major Components of Morality' in. Kurtines W. M and. Gerwitz J. L (eds) *Mortality, Moral Behaviour and Moral Development*, New York, Wiley: 24–38; Robin, D. P., R. E. Reidenbach, et al. (1993) 'Ethical decision making' *Journal of Business Ethics* 74(7): 11–22; Trevino, L. K. (1986) 'Ethical decision making in organizations: A person-situation interactionist model' *Academy of Management Review* 11: 601–617.

42 Koehn (2005) p. 132–34.

43 Peters, T. J. (2001) 'Leadership: Sad facts and silver linings' *Harvard Business Review* 79(11): 121.

44 Kanungo, R.N. & Mendonca, M. (1996) *Ethical dimensions of leadership* Thousand Oaks, CA: Sage Publications.

45 Burns, J. (1978) *Leadership*: New York, Harper & Rowe; Bass, B. M. (1985) 'Leadership: Good, better, best' *Organizational Dynamics* 13(3): 26–40; Hoover, N. R. (1987) *Transformational and Transactional Leadership: a test of the model*, United States — Kentucky, University of

and individualised consideration suggests a very likely ethical link. Avolio argued that the idealised influence frame has clear ethical connotations.[46] Idealised influence means that transformational leaders are important as role models in 'walking the talk' and thus setting the inspirational ethical standards. His work has been extended and amplified in various ways by, for example: the relationship between moral reasoning and transformational and transactional leadership;[47] and work alienation as a product of these different leadership approaches.[48]

However, a word of caution is needed when discussing positive outcomes of transformational leadership. There is some evidence to suggest that both transformational and transactional leadership approaches may be required, since they may yield different and complementary aspects of integrity. A number of authors have also pointed out of that transformational leadership styles can at times be a negative influence on the organisational climate and that there are ethical risk implications of transformational leadership, where a leader may 'sometimes behave immorally because they are blinded by their own values.'[49] Some have suggested that the compliance-based[50] influence style associated with transactional leadership behaviour is unethical. Kanungo and Mendonca noted that 'the near destruction of the followers' self-esteem for the benefit of the leader makes the transactional influence process highly offensive to the dignity of people; therefore, it cannot be considered to be an ethical social influence process.'[51]

In a study of corporate ethics officers and senior executives aimed at examining perceived executive ethical leadership,[52] Vera and Crossan showed that 'ethical leadership' requires a transactional component that comprises communication and reward systems to guide ethical behaviour. Sangkar also concluded that the impact of leadership styles on organisational learning showed that both transformational and transactional approaches have valuable contributions to make.[53]

Closely aligned with the notion of transformational leadership is that of charismatic leadership. There seems to be no doubt that some people possess natural abilities to inspire

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Louisville; Bass, B. M. & B. J. Avolio (1993) 'Transformational leadership and organizational culture' *Public Administration Quarterly* 17(1): 112.

46 Avolio, B. (1999) *Full Leadership Development: Building the Vital Forces in Organizations* Sage, Thousand Oaks, CA.

47 Turner, Barling, Epitropaki, Butcher & Milner, (2002) 'Transformational leadership and moral reasoning' *Journal of Applied Psychology* 87(2): 304–311.

48 Sarros, J. C., G. A. Tanewski, et al. (2002) 'Work alienation and organizational leadership' British *Journal of Management* 13(4): 285–304.

49 Price, T. L. (2003) 'The ethics of authentic transformational leadership' *Leadership Quarterly* 14(1): 67–81.

50 Kelman, H. C. (1958) 'Compliance, identification, and internalization: Three processes of attitude change' *Journal of Conflict Resolution* 2(1): 51–60.

51 Kanungo, R.N. & Mendonca, M. (1996) *Ethical dimensions of leadership* Thousand Oaks, CA: Sage Publications, p. 73.

52 Trevino, L. K., M. Brown, et al. (2003). 'A qualitative investigation of perceived executive ethical leadership: Perceptions from inside and outside the executive suite.' *Human Relations* 56(1): 5.

53 Vera, D. and M. Crossan (2004). 'Strategic leadership and organizational learning.' *Academy of Management Review* 29(2): 222–240.

others by means of their personality. However, history tells us that charismatic leaders are not always moral leaders. This negative side of charisma can be ethically damaging to the organisation if the charismatic leader is not him/herself a moral person and if 'the moral literacy of the leader and the essentials of an ethical culture are connected to his/her character and not to his/her charismatic personality.'[54]

Transformational and charismatic leaders can therefore also be unethical if they are motivated by selfishness rather than altruism,[55] or if they use power inappropriately.[56] Scholars now differentiate between socialised (ethical) and personalised (unethical) charismatic leaders[57] and authentic and pseudo-transformational leaders,[58] suggesting that transformational (charismatic) and ethical leadership are not necessarily aligned.

Other work has supported these differing but mutually supportive ethical outcomes, for example: holding employees accountable as a cardinal feature of transactional leadership;[59] the mix of outcomes from apparent transformational approaches which also yields transactional type outcomes;[60] that there is only partial overlap between transformational and ethical leadership;[61] arguments against the bipolarity between transactional and transformational styles;[62] relationships between perceived leadership integrity and transformational leadership using the Perceived Leadership Integrity Scale (PLIS) and the Multi-Factor Leadership Questionnaire (MLQ);[63] and distinction between authentic

54 Sankar, Y. (2003) 'Character not charisma is the critical measures of leadership excellence' *Journal of Leadership & Organizational Studies* 9(4): 45.

55 Bass, B. M. (1985) 'Leadership: Good, better, best' *Organizational Dynamics* 13(3): 26–40; Bass, B.M. (1998) *Transformational leadership: Industrial, military, and educational impact*: Mahway, N.J.: Lawrence Erlbaum; Howell, J.M. (1988) 'The Two Faces of Charisma: Socialized and Personalized Leadership in Organizations' in J. Conger & R. Kanungo (Eds.) *Charismatic Leadership: The Illusive Factor in Organizational Effectiveness*. San Francisco: Jossey-Bass, pp. 213–236; Howell, J. M. and Avolio B. J. (1992) 'The Ethics of Charismatic Leadership: Submission or Liberation?' *The Executive* 6(2): 43.

56 House, R. J. & Aditya. (1997) 'The Social Scientific Study of Leadership: Quo Vadis?' *Journal of Management* 23(3): 409–458.

57 Howell J. M. & Avolio B. J. (1992) 'The Ethics of Charismatic Leadership: Submission or Liberation?' *The Executive* 6(2): 43.

58 Bass, B. M. and P. Steidlmeier (1999) 'Ethics, character, and authentic transformational leadership behaviour' *Leadership Quarterly* 10(2): 181–217.

59 Gini, A. (1997) 'Moral leadership: An overview' *Journal of Business Ethics*, 16(3): 323–330.

60 Turner, N., J. Barling, et al. (2002) 'Transformational leadership and moral reasoning' *Journal of Applied Psychology* 87(2): 304–311.

61 Trevino, L. K., M. Brown, et al. (2003) 'A qualitative investigation of perceived executive ethical leadership: Perceptions from inside and outside the executive suite' *Human Relations* 56(1): 5.

62 Kark, R., Shamir, B., & Chen, G. (2003) 'The two faces of transformational leadership: empowerment and dependency' *Journal of Applied Psychology* (88)2: 246–255.

63 Trevino, L. K., M. Brown, et al. (2003); Parry, K. W. and Proctor-Thomson S. B. (2002) 'Perceived integrity of transformational leaders in organisational settings' *Journal of Business Ethics* 35(2): 75.

transformational leadership and inauthentic transformational leadership as one response to perceived concerns regarding the morality of transformational leadership.[64]

Leader Member Exchange

Leader Member Exchange (LMX) theory as developed by Graen and Novak[65] and others since, also has clear implications for ethical leadership behaviour. This work has included: results that explain such things as the value of higher quality long term relationships;[66] the links between role conflict, role ambiguity and intrinsic task satisfaction;[67] and the impact of constructive resistance by employees on leader responses depending upon the relationship.[68] These dyadic relationship issues are very likely to be predictors of ethical outcomes and conversely ethics may also lead to higher quality dyadic relationships.

While there appear to be only a handful of empirical studies to date which examine these links between ethics, values congruence and LMX,[69] Graen recently drew clear links between LMX and ethical behaviour as regards responding ethically to issues of diversity in the workplace.[70] Other work has brought together the concepts of charismatic leadership theories, LMX and leadership categorisation theories by use of a social identity model seeing the leader as an integral member of the group.[71]

Achieving a 'Leading with Integrity' Organisation

In this third part of the paper we examine what organisations need to be doing to achieve ethical leadership. We ask how would one envisage an organisation with an effective integrity system and what 'pillars' (blocks or twigs) would one be seeking to develop and

64 B. Bass and P. Steidlmeier (1999) 'Ethics, character, and authentic transformational leadership behavior' *The Leadership Quarterly* 10: 181–217 in Price, T. L. (2003) 'The ethics of authentic transformational leadership' *Leadership Quarterly* 14(1): 67–81.

65 Graen, G. & Novak M. A. (1982) 'The Effects of Leader-Member Exchange and Job Design on Productivity and Satisfaction: Testing a Dual Attachment Model' *Organizational Behavior and Human Performance* 30(1): 109.

66 Maslyn, J. M. & Uhl-Bien M. (2001) 'Leader-member exchange and its dimensions: Effects of self-effort and other's effort on relationship quality' *Journal of Applied Psychology* 86(4): 697.

67 Dunegan, K. J., Uhl-Bien, M. et al. (2002) 'LMX and Subordinate Performance: The Moderating Effects of Task Characteristics' *Journal of Business and Psychology* 17(2): 275.

68 Tepper, B. J., M. Uhl-Bien, et al. (2006) 'Subordinates' Resistance and Managers' Evaluations of Subordinates' Performance' *Journal of Management* 32(2): 185.

69 For example: Goertzen, B. J. (2003) Role of managers' and direct reports' ethic of virtue on leader-member exchanges United States — Nebraska, The University of Nebraska – Lincoln; Isaac, R. G., L. K. Wilson, & Pitt (2004) 'Value congruence awareness: Part 2. DNA testing sheds light on functionalism' *Journal of Business Ethics* 54(3): 303–315.

70 Graen, G. B. (2003) 'Dealing with Diversity: Chapter 1. Role Making onto the Starting Work Team Using LMX Leadership: Diversity as an Asset' Safari Business Books Online.

71 van Knippenberg, D. and M. A. Hogg (2003) 'A social identity model of leadership effectiveness in organizations' *Research in Organizational Behavior* 25: 243–295.

enhance it? The following are suggested as a start point, although not a comprehensive list, they are expanded upon in the conclusions to the paper:

- Ethics as formal Governance item
- An operationalised Code of Ethics
- Awareness Raising, Education and Training
- An ethics advisory service
- An ethics committee
- Rapid responses to dilemmas and breaches
- Whistleblower protection
- Effective data collection and records
- Ethics audits (incl: Self-auditing processes)
- Fraud risk assessments
- Public statements on organisation's Web Site(s)
- Visible and publicly applied penalties for non-compliance
- Lobbying for legislative and regulatory changes.

It is important to acknowledge that some of the ideas presented here are not new. In 1989, Gandz and Bird outlined a similar set of strategies, calling for eight areas of focus: recruitment, selection, and promotion of individuals; training in ethical decision making; communication of high expected standards; establishment of clear channels of communication; frequent policy reviews; direct control of behaviour; creation of institutions to promote particular moral aims; and the exhibition of model behaviour.[72] At about the same time Longenecker, McKinney and Moore similarly expressed the need for organisations 'to clarify values during recruitment, selection, and promotion'.[73] Much of this responsibility for, and the opportunity to enhance integrity, now rest with the organisation's human resource management role.[74] However, there is little empirical evidence that their advice has been heeded or followed to any large degree

Others have given guidance in this respect. For example, Wallington[75] listed the following actions to achieve ethical leadership in an organisation: setting the tone, establishing and enforcing appropriate policies, educating and recruiting those who have already been versed in ethical knowledge, separating duties to avoid conflicts, reward ethical conduct and eliminating 'undiscussables' by making it acceptable for employees to question what happens. Further, Zaccaro and Banks in 2004 analysed three gaps between leadership research and HR practice: the value of organisational visions; change management skills for

72 Gandz, J. and F. G. Bird (1989) 'Designing Ethical Organizations' *Business Quarterly* 54(2): 108–112.

73 Longenecker, J. G., J. A. McKinney & Moore (1989) 'The Generation Gap In Business Ethics' *Business Horizons* 32(5): 9–15.

74 Hobel, J. (2004) 'An ethical boost for staff morale?' *Canadian HR Reporter* 17(6): 14; Wimbush J.C. (2005) 'Spotlight on human resource management Business Horizons' 48: 463–467.

75 Wallington, P. (2003) 'Honestly?! Ethical behavior isn't easy, just essential. Here's how to run an honest organization and be an ethical leader' *CIO* 16(11): 1.

HR managers; and the utility of training and development programs that are aimed at organisational vision and change management skills.[76]

One notable example of efforts to integrate ethical leadership principles throughout an organisation is the work carried out by the Australian Public Service Commission (APSC) since about 2002. There is no doubt that APSC's package of mutually supportive strategies: Embedding the APS Values[77], Integrated Leadership System[78] and Senior Executive Leader Capability Framework[79] have set ground-breaking best practice standards in this area. They incorporate a firm values-based management approach. In particular these strategies spell out clear ethical guidelines, including roles for executive to senior executive levels of management and encourage a common language across all agencies in relation to executive leadership. Having said this, it is early days yet to be sure of its longer term impacts, since no empirical work has yet been done on these recent Australian public sector developments.

Below we outline some of the strategies we see as necessary to ensure that organisations attract and recruit ethical people and then deal with them in ways which will sustain and where enhance the organisation's integrity.

Pre-employment Ethics Education

People entering the workforce for the first time are the building blocks for future organisational integrity – our leaders of tomorrow. While it is not the primary role of employing organisations to concern themselves with pre-employment agendas, organisations can nevertheless have an indirect influence by pressing for their own requirements when dealing with job seekers. This has the potential to influence curricula and its ethics content at the secondary school and college level. Organisations can directly brief educationalists at the secondary school level to highlight what they expect in terms of preparation of the young prior to them seeking employment. There appears to be evidence to support the usefulness and efficacy of ethics related content in secondary and college educational experiences, as discussed below.

In the Information Technology (IT) area at least this is already happening. Dill studied ethics-related issues in IT use, examining secondary school level content in the US and comparing this with similar content across 21 other countries, noting some 46 such IT ethics education policies.[80] Another study in the IT area tested the ethical reasoning of secondary school students in respect of 16 hypothetical scenarios related to computer and IT ethics. While the results were varied for the different dilemmas, these kinds of empirical studies at secondary

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76 Zaccaro, S. J. and D. Banks (2004). 'Leader visioning and adaptability: Bridging the gap between research and practice on developing the ability to manage change.' *Human Resource Management* 43(4): 367–380.

77 APSCa, (2006) *Embedding APS Values* http://www.apsc.gov.au/values/values.htm

78 APSCb, (2006) *Integrated Leadership System* http://www.apsc.gov.au/ils/index.html

79 APSCc, (2006) *Senior Executive Capability Framework* http://www.apsc.gov.au/selc/index.html

80 Dill, B. J. and R. E. Anderson (2003) 'Ethics-related technology policies in schools' *Social Science Computer Review* 21(3): 326.

student levels are potentially very useful in informing educationalists of any ethical gaps in course content and/or the absorption of ethical messages by their students.[81]

In a study of 190 school students which examined adolescent moral reasoning, results suggested 'that moral education interventions must encourage youth to explore their views that much of their behaviour is only their own business'.[82] Hylop-Margison expressed the need for a return to an Aristotelian approach to training people through a return to liberal education which can train moral reasoning.[83] Other literature has examined various issues associated with the issue of ethical development at this pre-employment stage which have the potential to encourage changes to second school curricula aimed at bringing about greater ethical awareness, before young people enter the workforce. These have included:

- Zeidler, Walker, Ackett and Simmons, 2002: in the area of school students' reaction to anomalous socio-scientific data;[84]
- Infinito 2003: Teaching students to create an ethical self awareness utilising Foucaut's model of moral development;[85]
- Kirman, 2003: the importance of geographic ethics if students are expected to be stewards of the earth and responsible citizens of the planet;[86]
- Maulden, Bentley, O'Dwyer and Houston 2004: on the deficits among the pre-employed from urban schools in work attitude, ethics, and competencies in children were leading to an 'under-prepared workforce';[87]
- Norquist 2005: in the area of consumer behaviour, stressing the place a high value of teaching decision-making processes to junior high school students as regards and the concept of opportunity cost;[88]
- Underleider 2004: A Canadian study examining the importance placed by parents on training youth for life preparedness and ethics.[89]

If strategies can be adopted which focus sharply on school children in terms of ethical values and reasoning, this may lay a better ethical foundation for their entry into higher education and/or the workforce.

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81 Hamed, G. (2003) *Examining high-school students' views on computer and information ethics United States — Kansas*, Kansas State University.

82 Kuther, T. L. and A. Higgins-D'alessandro (2000) 'Bridging the Gap Between Moral Reasoning and Adolescent Engagement in Risky Behavior' *Journal Of Adolescence* 23(4): 409–422.

83 Hyslop-Margison, E. J. (2002) 'Liberalizing career education: an Aristotelian approach' *Alberta Journal of Educational Research* 48(4).

84 Zeidler, D. L., K. A. Walker, et al. (2002) 'Tangled up in views: Beliefs in the nature of science and responses to socioscientific dilemmas' *Science Education* 86(3): 343.

85 Infinito, J. (2003) 'Jane Elliot meets Foucault: The formation of ethical identities in the classroom' *Journal of Moral Education* 32(1): 67.

86 Kirman, J. M. (2003) 'Transformative geography: Ethics and action in elementary and secondary geography education' *The Journal of Geography* 102(3): 93.

87 Maulden, B., K. Bentley, et al. (2004) 'Secondary Education and the Under-Prepared Workforce: Is a Poor Work Ethic Being Taught?' *Business Perspectives* 16(2): 18.

88 Norquist, K. (2005) 'Teaching Ethics in Junior High' *Journal of Family and Consumer Sciences* 97(3): 63

89 Ungerleider, C. (2004) 'Changing expectations, changing schools: the evolving concept of the Good School' *Education Canada* 44(3): 18.

Recruiting Ethical People

'Can you interview for Integrity?' asked William Byham[90] in a recent article about finding ethical employees, answering that question by suggesting that you certainly can take steps in that direction. Organisations need to devise recruitment strategies and techniques that can carefully assesses potential employees in terms of their ethical stance and propensity for ethical (and unethical) behaviour. At the entry level, finding the right people to join the organisation in the first place can be a challenge. At the higher levels, when selecting people from outside for senior roles, all the more care needs to be taken to not make serious selection mistakes by choosing people whose ethics are questionable. Very few recruitment processes actually include ethics as a specific selection criterion. Recruitment strategies need to carefully examine candidates with a range of techniques to test, as near as possible to real life experiences, their values and likely reactions to morally hazardous situations.

The recruitment literature deals with this issue at some length. Various authors have stressed the importance of careful hiring by taking account of ethics and likely reactions to ethical challenges.[91] In the Post-Enron aftermath, and with the demise of the Arthur Andersen accountancy firm, it has been suggested that accounting firms should be focusing their recruitment priority on getting accountants who have cognitive styles with higher levels of ethical reasoning.[92]

Kidder suggests that presenting prospective employees with a theoretical ethical dilemma to determine their level of moral reasoning may be an effective recruitment strategy for ascertaining the ethical decision making processes of the interviewee.[93] Byham calls for the reintroduction of '...doing proper background and reference checks, practices which many organizations let slip for a couple of decades but which are now resurrecting.'[94] He suggests that interviewers must ask the right questions as the answers to such questions will indicate whether there is an ethical 'fit' between the interviewee and the organisation. The key to effectively interviewing for integrity is seeking multiple examples of behaviours and asking probing questions that reveal the thinking behind the behaviour described'.[95]

Similarly, Holloway suggests establishing an organisation's recruitment strategy based on clearly defined values and principles and outlining these clearly to applicants, to reach a stage where only those like-minded people wanting to work for an ethical organisation will apply.

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90 Byham, W. C. (2004) 'Can You Interview for Integrity?' *Across the Board* 41(2): 34.

91 For example see Lantos, G. P. (1999) 'Motivating moral corporate behaviour' *Journal of Consumer Marketing* 16(3): 222–233.

92 Abdolmohammadi, M. J., W. J. Read, & Scarborough (2003) 'Does selection-socialization help to explain accountants' weak ethical reasoning?' *Journal of Business Ethics* 42(1): 71–81.

93 Kidder, D. L. (2005) 'Is it 'who I am', 'what I can get away with', or 'what you've done to me'? A multi-theory examination of employee misconduct' *Journal of Business Ethics* 57(4): 389–398.

94 Byham, W. C. (2004) 'Can You Interview for Integrity?' *Across the Board* 41(2): 34.

95 Birchfield, R. (2004). 'The Management Interview; Jim Syme – On boardroom ethics and integrity' *New Zealand Management*: 32–34.

[96] Hurst agrees, saying: 'Business ethics at the employee level is best served by solid recruiting and interviewing practices' and that the key is 'to be clear in policy statements and make certain that employees know that the company is 100% committed to ethical operation.'[97] Waite concludes: 'the employment of people with integrity, who have the necessary skills and competence to do the job, goes to the very fabric of a successful business enterprise. If the employee screening process is to be effective, it needs to be integrated into the recruitment process.'[98] Moreover, a cross-cultural dimension may impact upon recruitment processes in international operations. Negative ethical behaviours of expatriate personnel is often brought about by ethical mismatches, so selecting expatriate managers with high emotional intelligence and carrying out pre-departure training in ethical reasoning can be a clear guard against such unsatisfactory outcomes.[99]

A body of other recent research informs the debate about ethical recruitment practices, for example, Kiger suggests that we can learn a lot about ethical selection practices by examining methods used by the armed forces.[100] Hylton has suggested the use of special tools, such as the Multi-Factor Leadership Questionnaire (MLQ) as a tool that can be used for selecting the right leaders.[101] It is particularly important to recognise the important role that human resource management can play in encouraging ethical behaviour throughout an organisation. Effective strategic HR practices recognise the role that integrity plays in effective leadership, however there remains an absence of evidence that organisations are actively seeking to recruit HR staff who recognise the roles that values and ethics play in an organisation.[102]

It is not employers alone but also employees who can help find a good match of values. Maher reports of a growing trend in which prospective employees are responding positively to companies which appear to have high ethical standards. He reports one company, United Technologies, saying that their well publicised dedication to high ethical standards 'is a great recruiting tool'. [103] Another company, Fonterra, reports that they seek four clear attributes in every new leader they seek to hire, these being: a transformational leadership style, functional excellence, teamwork and 'unquestioning integrity, at management level in particular, as a vital attribute'.[104]

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96 Holloway, J. (2004) 'Recruiting on principle: Selling a company's values' *Canadian HR Reporter* 17(20): 7.

97 Hurst, J. (2004) 'Ethics, Privacy And Discipline' *Supply House Times* 47(6): 146.

98 Waite, B. (2005) 'The Lying Game' *Accountancy Age*: 22.

99 Jassawalla, A., C. Truglia & Garvey (2004) 'Cross-cultural conflict and expatriate manager adjustment: An exploratory study' *Management Decision* 42(7/8): 837.

100 Kiger, P. J. (2005) 'Lessons for Private-Sector Employers' Workforce Management 84(11): 28.

101 Hylton, P. E. (2005) *Leadership and Followership: Selecting, Hiring, and Promoting the Right Leader United States* — Minnesota, Capella University.

102 Miller, G. (2004) 'Leadership and Integrity: How to ensure it exists in your organization' The Canadian Manager 29(4): 15–17; Winstanley, D., J. Woodall, et al. (1996) 'Business ethics and human resource management – Themes and issues' *Personnel Review* 25(6): 5; Winstanley, D. and J. Woodall, (Eds) (2000) *Ethical Issues in Contemporary Human Resource Management*: New York, St Martin's Press.

103 Maher, B. K. (2002) 'Career Journal: Wanted: Ethical Employer —– Job Hunters, Seeking to Avoid An Enron or an Andersen, Find It Isn't Always Easy' *Wall Street Journal*: B.1.

104 Saville, J. (2005) 'Upfront: Milking the talent market.' *New Zealand Management*: 11.

Training and developing Ethical Leaders

Having recruited the right people into the organisation, through an ethics emphasis at recruitment and selection stage, the process does not stop there. An ongoing and focused ethical leadership training strategy can be a major boost to an organisation's integrity. Such ongoing training should include strong ethical content, from orientation through to executive development, with special training for those in positions of high ethical risk (such as purchasing, contracting, finance etc) and in professional areas that present special dilemmas and needs (for example: marketing, nursing, police, uniformed services).

There is good evidence that such training is effective and that it is not a cost but an investment for any organisation wishing to achieve a Leading with Integrity culture. One survey of eleven best practice companies in the financial world has confirmed that by using the proper training tools, it is possible to develop your own ethical leaders, and retain your best people.[105] May, Chan, Hodges and Avolio have also proposed a blueprint for fostering sustainable authentic moral behaviour in leaders, through using exposure to ethical dilemmas as a training method over time, to establish in leaders a deep commitment to ethical responses to such dilemmas.[106]

Based upon this examination of the literature and on one of the author's experience in the field, our suggested ethical leadership training program for senior members of an organisation should include the following:

- An introduction to ethics issues and the scope of ethical considerations, as these apply to their particular organisation or profession;
- Ethics issues that arise within the specific industry-wide context and, if relevant, internationally;
- The various roles of CEOs, senior managers, middle managers and line supervisors in dealing with ethics (advising staff, setting examples, being vigilant regarding potential ethical issues etc.);
- Ethical issues in the provision of particular products and services to customers and clients (eg: marketing, supply, quality etc);
- Ethical decision making methods to use in resolving ethical dilemmas;
- The ethics implications arising within various management systems, e.g. impact on areas such as financial management, property and assets management, HRM, purchasing, sales, contracts etc. (especially where these are devolved);
- Ethical self-assessment tools and techniques for senior managers;
- The right way to approach instances of alleged improper conduct (e.g. policy and investigation issues);
- Legal issues related to ethics relevant to the industry, organisation or profession; and
- Where to seek further advice or consultation.

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105 Barlas, S., Thompson L., et al. (2003) 'Developing ethical financial leaders' *Strategic Finance* 85(4): 19.

106 May, D. R., Chan A. Y. L., et al. (2003) 'Developing the moral component of authentic leadership' *Organizational Dynamics* 32(3): 247.

If organisations exposed all senior people to this type of training and development, it would very likely enhance their self-confidence in confronting morally hazardous situations, their competence in handling ethical dilemmas, as well as enhancing their ability to mentor others to do the same.

Mentoring Up-and-coming Leaders

The pro-active mentoring of up-and-coming leaders by partnering them with more senior leaders who have proven their integrity, ethical qualities and skills, is another useful investment in Leading with Integrity. There is convincing evidence of the use of mentoring for this purpose.

Lantos stressed: 'executives should mentor peers and subordinates by their own words and (most important) deeds. They should lead by example, not just 'talking the talk' but 'walking the walk'. One of the most important influences on an individual and for creating a moral corporate culture is the behaviour of superiors and peers.'[107] Others have confirmed this view and even argued that such mentoring works two ways to strengthen the resolve of the mentor too and build a culture based on mutually shared values. These relationships often result in a long-term commitment from the new employee.[108] Such results have also been borne out in the civil engineering field where Nakano suggests that the use of mentoring can foster improved ethical behaviour and re-establish trust.[109] Others have stressed the fact that open communication, and even whistleblowing by younger employees against wrongdoing, can only be fostered by a strong mentoring in ethics by their superiors.[110] Allio, in discussing the need for competent and ethical leaders, has concluded that '[f]or those charged with the responsibility of developing leaders, the three necessary steps are to select the right candidates, create learning challenges, and provide mentoring'.[111]

Sponsoring Business Education

Since the recent corporate scandals of Enron, WorldCom and the like, there has rightly been considerable pressure on business schools to substantially reinforce their contribution in the teaching of ethics. Some studies have reported the fact that post-secondary education systems are generally inadequate in this regard. Milton-Smith reported the slow and uneven progress in business ethics education across universities, professional bodies and industry association. Despite increasing numbers of educational programs established by ethicists, 'narrow vocationalism still takes precedence over personal values in the business and management

107 Lantos, G. P. (1999) 'Motivating moral corporate behaviour' *Journal of Consumer Marketing* 16(3): 222–233.
108 Lavery, C. A., Lindberg D. L., & Razaki (2003) 'Voice of experience' *Today's CPA* 30(5): 16.
109 Nakano, V. M. (2003) 'Ethics and civil engineering: Past, present, and future' *Civil Engineering* 73(2): 84.
110 Seglin, J. L. (2003) 'Wanted: Whistle-Blower Managers' *New York Times*: 3.4.
111 Allio, R. J. (2005) 'Leadership development: teaching versus learning' *Management Decision* 43(7/8): 1071.

curriculum.'[112] For example regarding entrepreneurship studies in Canada, Kyleen noted an inadequate treatment of ethics in the curriculum.[113]

One result of these concerns regarding ethics in business is a widespread reappraisal of business education. Some of this is being driven by the fact that to be an accredited business school with either the US-based 'Association to Advance Collegiate Schools of Business (ACCSB, 2006)' or the European Foundation for Management Development's 'European Quality Improvement System (EQUIS, 2006)', it is necessary to have a strong ethical content which is firmly embedded and suitably assessed. We suggest that this may lead to a better overall quality of graduate in terms of their awareness of and focus on integrity issues. Perhaps organisations should consider only sponsoring students for further study in management and leadership if they are attending those business schools which have a strong ethical content in their educational programs.

This is supported in the literature. Swann reports that the Accreditation Board for Engineering and Technology in British Columbia now requires ethical content in industrial engineering programs to receive their nationally recognised accreditation.[114] Kidwell suggests the adoption of student honour codes as a form of assessment to underline the importance of ethical professional conduct.[115]

Performance Management

Performance management (or appraisal) of staff is potentially a key tool in promoting and rewarding ethical behaviour, although not without its own ethical difficulties.[116] For example, a study in 2003 into ethical dilemmas associated with performance appraisals found unethical behaviour partly explained lower than expected effectiveness of the performance measurement procedures.[117] Performance management schemes that include a substantial measure of ethical measurement and feedback can assist organisations to plan for the advancement of the right people into positions involving higher levels of trust. There have been calls for its use in this domain by several authors.[118] Most recently, Selvarajan observed that performance appraisal systems had 'exclusively concentrated on business performance to

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112 Milton-Smith, J. (1997) 'Business ethics in Australia and New Zealand' *Journal of Business Ethics* 16(14): 1485–1497.

113 Myrah, K. (2003) *A study of public post-secondary entrepreneurship education in British Columbia: The possibilities and challenges of an integrated approach*: Canada, The University of British Columbia.

114 Swann, J. (2004) 'Teaching Ethics: It's the Right Thing to Do' *ORMS Today* 31(3): 10.
See also, Sims, R. R. and Felton. Jr, E. L. (2006) 'Designing and Delivering Business Ethics Teaching and Learning' *Journal of Business Ethics* 63(3): 297.

115 Kidwell, L. A. (2001) 'Student honor codes as a tool for teaching professional ethics' *Journal of Business Ethics* 29(1–2): 45–49.

116 Winstanley, D., J. Woodall, et al. (1996) 'Business ethics and human resource management – Themes and issues' *Personnel Review* 25(6): 5.

117 Kerssens-van Drongelen I.C, Fisscher O.A.M (2003) 'Ethical dilemmas in performance measurement' *Journal of Business Ethics* 45(1): p. 51.

118 See for example, Weaver, Trevino & Cochran (1999) 'Integrated and Decoupled Corporate Social Performance: Management Commitments, External Pressures, and Corporate Ethics Practices' 42(5) *The Academy of Management Journal* 539–552

the exclusion of ethical dimensions of job performance'.[119] Selvarajan suggests that ethical elements need to be developed within performance appraisals and proposes a cognitive process model for this purpose.

These strong links between performance appraisal processes and the relationship between leaders and their charges were examined in a study by Weaver, Trevino and Agle.[120] They elicited four behavioural issues related to influencing others: everyday interpersonal behaviours, high ethical expectations for oneself, high ethical expectations for others and fairness in dealing with others. The authors stressed that these issues all have 'important implications for fostering ethics in organizations, especially concerning questions of performance appraisal, promotion into leadership positions, and the responsibility of all managers — not just high level executives — to model ethical behaviour.'

Rewards, Promotion and Advancement

The literature is sparse on the issue of taking ethics and integrity into account when selecting people for promotion. There is some evidence of ethics being considered in promotion selection in the psychology profession.[121] There is also some evidence of considerations of 'character' in promotion decisions in the public sector, but even the more recent work in the promotion selection domain reveals that there is work to do. Zauderer, in examining the US Office of Personnel Management's Executive Core Competencies (ECQ), points out that 'this would be strengthened substantially if 'high character' were added to the list of criteria'.[122] A strong focus on ethics in an organisation's promotion selection systems is required, which really does examine propensity towards ethical (and unethical) behaviour. Certainly in the past this has been one area that has been lacking in emphasis. Ponemon,[123] using the field of accounting, highlighted that promotion decisions were often based on the selectors trying to clone their own ethical reasoning styles, such that there was little likelihood that higher levels of ethical reasoning would emerge. The development of appropriate rewards systems to address these needs is seen as primary a responsibility of the Human Resource Management area.[124]

While promotion is usually the most commonly sought after and used reward, there is room for a greater focus on alternative rewards for those who display strong ethical behaviour in organisations. Reward systems are required that yield worthy recognition for those who excel at ethical leadership together with punitive processes that deal publicly and severely with breaches of the ethical leadership values promoted within an organisation. Rewards systems

119 Selvarajan, T. T. (2006) 'A Cognitive Processing Model for Assessing Ethical Behavior of Employees' *Journal of American Academy of Business* 9(1): 86–92.
120 Weaver, G. R., Treveno, L. K & Agle (2005) 'Somebody I Look Up To: Ethical Role Models in Organizations' *Organizational Dynamics* 34(4): 313.
121 Hough, L. M. and F. L. Oswald (2000) 'Personnel selection: looking toward the future — remembering the past' *Annual Review of Psychology* 51: 631.
122 Zauderer, D. G. (2005) 'Leading with Character' *Public Manager* 34(1): 44.
123 Ponemon, L. A. (1992) 'Ethical Reasoning and Selection Socialization in Accounting' *Accounting, Organizations and Society* 17(3,4): 239.
124 Pernick, R. (2001) 'Creating a leadership development program: Nine essential tasks' *Public Personnel Management* 30(4): 429.

are an effective tool for reinforcing ethics programs, particularly when integrated with performance appraisals.[125] Ethical behaviour is influenced by encouragement and reward techniques, so the designers of incentive programs need to be fully aware of the unethical behaviours that can result from poorly-based reward systems.[126]

Conclusions and Recommendations

This paper has attempted to present a summary of the many issues relevant to the achievement of an organisation's Leading with Integrity objectives. While there is a reasonable level of academic interest in this area, we found little evidence that the various recommendations made by researchers have been empirically followed up and measured in organisational settings. We are therefore left with a dual agenda: a set of practical recommendations for organisational practitioners and an extensive research agenda for academics to pursue.

The organisational task, apart from addressing the broader questions we asked in Part 1 of this paper, is also to examine the presence and effectiveness of the various possible supports ('pillars', blocks, twigs) of an integrity system within their own organisations. In so doing, organisations should be asking questions about the effectiveness of their integrity systems, such as:

- Is organisational ethics a formal governance item, which is considered as a critical element at every turn?
- Is there a code of ethics which is regularly reviewed and adhered to by all?
- Is there an effective and ongoing strategy for awareness on matters of integrity?
- Is there is a mandatory effective ethics education and training strategy in place?
- Is there an ethics advisory service staffed with capable and accessible contact officers of unquestionable personal integrity?
- Has the formation of an ethics committee been considered as an integral part of the integrity strategy?
- Does the organisation have an open communication culture which fosters a positive ethical climate?
- Is there a whistleblower policy and protection mechanism in place which is widely understood?
- Is there a regularly updated and analysed data base of ethical issues which arise, to provide guidance over time?
- Is there an exemplary process of corporate governance, especially (but not only) as regards financial management?
- Is there a risk assessment strategy in place, particularly as regards the avoidance of fraud and corruption?

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125 Weaver, Trevino & Cochran (1999) 'Integrated and Decoupled Corporate Social Performance: Management Commitments, External Pressures, and Corporate Ethics Practices' 42(5) *The Academy of Management Journal* 539–552, p. 541.

126 Vallone Mitchell, C, Schaeffer P. M. & Nelson K A (2005) 'Rewarding Ethical Behavior' *Workspan* 48(7): 36–39.

- Are there rapid responses to ethical breaches and are these met with firm and visible penalties?
- Does the organisation make public statements about its quest to be an organisation in which leading with integrity is a cherished objective?

While some authors have made similar calls for such comprehensive strategies before,[127] it remains the role of those who seek to lead with integrity to constantly ask these questions and to provide the right answers. Just as in the case of national integrity systems, we can ask the same questions of intra-organisational integrity systems, with the above supports in mind, by asking whether the system has the capacity and coherence to deliver the required consequences.

In order to further develop the knowledge base in this area we suggest that the following research questions might be pursued:

- How much emphasis is being given to ethical strengths in the selection criteria used to select our leaders?
- What are the values held by leaders on matters of integrity and ethical leadership?
- How are the values held by leaders translated into actual on-the-job behaviour?
- How much training and education of leaders is actually being delivered in the various skills outlined in this paper (e.g. ethical decision making in morally hazardous situations) and how effective is it?
- How well are reward systems designed to elicit appropriate positive outcomes of ethical leaders?
- How well do advancement and promotion evaluate the specific values and skills required for higher levels of ethical leadership?
- How effective are leaders at providing ethical leadership, building ethical climates and ensuring compliance with ethical standards?
- How are leaders seen by their followers as regards their ethical leadership, ethical decision-making and as role models of integrity?
- To what extent are CEOs at large having a direct positive impact on ethical leadership behaviour and integrity in their organisations?
- How are CEOs viewed by managers and employees in terms of their global leadership of the ethics agenda of their organisations and their impacts on on ethical climate and integrity?
- How do leaders assess themselves against their peers as regards their own ethical leadership?

At the international level we might also investigate questions such as:

- How do leaders compare cross-nationally in terms of ethical leadership and integrity?

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127 For example: McDonald G.M., Zepp R. A. (1990) 'What Should be Done? A Practical Approach to Business Ethics' *Management Decision* 28(1): 9–14; Brickley J.A., Smith C.W. & Zimmerman J.L. (2003) *Managerial Economics and Organizational Architecture* (3rd edition): McGraw-Hill College.

- What external factors drive or support an ethical climate in organisations and are there cultural bases which affect positively or adversely the likelihood that leaders will act with integrity?
- In the quest to foster the creation of the human capital of integrity, why do strategies seem to work in some settings, but not in others?

To conclude, it appears that there is room for further investigation of ethics-related activities in organisations and for further research, particularly empirical work to explore the effectiveness of such strategies in practice. We commend to all, practitioners and academicians alike, this important quest for 'Leading-with-Integrity'.

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Power and Corruption in the Twenty–first Century: How to Remedy It?

Rosamund Thomas

Introduction to Lord Acton's maxim

Before we can check Lord Acton's claim that 'Power tends to corrupt and absolute power corrupts absolutely', it is necessary to review the context in which he delivered his now famous maxim.

What do we know about John Emerich Edward Dalberg Acton, born in Naples on 10 January, 1834? We can see that he stood out in Nineteenth Century Victorian England as a true 'European' — more than a century before the formation of the European Union! How did his European perspective come about? Acton's paternal ancestors had occupied the family estate of Aldenham Hall in Shropshire, England, from the beginning of the Fourteenth Century. But, his grandfather, Sir John Francis Edward Acton, made his career in the service of the King of Naples, becoming his Prime Minister. Acton's father[1] had died when he was an infant, and his mother was German, the daughter and heiress of the Duke of Dalberg. She had her roots in Bavaria, Southern Germany, which was Catholic.[2] Aged eight, in 1842, Acton went to school for six years at Oscott,[3] in the Archdiocese of Birmingham, England, a Roman Catholic Seminary for the training of priests for England and Wales and, at that time, for the education of lay pupils.[4]

Then, in 1848, aged fourteen years, Acton went to Edinburgh to improve his Greek, and stayed with Dr Logan, a former Vice-President of Oscott. From Edinburgh he applied to three Cambridge University colleges, but was refused entry on account of the then religious barrier

1 Sir Ferdinand Richard Acton (1801-1837).

2 'The Dalbergs, like the majority of the Bavarian aristocracy, had always been Catholic and the Actons had been reconverted to Catholicism in the Eighteenth Century'. Essays on Freedom and Power by J.E.E.D. Acton 'Introduction' by Gertrude Himmelfarb (London, Thames and Hudson, 1956) p.9. When her husband died in 1837, Acton's mother (Marie Louisa Pelline) returned to Aldenham. In 1840, she married Lord Leveson, who became the second Earl Granville. Through his mother, Acton inherited the estate at Herrnsheim, near Worms, Bavaria. See Lord Acton: The Decisive Decade 1864-1874 Essays and Documents by Damian McElrath et al (Louvain, 1970) p.4.

3 Oscott was not Acton's first school. His mother had placed her son for two years at a school in Paris, founded by the French Bishop, Monsignor Felix Dupanloup, who was her confessor. See Essays on Church and State by Lord Acton ed. and introduced by Douglas Woodruff (London, Hollis and Carter) p.4.

4 In 1889 Oscott (St Mary's College) was closed but reopened the following year as a Seminary only. See en.wikipedia.org/wiki/Oscott_College.

for Catholics.[5] Instead, Acton became a scholar of the German mould, beginning his studies at University level under Professor Dr Johann Ignaz von Döllinger in Munich from 1850 until 1857. Döllinger was a renowned priest-historian, who inspired Acton with respect for learning and scholarship which was in conflict with those in the Church who took to themselves the right to judge the findings of scholarship. The principle of the autonomy of science, the key point of Döllinger's teaching, became the core of Acton's philosophy of political liberalism. Indeed, during this period of formal and informal education, living with Döllinger, meeting his scholarly friends, and travelling in his company in vacations throughout Europe, Acton became acquainted with German Liberal Catholicism.[6]

In 1857, on completion of his studies, Acton took up permanent residence in England. Two years later, aged twenty-five, he assumed the editorship of the English Catholic periodical, the *Rambler* and its successor the *Home and Foreign Review*.[7] Later, between 1864 and 1868 he undertook an extensive archival tour, mostly in Italian archives: 'in the archives Acton perceived the secrets of history's use and abuse by corrupt forces and men'.[8] Then, Acton became involved in the demands of the First Vatican Council which opened in Rome in December 1869,[9] where he was a central figure in ecclesiastical and political affairs. He

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5 There were difficulties for Catholics going to either Oxford or Cambridge Universities at that time. Even Magdalene College, Cambridge, which had accepted Acton's father and his uncle, Cardinal Acton, as students (although they could not proceed to a University degree) refused Acton entry. See Essays on Church and State by Lord Acton op. cit. pp. 2-4. Later, Lord Acton became Regius Professor of History at Cambridge and also received honorary degrees from these two Universities, as well as other honours. Essays on Freedom and Power 'Introduction' op. cit. p. 20.

6 The Liberal Catholic movement took a quite different direction from that followed in France and Italy. The German Liberal Catholics were centred at Munich under the leadership, after 1848, of Döllinger. They deplored the attempted control of the scientific pursuit of truth by Roman Congregations in general. Acton became a main channel through which this continental, and especially German, Liberal Catholicism came to England. Lord Acton: The Decisive Decade 1864-1874 op. cit. pp. 7-9.

7 In 1862, the Rambler changed from bi-monthly to a quarterly publication, and appeared under the title of the Home and Foreign Review. Under Acton's editorship the issues pointed to the moral: faith and knowledge, religion and science had nothing to fear from each other. Acton was an energetic editor and contributor to the Review, in attempting to combine Liberal and Catholic sentiments which reflected the progressive ideas of contemporary society. However, certain Catholic bishops and others considered the Review to represent 'the anti-Roman and anti-papal spirit of the English Catholics'. In April 1864, Acton announced his decision to suspend publication, as he was unable to change his views but did not wish to continue to flout the Hierarchy, since he was a practising Catholic. Essays on Freedom and Power 'Introduction' op. cit. pp. 10-12 and p. 16.

8 Lord Acton: The Decisive Decade 1864-1874 'Preface' op. cit. p. vii.

9 Acton's step-father, Lord Granville, had tried earlier to introduce him to the conventional stream of Liberal Party politics, with only limited success. Nonetheless, on Gladstone's recommendation, Acton was created a baron on 11 December 1869 (Baron Acton of Aldenham, Salop— Salop being short for the county of Shropshire, England). This honour strengthened Acton's social and political influence, coming only days after some 700 prelates had attended the opening session of the First Vatican Council. The Council lasted until July 1870. Essays on Freedom and Power 'Introduction' op. cit. p. 12-13.

sought to secure the aid of the British Government, (through William Gladstone[10]), to support the Minority bishops against the Majority's centralising power and doctrine of 'Ultramontanism':[11]

> Ultramontanism was — the concentration and centralization of power which corrupted and could corrupt absolutely.[12]

The failure of Vatican I was its inability to recognise this evil and reverse the process. Acton argued against 'Mendacity', which fostered the Ultramontane theory and entailed the manipulation of history by Catholic writers to establish the system of Ultramontanism, such as omission of data and concealment or distortion of facts (the latter were the Ultramontane instruments used to control men's lives and the world's destiny). Acton was tortured by his co-religionists' concealment or glossing over of Catholic scandals, and his position as moral judge led to the eventual break with his master, Döllinger. Acton, over time, came to view Döllinger's moral principles as lax.[13]

So, where, and how, in Lord Acton's writings did his maxim 'Power tends to corrupt and absolute power corrupts absolutely' occur? Acton was an editor, and a book reviewer; he wrote essays, lectures and detailed letters, but never wrote the book he had planned on the *History of Liberty*.[14] Thus, Acton pronounced his famous maxim in a letter to Mandell Creighton, later a Bishop in the Church of England. Creighton was the author of a five-

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10 William Ewart Gladstone, (1809-1898), was Prime Minister of Great Britain four times. Originally, he was a Conservative Member of Parliament but Gladstone moved towards liberalism and in 1868 he became Liberal Prime Minister for the first time. Acton became a close friend and adviser to Gladstone.

11 The Minority bishops at the First Vatican Council opposed the intended proclamation of 'Papal Infallibility'— which was the culmination of the centralising process that had been going on within the Church and was supported by the Majority. Proclamation of the doctrine of 'Infallibility' was the ultimate stage of the 'Ultramontane' process, which defended Papal, Roman and Curial control within the Church. Acton was one of the central figures of the anti-Infallibilist party at the Council. In London, however, there was opposition to British intervention on the side of the Minority in Rome on the grounds that it would jeopardize Gladstone's Irish programme by alienating the Pope, the Irish Hierarchy and the clergy. In the Cabinet, Gladstone stood alone in his desire for intervention and any such action was averted. Lord Acton: The Decisive Decade 1864-1874 op. cit. pp. 40-41 and pp. 159-160.

12 Quote from Damian McElrath in 'An Essay on Acton's Critical Decade' in the book *Lord Acton: The Decisive Decade 1864-1874* op. cit. p. 41.

13 Essays on Freedom and Power 'Introduction' op. cit. p. 18.

14 Numerous reasons have been advanced as to why Acton's planned book, the History of Liberty, was never written (despite hundreds of notes and a collection of annotated volumes in his library evidencing his intention to write his chef d'oeuvre). For example, the book may have provoked Papal censure; or Acton may have felt that the truth about the French Revolution (1789-1799) was not yet available; or that his ambitions were too grandiose; or simply that 'He knew too much to write'. Döllinger also contributed to Acton's reluctance to write the book insofar as the two men had become estranged. Although Döllinger, Acton's mentor, had taken a firm stand regarding the First Vatican Council, and had been excommunicated as a result, Acton felt that, later, Döllinger had 'defected' from criticising 'Ultramontanism'. Accordingly, Acton was alone and isolated in his ethical position: his disagreement with Döllinger was not conducive to the writing of a History of Liberty. See Essays on Freedom and Power 'Introduction' op. cit. pp. 17-19.

volume *History of the Papacy during the Reformation*.[15] Lord Acton had reviewed the first two volumes, published in 1882, and Creighton had admired his probity and earnestness. Consequently, five years later, as editor of the newly-founded *English Historical Review*, Creighton offered Acton the next two volumes for review. This time, Acton was a more severe critic. Creighton found the first draft of Acton's review harsh and lacking in academic courtesies. He complained to Professor R.L. Poole of Oxford University, an associate of the journal, about the ridiculous situation of an editor 'inviting and publishing a savage onslaught on himself'. Following an exchange of letters between Acton and Creighton, Acton offered to alter his review. It is in the most important letter to Creighton of April 5, 1887, that Acton made his much-quoted pronouncement on power.[16]

Acton set out in his letter to Creighton of April 5, 1887, the basis of his disagreements with the latter's interpretation of the Reformation. One disagreement concerned men in authority. Acton opposed Creighton's view that 'people in authority are not [to] be snubbed or sneezed at from our pinnacle of conscious rectitude'.[17] He questioned whether Creighton exempted them because of their success and power, or their rank, or their date? Acton could not accept Creighton's canon:

> …that we are to judge Pope and King unlike other men, with a favourable presumption that they did no wrong. If there is any presumption it is the other way against holders of power, increasing as the power increases. Historic responsibility has to make up for the want of legal responsibility. Power tends to corrupt and absolute power corrupts absolutely.[18]

Acton continued:-

> Great men are almost always bad men, even when they exercise influence and not authority: still more when you superadd the tendency or the certainty of corruption by authority. There is no worse heresy than that the office sanctifies the holder of it. That is the point at which...the end learns to justify the means.[19]

Acton went on to explain in his letter that by Creighton's thesis, a man of 'no position' would be hanged, and yet, if what one hears is true, Elizabeth asked the gaoler to murder Mary, and William III ordered his Scots Minister to extirpate a clan — the greater names are coupled with the greater crimes! Yet, you, Creighton, would spare these criminals for some mysterious reason, Acton argued, but I would hang them for reasons of justice and historical science. Acton held the view that: 'If the thing be criminal, then the authority committing it bears the guilt'.[20]

The standard of morality is lowered, Acton pointed out, in Creighton's argument both by the date of when it happened and by deference to station. The 'heroes of history become examples of morality, the historians who praise them, Froude, Macaulay, Carlyle, become

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15 The Reformation is the term given to the great religious revolt of the Sixteenth Century.
16 See Essays on Freedom and Power 'Acton - Creighton Correspondence' op. cit. pp. 328-335.
17 Essays on Freedom and Power 'Acton - Creighton Correspondence' op. cit. p. 335.
18 Essays on Freedom and Power 'Acton - Creighton Correspondence' op. cit. p. 335.
19 Essays on Freedom and Power 'Acton - Creighton Correspondence' op. cit. pp. 335-336.
20 Essays on Freedom and Power 'Acton - Creighton Correspondence' op. cit. pp. 334-335.

teachers of morality and honest men'. Acton asserted that this flexible attitude to morality was a serious error. Instead, he maintained that the 'inflexible integrity of the moral code is...the secret of authority, the dignity, the utility of history.'[21]

If we debase the standard for the sake of success, or genius, or rank, or reputation, Acton argued:-

> we may debase it for the sake of a man's influence, of his religion, of his party, of the good cause which prospers by his credit and suffers by his disgrace. Then history ceases to be a science...the upholder of that moral standard which the powers of earth, and religion itself, tend constantly to depress...and it serves the worst cause better than the purest..[22]

Acton's concern was about:

> the general wickedness of men in authority — of Luther and Zwingli and Calvin and Cranmer and Knox, of Mary Stuart and Henry VIII, of Philip II and Elizabeth, of Cromwell and Louis XIV, James and Charles and William, Bossuet and Ken.[23]

The letter of April 5, 1887, concludes that, although Acton had grasped Creighton's method, he considered his own to be plainer and safer. Acton relied on history. 'The Ethics of History', he put in a postscript to his letter to Creighton, cannot be denominational. In judging men and kings, Ethics count more than Dogma, Politics or Nationality. The integrity and authority of 'Conscience'[24] should be the basis of judgement, not the orthodox standard of a system, religious, philosophical, or political. Acton added:

> Good men and great men are *ex vi termini*, aloof from the action of their surroundings.[25]

> The principles of public morality are as definite as those of the morality of private life', he wrote, 'but they are not identical...No public character has ever stood the revelation of private utterance and correspondence. Be prepared to find that the best repute gives way under closer scrutiny![26]

Acton died in 1902: his last seven years, from 1895, having been spent as Regius Professor of History at Cambridge.[27] In his lifetime, he bore the message 'that power, whether religious or secular, was a degrading, demoralizing and corrupting force'.[28]

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21 Essays on Freedom and Power 'Acton - Creighton Correspondence' op. cit. p. 336.
22 Essays on Freedom and Power 'Acton - Creighton Correspondence' op. cit. p. 336.
23 Essays on Freedom and Power 'Acton - Creighton Correspondence' op. cit. p. 338.
24 The notion and analysis of 'Conscience', Acton noted, was scarcely older than year 1700.
25 Essays on Freedom and Power 'Acton - Creighton Correspondence' op. cit. p. 340.
26 Essays on Freedom and Power 'Acton - Creighton Correspondence' op. cit. p. 340.
27 In 1892, Acton was appointed as Lord-in-Waiting to Queen Victoria. He continued to discharge his functions in Her Majesty's Household alongside his Cambridge University position. See Essays on Freedom and Power 'Introduction' op. cit. p. 20.
28 Essays on Freedom and Power 'Introduction' op. cit. p. 23.

Some Cases of Power and Corruption in the Twenty-first Century

Before remedies can be advanced for corruption, or Lord Acton's maxim tested in the Twenty-First Century, some cases of power and corruption need to be identified, as follows:-

Roman Catholic Sex Abuse Cases

Corruption is frequently associated with financial scandals, such as a Head of State siphoning money out of his/her country, as in the case of the former President Abacha of Nigeria. But, the corruption of morals is as heinous. In the late Twentieth Century, and the beginning of the new Millennium, the Catholic Church in several countries faced a series of allegations concerning sex abuse of children. The victims were mainly boys under the legal age of consent,[29] abused by predominantly male Catholic clergy. The countries concerned, among others, were Ireland, Britain, Canada and the United States. In most cases, the crimes had been committed years before they became public knowledge, but were, and are being, reported by the press only after some victims decided to make known what 'had been silenced and concealed by the Church'.[30]

Many instances of sex abuse occurred in Catholic orphanages, schools and seminaries, where children were in the care of clergy.[31] Frequently the crimes, when raised, were covered up by high-ranking authorities of the Church. The perpetrators were simply moved to another location, often where they continued to have access to children. Such cover-up led to criticism of the Catholic Church and its leadership, especially as there are still 'ongoing' refusals by some high-ranking Church authorities to report sex abuse information to government authorities. For example, for three decades, Priest John Geoghan, preyed on young boys in some six parishes in the Boston area of the USA, while Church leaders turned a blind eye. Geoghan was transferred from parish to parish for years, before the Church eventually defrocked him in 1998.[32]

Although the majority of Catholic priests never abuse children, and sexual scandals have arisen also in other religious groups,[33] such as the Anglican Communion, a small minority of Catholic priests has succumbed to these sins. These priests include Father Jim Grennan, a Parish priest in Ireland, who abused children as they prepared for First Communion, and Father Sean Fortune, who committed suicide before his trial for the rape of children. The abuse by Grennan and others in the Diocese of Ferns in South-East Ireland, caused the

29 The age of consent (that is, 'the age at which the law presumes a person has the physical, emotional and sexual maturity to make an informed adult decision to enter into sexual activity') differs from jurisdiction to jurisdiction. See 'Roman Catholic Sex Abuse Cases p. 8, footnote 1, at www.en.wikipedia.org/wiki/Catholic_priests'_sex_abuse_scandal.

30 Ibid. p. 1.

31 Cases involving orphanages, schools and seminaries, where children were 'in the care of the clergy' are known as 'incestuous' sexual abuse. Ibid. p. 1.

32 Ibid. p. 1. and also www.boston.com/globe/spotlight/abuse/geoghan.

33 Critics of the secular media, including non-Catholic academic, Philip Jenkins, have argued that the Catholic Church is being singled out unfairly by a secular media. They observe that the media fails to highlight similar sexual scandals in other religious groups. 'Roman Catholic Sex Abuse Cases' op. cit. p. 6.

resignation of the local Bishop, Brendan Comiskey,[34] while similar scandals in the Archdiocese of Dublin led to serious damage to the reputation of its Archbishop, Cardinal Connell.[35] In the United States of America, the Archbishop of Boston, Massachusetts, Cardinal Bernard Law, resigned on 13 December 2002,[36] after Church documents suggested that he had covered up sexual abuse committed by priests in his archdiocese.

The policy of the Catholic clergy was not to report criminal acts to the police, and to pressure the victims and independent witnesses not to disclose incidents to civil authorities. Canon law[37] was frequently given priority over secular criminal law; an action which resulted in some Catholic Church leaders being accused of 'perverting the course of justice'— itself a criminal act.[38]

Some lawyers regard the Vatican (the Holy See) as being the authority responsible for covering up sexual abuse of children on American territory. Accordingly, Kentucky lawyer, William F. McMurray, filed a class action in the District Court of Louisville, Kentucky, in June 2004, on behalf of three men allegedly abused as far back as 1928 — and in this action the Vatican is the lone defendant.[39] When US Secretary of State, Condoleezza Rice, visited the Vatican on 8 February, 2005, she was asked by the Vatican Secretary of State, Angelo Sodano,[40] to intervene in this US sexual abuse case, but she declined.[41]

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34 A Government-commissioned report, compiled by a former Irish Supreme Court judge, was published on 22 October 2005. The report delivered 'a damning indictment of the handling of clerical sex abuse in the Irish diocese of Ferns.' The report showed that over 100 cases of child sex abuse had occurred, involving a number of clergymen, including Monsignor Micheál Ledwidth, former head of the National Catholic Seminary, Maynooth College. The report drew attention to the failure of Bishop Donal Herlihy to exclude unsuitable candidates from the priesthood and the failure of his successor, Brendan Comiskey, to report cases of abuse and remove abusers from positions where they worked with children. 'Roman Catholic Sex Abuse Cases' op. cit. p. 7.

35 'Roman Catholic Sex Abuse Cases' op. cit. p. 3.

36 Cardinal Bernard Law resigned at a meeting with the then Pope, John Paul II, in Rome on 13 December 2002. The Boston Globe, December 14, 2002.

37 Canon law is internal Church law.

38 'Roman Catholic Sex Abuse Cases' op. cit. p. 2.

39 The Kentucky case is one of several lawsuits in the American courts in which the Vatican is named as a defendant. However, the Kentucky case is the only one in which the Holy See is the lone defendant. National Catholic Reporter (NCRonline.org) posted March 3, 2005 as 'Vatican asks Condoleezza Rice to help stop a sex abuse lawsuit'.

40 Payments related to sex abuse lawsuits were estimated to have cost American dioceses $750 million. The Holy See becoming implicated in civil litigation, and the possibility of a judgment for costs, is said to have caused alarm in Rome. National Catholic Reporter op. cit.

41 The Vatican, known legally as the Holy See, occupies a 109-acre enclave and is recognised as a sovereign State with many legal protections. The US 'Foreign Sovereign Immunities Act' of 1976 makes it possible to sue sovereign entities in American courts under certain conditions. However, US lawyer, McMurray, has argued that the 'Foreign Sovereign Immunities Act' should not enter into his case, because the Vatican was not acting as a sovereign State, but as a 'religious organization' in its policies on sexual abuse. He points to a 1962 Vatican document, Crimen Sollicitationis, which he alleges 'proves that the Holy See ordered American bishops not to comply with civil laws on reporting childhood sexual abuse'. Other experts say this particular

In these instances of sexual abuse of children by Catholic clergy, Acton's maxim is upheld that 'Power tends to corrupt and absolute power corrupts absolutely'. Some national Hierarchies have introduced new rules on childcare, and in the reporting of sex abuse allegations, in the aftermath of the Catholic scandals. However, it can be seen that the Catholic Church in the Twentieth and Twenty-First Centuries has still sought to conceal, or gloss over, scandals. Absolute power, in the form of an abuse of Canon law, has been elevated in some cases above the secular law, to deny justice to the man, or child, of 'no position'!

Some Cases of Bribery and Financial Corruption

'Corruption' is defined as 'the spoiling of anything by taint or disintegration' — that is, 'moral deterioration or depravity'.[42] 'Corruption' is normally understood to be wider than 'bribery': it extends to all forms of abuse for personal gain. 'Bribery' is a narrower concept involving 'the corrupt[43] exchange of cash or favours'.[44] Usually, the law on bribery has applied to public sector employees who take money[45] from another (the giver) in exchange for providing an advantage. 'The giving of bribes is generally referred to as 'active' bribery, and their receipt as 'passive' bribery.' International law on bribery in the private sector (known as 'private-to-private bribery') is less developed.[46]

One problem with bribery and corruption is that different countries have different legal definitions and approaches to catch these crimes. Indeed, in Britain we are grappling currently with terminology in regard to the modernisation of the UK *Prevention of Corruption Acts 1889-1916*.[47] A further confusion is that cases of corruption may be dealt with under a variety of charges, such as fraud. And, in the UK at present, prior to the reform of the *Prevention of Corruption Acts*, the common law on bribery may be used as an alternative to statute law.[48] In addition to the criminal law, and the need in many countries to ensure that an effective national law exists to criminalise offences of bribery and corruption

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document imposed secrecy on the Church's internal procedures, but did not prohibit penitents, or others, from reporting criminal activity to the civil authorities. National Catholic Reporter op. cit.

42 This definition is based on The Shorter Oxford English Dictionary on Historical Principles, Vol. 1. A-M (Oxford, Clarendon Press/Oxford University Press, Third Edition, 1973.)

43 'Corrupt' means 'changed from the naturally sound condition to something rotten or defiled'. See The Shorter Oxford English Dictionary op. cit.

44 See UK Home Office Bribery: Reform of the Prevention of Corruption Acts and SFO Powers in Cases of Bribery of Foreign Officials: A Consultation Paper 'Foreword' (London, Home Office, December 2005) p. 3.

45 The offences of bribery also cover non-pecuniary advantages.

46 Two Conventions from the Council of Europe and the United Nations, and a Framework Decision of the European Union, (Council Framework Decision of 22.7.2003 – Official Journal L 192 (54-56, 31.7.2003), 'contain requirements for the criminalisation of the giving and receiving of undue advantages in the course of business activities for actions which represent a breach of duty'). Home Office Bribery Consultation Paper op. cit. p. 8.

47 See Home Office Bribery Consultation Paper op. cit.

48 It is intended that the new UK statute on corruption, to replace the Prevention of Corruption Acts 1889-1916, when agreed, will replace the common law offence of bribery. See Home Office Bribery Consultation Paper op. cit. p. 5.

— and to meet the requirements of international and other Conventions[49] — civil law is seen as a further bolster. 'The Council of Europe: Civil Law Convention on Corruption',[50] for example, stresses the importance of enabling individuals, companies, and States, who have suffered damage as a consequence of corruption, to receive fair compensation.

Let us look now at some specific cases in both developing, and developed, countries. The extent of corruption in the world is immediately apparent from publications, such as the Transparency International Perceptions of Corruption Index (2005), press coverage in many countries, and the dossier by John Githongo on high-level corruption in Kenya. The latter's exposure of corruption in the Kenyan Government led to the resignation of a number of Ministers,[51] as well as the appointment by President Mwai Kibaki in February 2006 of Saatchi and Saatchi, the advertising agency, to conduct a nationwide anti-corruption campaign in Kenya.[52]

In Nigeria, as part of the anti-corruption efforts of President Obasanjo, a number of Ministers has been sacked for acting corruptly. For example, Mr Fabian Osuji, Minister for Education, was dismissed in 2005 for bribing the country's Senate President and six other legislators, to increase the annual education budget. The Senate President, Mr Adolphus Wabara, resigned amid the corruption scandal. Mr Mobolaji Osomo, Housing Minister, was another member of the Government sacked in 2005 for 'surreptitiously' offering to sell 207 official properties to senior figures across public life in Nigeria.[53]

Another serious corruption scandal has involved Iraq and other countries. The 'Oil-for-Food' Programme implicated more than 2,000 companies from 66 countries in illicit payments. The 'Oil-for-Food' Programme was intended to be a temporary humanitarian exercise to bring food and medicines to the Iraqi people. Following a period of six years of international sanctions, Iraq was free to sell its oil, under this Programme, as long as it did so at what the UN considered to be a fair market price. The proceeds were deposited in a UN-controlled escrow account to be used for humanitarian and other purposes permitted by the UN Security Council. It was an assumption of the Programme that Iraq — not the UN — would choose its oil buyers. In the Autumn of 2000, Iraq began to generate illicit income, outside the UN oversight, by requiring its oil buyers to pay 'surcharges' which flowed mostly to Iraqi-controlled bank accounts in Jordan and Lebanon, as well as cash deposits to Iraqi Embassies in Moscow and elsewhere. An Independent Inquiry Committee (IIC) into the UN 'Oil-for-Food' Programme,[54] chaired by Paul Volcker, issued detailed reports in 2005. These reports concern both the failures by, and the involvement of, UN personnel in the scandal, as well as

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49 For example, the new UN Convention Against Corruption entered into force on 14 December 2005. As at 4 March 2006, 47 States had ratified this Convention.

50 This Convention entered into force on 1 November 2003. As at 4 January 2005, the Convention had been ratified by 21 States. United Nations, Office on Drugs and Crime, Corruption: Compendium of International Legal Instruments on Corruption, Second Edition (New York, United Nations, 2005), p. 131.

51 John Githongo resigned as Permanent Secretary, Department of Governance and Ethics, Kenya. His dossier exposed corruption in that Government. See Financial Times 21 February 2005.

52 The Independent 7 March 2006.

53 See Financial Times 5 and 6 April 2005.

54 The Independent Inquiry Committee into the UN 'Oil-for-Food' Programme was appointed by UN Secretary-General, Kofi Annan, in April 2004.

business companies implicated in the US$ 1.8 billion illicit surcharges and kickbacks diverted by Saddam Hussein's regime from the humanitarian programme.[55]

Thailand,[56] Indonesia,[57] Canada,[58] the United States of America,[59] the European Commission,[60] France,[61] Italy, and the United Kingdom — to name a number of countries and regions — have all experienced in their midst allegations, if not always convictions, of corrupt practices.

And, then, there are shades in between of weak moral behaviour by men and women in positions of power, which are refuted by Governments and individuals as being neither corruption, nor conflicts of interest, nor impropriety — at least until Lord Acton's other words come into force: that 'the revelation of private utterance and correspondence' causes best repute to give way under close scrutiny.

Lord Acton, in the Nineteenth Century, linked Italy with England, since he had resided in both countries. Then, through Prime Minister Gladstone, he attempted to bring London and Rome together in the fight against Papal Infallibility. In the Twenty-First Century, other situations involving Italy and England – and the Governments of London and Rome— have arisen, which concern allegations of corruption and fraud. Milan prosecutors in early March 2006 asked a judge to order Italian Prime Minister, Silvio Berlusconi, and David Mills, a

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55 See the website of the Independent Inquiry Committee, chaired by Paul Volcker, at www.iic-offp.org.

56 US-based, GE InVision, admitted to US authorities in late 2004 that politicians and political partners in Asia, including Thailand, were offered, or received, bribes from InVision distributors, and agents, as part of deals to sell airport security equipment. Financial Times 5 May 2005.

57 In 2005, Indonesia's anti-corruption court sentenced the former Governor of Aceh (Aceh having been stricken by the tsunami) to ten years' imprisonment for corruption. This was the first case conducted by this court. Financial Times 12 April 2005.

58 Canada's new Conservative minority Government, led by Stephen Harper, won the election on the issue of political corruption. The election was forced by a no-confidence motion in November, 2005, against Paul Martin's Liberal Government. This change of Government was a result of the Gomery inquiry into the 'sponsorship' kickback scandal involving the earlier Liberal Government of Jean Chrétien, whom Martin succeeded in 2003. See 'Canada: The Tories are back!' International Socialist Voice www.socialistparty.net/pub/pages/international/intrvoice06-03-18/5.htm.

59 In Washington, DC, lobbyist Jack Abramoff pleaded guilty in August 2005 to charges of bribery, tax evasion and fraud. Financial Times 7 August 2005.

60 José Manuel Barroso, European Commission President, was obliged in 2005 to fight off allegations that he took a holiday on the yacht of Greek shipping tycoon, Spiro Latsis. He denied a conflict of interest, but later announced that he would be giving up his responsibility for overseeing Commission policy on shipping cartels. Financial Times 25 May 2005.

61 In March 2005, 47 party activists (including allies of President Jacques Chirac) and business executives were accused in a Paris courtroom of operating a 'corruption pact' in the early 1990's, when Chirac was Mayor of Paris. Investigating magistrates wanted to question President Chirac, but he enjoys immunity while in office. The year before, in 2004, Alain Juppe, a former Prime Minister, was found guilty of misusing public money in a different party funding scandal in Paris in the 1980's and early 1990's. Financial Times 22 March 2005 and BBC News 21 March 2005 at news.bbc.co.uk/2/hi/europe/4367199.stm.

British corporate lawyer specialising in tax,[62] to stand trial in Italy on corruption charges. The prosecutors have accused Berlusconi of paying David Mills, the recently-estranged husband of British Culture Secretary, Tessa Jowell, a bribe of $600,000[63] not to reveal compromising details of the Prime Minister's media empire when Mills testified in two court cases in 1997 and 1998. A Milan judge will now hold a preliminary hearing to determine whether Berlusconi and Mills should be charged and go to trial.[64] Judicial sources are reported to have said that the hearing could begin in May, 2006. Both men have complex webs of business affairs, including off-shore activities.

The request for a corruption trial comes at an awkward time for the Italian premier, as he faces a general election on 9 and 10 April 2006. Both Berlusconi and Mills have denied wrongdoing, and the former claims that Milan's magistrates are leading a 'politically motivated crusade against him'.[65] However, documents filed by prosecutors in February 2006, on completion of their investigation, included a letter from Mills to his Accountant,[66] in which he wrote that he did not lie in court but 'turned some very tricky corners, to put it mildly'[67] and he acknowledged receiving $600,000. Although initially confirming the version of events in questioning, Mills later denied it.[68]

Tessa Jowell, a Cabinet Minister in Tony Blair's Labour Government, has been 'ducking and diving' to avoid resigning her position,[69] since she became embroiled in her husband's questionable business dealings— the couple's separation (possibly temporary) is one such manoeuvre.

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62 David Mills is reported to be a specialist in offshore tax havens.

63 Approximately £350,000.

64 Berlusconi has been on trial at least six previous times. He was found guilty four times, but verdicts have been either overturned on appeal, or the 'statute of limitations' has applied. Both Berlusconi and David Mills are currently under investigation, along with others, in a separate fraud and embezzlement case involving the Berlusconi family's media company, Mediaset. BBC News 10 March 2006 'Italy bid for PM corruption trial' at news.bbc.co.uk/1/hi/world/europe/4793070.stm.

65 CNN.com— 'Berlusconi, Mills trial requested'— 10 March 2006.

66 Mr Bob Drennan of Rawlinson and Hunter.

67 CNN.com— 'Berlusconi, Mills trial requested'— 10 March 2006.

68 The payment to David Mills in 1999 of $600,000 was routed through a series of off-shore bank accounts. David Mills has since claimed that this payment was from another Italian, not Berlusconi. The Sunday Times 26 February 2006.

69 Tessa Jowell was cleared by the Cabinet Secretary, Sir Gus O'Donnell, in March 2006, of breaching the UK 'Ministerial Code of Ethics', after she claimed that she was unaware of the $600,000 payment used to repay a short-term mortgage on the couple's property. However, she had signed the mortgage deed. The Sunday Times 26 February 2006, The Independent 2 March 2006 and Tiscali 10 March 2006 at www.tiscali.co.uk/news.

Tessa Jowell was also cleared of failing to declare a shareholding held by her husband. In the wake of the Jowell/Mills controversy, the Prime Minister, Tony Blair, appointed on 23 March 2006 Sir John Bourn, Comptroller and Auditor General at the National Audit Office, to take on the additional role of the first independent adviser to handle Ministerial conflicts of interest. Sir John will replace the Cabinet Secretary in checking whether Ministers have breached the Code of Conduct. See Guardian Unlimited 'Blair names Audit Chief as Anti-Sleaze Adviser' 24 March 2006 at www.politics.guardian.co.uk/labour/story.

British Prime Minister Tony Blair's relationship with his opposite number in Italy, Silvio Berlusconi, has also raised concerns in both countries. In 2004, for example, the Blair family spent part of their Summer holiday in Mr Berlusconi's extensive Sardinian villa. Criticisms of the Blairs for apparently taking free holidays from Berlusconi, and other wealthy friends, appeared in the UK press.[70]

Another scandal facing the British Prime Minister, and others, at the present time, is the 'loans for peerages' controversy. Tony Blair's reputation has been damaged in 2006 by the naming of twelve millionaires, who made secret loans[71] (rather than donations) to the Labour Party's election chest. Four of these lenders to the Labour Party appeared on the Prime Minister's list for peerages— although their nominations have been blocked since by the House of Lords Appointments Commission. In all, the loans totalled £13.9 million.

Senior detectives are preparing to interview the Prime Minister over these allegations of 'peerages for sale'. Their investigation could find evidence of breaches of the 'Honours (Prevention of Abuses) Act 1925'. Or, their inquiries could be widened into a corruption investigation in respect of possible offences under the UK *Prevention of Corruption Acts 1889-1916*. Meanwhile, the British Conservative Party is being challenged to disclose the identity of its backers of secret loans.

These Twenty-First Century cases demonstrate the debasing of the moral standard for party; Politics counting more than Ethics; and allegations of, or actual, corruption by the authority of office. Lord Acton's worst fears are realised! What, then, are the remedies?

Remedies for Abuse of Power and Corruption in the Twenty-first Century

Remedies for the Roman Catholic Church in Respect of Sex Abuse of Children

*By priest*s Some remedies have been implemented already to improve the concealment by the Roman Catholic Church of sins[72] (crimes) of sexual abuse of children by priests. The remedies include: (1) intensive psychotherapeutic treatment and assessment of priests, before

70 CNN.com 'Italy 'Bomb find' after Blair trip'18 August 2004 at www.cnn.com/2004/WORLD/europe/08/18/italy.bomb.

71 Since the payments were allegedly 'commercial' loans, rather than gifts, Labour was not obliged to declare them. Amendments are expected to be made to the 'Electoral Administration Bill', passing through Parliament, to put loans to political parties on the same footing as donations. Parties must already disclose donations over £5,000. The Independent 21 March 2006.
The loans were kept secret from key Labour Party figures, including Jack Dromey, the Party Treasurer; John Prescott, the Deputy Prime Minister; and Ian McCartney, the Party Chairman. Only Tony Blair; his personal fundraiser, Lord Levy; and Matt Carter, the Labour Party's General-Secretary, were aware of the deals to bankroll Labour's 2005 Election Campaign. The Times 30 March 2006.

72 The Roman Catholic Church considers the sexual abuse of children to be 'mortally sinful'. See 'Roman Catholic Sex Abuse Cases' at www.en.wikipedia.org/wiki/Catholic_priests'_sex_abuse_scandal p. 1.

they are allowed to resume parochial duties;[73] (2) the reform of seminary training to provide candidates for the priesthood with 'training to deal with a life of celibacy and sexual abstention'; (3) homosexuality within the clergy has come under scrutiny, in view of the disproportionate number of abuse cases involving post-pubescent males; and (4) restraining the access of candidates 'with a doubtful sexual past' to seminaries.[74] In addition, as mentioned earlier, some Hierarchies have new rules on childcare, and on the reporting of sex abuse allegations.

Are these remedies sufficient? Some critics argue that specific doctrines, or traditional practices in Catholicism, contribute to moral problems. For example, Catholic teaching affirms that, as long as the officiant has been ordained validly, his personal sins have no effect on the validity of masses, absolutions, and so on. In other words, valid ordinations and institutional affiliation define clerical status. Others consider that the tendency still exists in the Catholic Church to suppress information, lest it cause scandal and loss of trust in the institution. Catholic clergy, moreover, are in short supply in some countries, which makes them 'valuable human capital'. It is alleged that the Catholic Hierarchy has acted to preserve this human capital and to ensure the supply of priestly services, even in the face of serious allegations that certain priests were unfit for duty. The role of Canon law, and its quasi-legality in a modern State, has also been questioned also in the context of democratic society. The authorisation of 'abusive rapist priests' to continue ministry has caused public shock in some countries.[75] Hopefully, this 'absolute power' displayed by the Catholic Church will be remedied by further consideration of these issues.

Remedies for Bribery and Financial Corruption

With the existence of international and regional Conventions, and national criminal laws to address bribery and corruption— bolstered by civil laws— why should more remedies be required? Why is it that the greater the man, or woman, the greater the crime? Why do so many countries exhibit— in both the public and private sectors— evidence of greed and self-interest, manifest through acts of bribery and corruption?

More Ethics in public and business life to deal with moral temptations is one solution. Legal remedies, which include not only the passage of criminal and civil laws, but also ensuring their implementation, is another. Administrative remedies are a further solution, such as attention to training on anti-bribery and corruption, as well as the provision of adequate salaries for staff, so that the temptation to look for money 'on the side' is minimised. Recently, Conventions and recommendations to combat bribery and corruption have recognised that reliance on law alone is insufficient. Prevention is needed.[76] Ethical, legal and administrative solutions each must be developed and co-ordinated.

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73 The priests have been allowed to resume parochial duties only when the Bishop has been advised that it was safe for them to be so assigned.

74 'Roman Catholic Sex Abuse Cases' op. cit. pp. 3-5.

75 ' Roman Catholic Sex Abuse Cases' op. cit. pp. 6-8.

76 For example, the new UN Convention Against Corruption calls for prevention of bribery and corruption.

The 'Twenty Guiding Principles for the Fight Against Corruption', drafted by the Multidisciplinary Group on Corruption,[77] are a useful example of this co-ordinated approach to combating corruption. These 'Twenty Guiding Principles' include:

1. To raise public awareness and promote ethical behaviour;
2. To ensure a co-ordinated criminalisation of national and international corruption;
3. To guarantee the appropriate independence and autonomy of those in charge of the prevention, investigation, prosecution and adjudication of corruption offences;
4. To take appropriate measures for the seizure and deprivation of the proceeds of corruption offences, as well as to prevent legal persons from being used to shield corruption offences;
5. To limit immunity from investigation, prosecution or adjudication of corruption offences to the degree necessary in a democratic society.[78]

In addition, the Committee of Ministers of the Council of Europe has added other measures, such as:

a) To promote the specialisation of persons or bodies in charge of fighting corruption and providing them with appropriate means and training to perform their task;
b) To deny tax deductibility for bribes or other expenses linked to corruption offences;
c) To adopt codes of conduct both for public officials and for elected representatives;[79]
d) To promote transparency within the public administration, particularly through the adoption of appropriate auditing procedures to the activities of public administration and the public sector, as well as appropriately transparent procedures for public procurement;
e) To guarantee that the media have freedom to receive and impart information on corruption matters;
f) To ensure that the civil law takes into account the need to fight corruption and, in particular, provides for effective remedies for those whose rights and interests are affected by corruption;
g) To ensure that in every aspect of the fight against corruption, the possible connections with organised crime and money-laundering are taken into account.[80]

In regard to remedies for bribery in the business sector (more likely to be 'active' bribery), Transparency International has issued a set of 'Business Principles', together with a

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77 The Multidisciplinary Group on Corruption was established as a result of the Nineteenth Conference of the European Ministers of Justice, held in Malta in 1994. The Committee of Ministers of the Council of Europe adopted the 'Twenty Guiding Principles for the Fight Against Corruption', drafted by the Multidisciplinary Group on Corruption, in November 1997 in its Resolution (97)24. 'The Principles represent the fundamental directives that member States are called upon to implement in their efforts against corruption at the national and international levels'. See United Nations, Office of Drugs and Crime, Corruption: Compendium of International Legal Instruments on Corruption, Second edition (New York, United Nations, 2005) p. 9.

78 Corruption: Compendium of International Legal Instruments on Corruption op. cit. p. 9.

79 ' On 11 May 2000 the Committee of Ministers of the Council of Europe adopted a recommendation on codes of conduct for public officials, which includes, in its appendix, the Model Code of Conduct for Public Officials. The Code gives suggestions on how to deal with real situations frequently confronting public officials, such as gifts, use of public resources and dealing with former public officials'. See Corruption: Compendium of International Legal Instruments on Corruption op. cit. p. 8. This Model Code of Conduct for Public Officials appears to be another very useful remedy against bribery and corruption.

80 See Corruption: Compendium of International Legal Instruments on Corruption op. cit. pp. 9-10.

Guidance Document.[81] In turn, these 'Business Principles' were taken as the basis of the new anti-bribery criteria launched in February 2006 by UK Index Provider, FTSE4Good. The incentive for publicly-listed business companies to be listed on these indexes of 'Good companies' is another remedy against bribery and corruption.[82]

Finally, Centre for Business and Public Sector Ethics, which I direct, launched recently a series of recorded interviews with renowned experts on bribery and corruption, such as Sir Philip Mawer, Parliamentary Commissioner for Standards in the UK. Under the title 'Ethics and Anti-Corruption', these interviews give States, Government departments, business companies, universities, and others, detailed knowledge about institutions, laws, and methods, which they can adopt and study to combat bribery and corruption.[83]

Note

Since my Paper was delivered at the Oxford Conference, the Italian Prime Minister, Silvio Berlusconi, lost the April 2006 General Election in Italy. He has been succeeded by Romano Prodi, the current Italian Prime Minister.

Silvio Berlusconi is due to face trial in Italy for alleged fraud in connection with broadcaster, Mediaset. In addition, Spain's Constitutional Tribunal has re-opened a tax fraud investigation into Silvio Berlusconi, which was suspended after he became Prime Minister in 2001, relating to his stake in the Spanish TV station, Telecinio.

As stated in this Paper, David Mills, UK lawyer, stands accused of accepting a bribe for legal work carried out in the 1990's on behalf of ex-Premier, Silvio Berlusconi. His trial is reported to be scheduled to begin on 21 November 2006 in Milan.

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81 Transparency International Business Principles for Countering Bribery: Guidance Document (Issue III, November 2004).

82 FTSE launched its 'Good Companies' index series for publicly-listed companies in the UK, Europe, the US and international, in July 2001. However, the new anti-bribery criteria for 'high risk' companies in the index series were added only in February 2006. Over time, the anti-bribery criteria will be extended to all companies listed on this index series, and wider anti-corruption criteria, besides anti-bribery, will also be added. See FTSE4 Good Index Series Inclusion Criteria (London, February 2006).

83 The 'Ethics and Anti-Corruption' DVD and Videos are published for Centre for Business and Public Sector Ethics by (Bury St Edmunds, Ethics International Multimedia Ltd, Second edition, 2005). The DVD is intended to help with policy formulation on anti-bribery and corruption and its implementation, including staff training. The five interviews last just over two hours and are available in either English or Chinese (Mandarin) languages. For supply and further information, contact: www.ethicscentre.org.

Knowledge is Power / Power Corrupts: Should We Empower People at Work?

Eva E. Tsahuridu

Abstract

This paper explores power and the ethics of power in organisations and develops implications for management. Its position is that power like knowledge cannot be removed from the moral realm, from moral agency and responsibility. Power is also distinguished into positive 'power to' and negative 'power over'. It is argued that positive power is necessary for moral autonomy, the ability of people to be self determining, while negative power disrespects people and is the power that leads to corruption. It is contended that empowerment at work; the ability of people to have positive power is not a new and optional variety of managerial control but a moral obligation.

Introduction

This paper focuses on power and influence at work, and the ethics of power at work. It examines power in terms of its effect on moral autonomy, which in turn is related to moral responsibility.

Power is commonly defined as the ability of one individual or group of individuals to influence another individual, or group to do something that it would not otherwise have done (Dahl 1957). In the organisational context, power is defined as the ability of management to influence the values, emotions, beliefs, attitudes, intentions and behaviour of subordinates (French and Raven 1959). Pfeffer (1992, p. 45) defines power as 'the potential ability to influence behaviour, to change the course of events, to overcome resistance, and to get people to do things that they would not otherwise do'. Pfeffer explains that it is through politics and influence that power can be utilised and its potential outcomes realised. Power, is generally understood, as a force that can be exercised over others to enable the achievement of objectives and goals. It is therefore an influence that raises implications for the self determination of the people over which such power is exercised and the moral responsibilities of the powerful and the subjects of power.

Power, as seen by Dahl (1957), French and Raven (1959), and more recently Pfeffer (1992) is criticised as being perceived as something that can be possessed and exercised by an individual or a group over others (Marshall and Rollinson 2004). It is commonly understood as a personal possession. Marshall and Rollinson argue that power is also a process. Treating power as possession 'tends to encourage static, functionalist analyses which are poorly placed to understand their dynamic, relational and processual character. A practice based view, on

the other hand, helps us to see power and knowledge as situated, provisional, revisable, open-ended and always in the making' (Marshall and Rollinson 2004, p. 75). Power as either a possession or a process, however, relates to control, the ability to achieve objectives by influencing others and neither can be removed nor separated from moral agency or from truth and freedom (Taylor 1986 cited in Schaap 2000). The ethics of power is not generally addressed in the conventional organisational and management literature. This phenomenon can be explained by the separation thesis, the claim that the realms of business and ethics are independent and categorically distinct, with different concepts, language and logic (Freeman 1994), assessing corporate actions solely on goal accomplishment and not on moral responsibility or moral behaviour.

The prevalent understandings of power, described here, refer to 'power over' others, not 'power to', the enabling kind of power (Schaap 2000). The distinction of 'power over' and 'power to' corresponds to Fromm's (1942) differentiation between negative freedom (freedom from) and positive freedom (freedom to). Like Fromm's distinction of freedom, 'power to' enables people to exist as self determining moral agents, while 'power over' limits their self determining ability and treats them as means to accomplish the objectives of the powerful. Power has ethical implications at the individual and organisational level. The main issue it raises is that of autonomy and control and will be developed in the next section.

Power and Autonomy

Typically, when organisational power is taught in the classroom, French and Raven's (1959) typology is used, as an element of the topic of leadership. French and Raven developed five bases of power: legitimate, reward, coercive, expert and referent. The ethics of the use of power is not generally addressed but the outcomes and effectiveness of power in terms of organisational goal achievement is developed. The current mainstream approach of power at work is limited to prescriptions of 'power over' and the instrumental use of power to accomplish objectives and goals. This approach fails to respect others as autonomous human beings, beings that need to be treated with dignity and respect, as ends in themselves and not only as means.

Approaching power in pure instrumental terms is morally inappropriate and such an approach further separates the business realm from the rest of society. To have power or to exercise power is to be morally responsible for one's actions and inactions (Schaap 2000, p. 130), so power, gives rise to moral responsibilities and duties and obligations. The exclusion of the moral elements of power makes it an instrument of goal accomplishment rather than a human characteristic that can be evaluated in moral terms. This moral exclusion, may explain the negative status of power and the powerful in the political and business realms.

Power as enablement, the 'power to', does not depend on the ability to dominate others (Schaap 2000), but rather it is the ability to be self determining. The ability to behave as one sees morally right is a defining characteristic of a moral agent. 'Power over' affects people's capacity to be autonomous, the characteristic that is necessary for moral agency and moral responsibility.

'It is a matter of modern Western moral concern that ideals not be imposed, that behaviour not be coerced, and that the search for truth not be stifled' claim Bass and Steidlmeier (1999, p. 186). Their statement is acceptable, but not applicable to the world of work. At work, people at all hierarchical levels accept and expect that values and ideas will be imposed, and behaviours will be prescribed if not coerced. Power as control rather than enablement can be one of the reasons that the moral concerns expressed by Bass and Steidlmeier are not evident at work. It is true that for any social system to survive, individual variability must be modified to a manageable degree (Katz and Kahn 1978). Organisations as social systems also need to modify individual variability for their survival and growth but they must also address the effect they have on the autonomy of their members, because the exclusion of autonomy is harmful for both the organisation and the members as people without autonomy do not assume responsibility for their decisions and behaviour, and endure dehumanisation and amoralisation.

'Power over' diminishes the ability of the recipient to act as she chooses (Schaap 2000). It diminishes the power of the recipient to be an autonomous moral agent. Autonomy in moral philosophy (or self determination is sociology) is the fundamental attribute of humans, the characteristic that enables morality and responsibility. Power, argues Schaap, depends for its evaluative content not so much on its relation to responsibility but on its relation to autonomy.

The literature on autonomy is divided into three categories (Davis 1996):

1. Personal autonomy in general philosophical literature.
2. Professional autonomy covered explicitly by a philosophical literature.
3. Workplace autonomy covered by a sociological literature.

Moral autonomy is contained in personal autonomy. it is concerned with the conditions of moral responsibility and moral goodness whilst the emphasis of general autonomy is the protection of moral agents from undesirable influences (Davis 1996). In relation to power, moral autonomy relates to 'power to', the power of the moral agent to develop his moral values and make them his own, while general autonomy relates to the 'power over', the influence or control that is exercised over the moral agent. in the organisational context, personal autonomy refers to the examination of the effect of the organisation on employees' autonomy whilst moral autonomy is the moral evaluation of people in business and business relationships (Davis 1996). This distinction between personal and moral autonomy is not generally accepted however. autonomy in the Kantian sense, for example, cannot be distinguished into personal and moral because autonomy of values is autonomy of persons in the moral realm and also in all spheres of life (dan-cohen 1992). In business organisations however, it can be argued that personal autonomy but not necessarily moral autonomy is enabled. that is evident by reducing the 'power over' employees by allowing limited work autonomy but without enabling the 'power to' of employees, an issue developed later in this paper.

Kant is credited with providing the most comprehensive understanding of moral autonomy. In *The Critique of Practical Reason*, Kant (1956) describes autonomy as the 'ratio essendi of morality; i.e., it is through autonomy that morality comes to exist'. It is because we have moral autonomy that we have moral agency and we have autonomy because we have

rationality. A rational agent for Kant (1953, p. 35) is an end in himself if he authors the law which he is bound to obey and this is what gives him his supreme value. 'It is precisely the fitness of his maxims to make universal law that marks him as an end in himself' (Kant 1953, p. 35).

Autonomy is not only a Kantian notion. Despite the debate as to whether it is possible to achieve it, whether it is an illusion or a phenomenon, there is agreement that it is necessary for human functioning and a preferable mode of being human. Weber, for example (cited in Toddington 1993) describes the moral goal of human beings as the overcoming of the unfree elements of their existence as natural beings thus becoming fully human. This can be achieved by the autonomy of self-government and by the coherent values and meanings of a consciously formed personality. 'Autonomy, in its broadest sense, is about self determination' (Radin and Werhane 1996, p. 256).

Autonomy gives people dignity and dignity is what makes people ends in themselves and not means. Moral concepts, according to Kant, apply only to the actions of autonomous rational agents (Gauthier 1963). The effect of 'power over' on the autonomy of people has ethical implications because it affects autonomy and the moral responsibility of treating others with dignity and respect, not as means only but as ends in themselves.

Morality and Power

It appears possible to justify 'power over' in terms of egoism but it is difficult to do so in terms of duty, consequence or virtue ethics theories. Ethical egoism states that persons should follow the greatest benefit for themselves (Vitell 1986, cited in Upchurch 1998). Egoism is considered problematic as a normative theory of ethics because it fails to meet the moral criteria of rationality and impartiality that set the minimum requirements for morality (Rachels 1986). Instead it prescribes the advancement of one's long-term interests (Shaw 1999). Rachels argues that self interest promotes pragmatism or even hedonism but it does not involve ethics. Further, Hoffman (1980, cited in Shelton and McAdams 1990) explains that morality is based on the premise that a person utilises ego capacities for ethical rather than egoistic ends and Piaget perceives egocentrism as a general feature of moral immaturity, not as a moral quality (Crittenden 1990). Even restricted egoism, the pursuit of one's self interest within the rules of the practice (Shaw 1999) fails to meet the criteria outlined by Rachels.

Examining the ethics of power, it becomes evident that 'power over' is more likely to be a self centred, egoistic exercise of control over others. It is thus unlikely to be ethical, as it fails the test of impartiality. Power over is also problematic in terms of rationality, as explained by Kant. Power over disables individual's autonomy and treats people without dignity and respect. Persons are ends in themselves and they have morality through reasoning. Persons are ends in themselves because they have freedom (Guyer 1998) that enables them to be autonomous. This freedom, argues Guyer, has an inner value, that of dignity. The moral puzzle is thus 'why a free agent should choose to prioritize self-love over autonomy given the self-evident dignity of autonomy' (Guyer 1998, p. 35). This conception places autonomy above egoism. It thus explains why it is reasonable for people to behave autonomously and therefore ethically as autonomy according to Kant extends to behaviour and action, not only

reasoning. The Kantian notion of autonomy and morality can inform the ethics of power at work. It clarifies that 'power over' is problematic because it interferes with people's capacity to be morally autonomous and it also treats people without dignity and respect, as means only and not as ends in themselves.

Empowerment at Work

Power in the organisational context is distributed to positions. Its distribution is generally related to a position's contribution to the organisation's effectiveness and/or goal accomplishment. Empowerment has been a management tool for at least fifty years and is related to industrial democracy. Empowerment fundamentally attempts to involve employees in the decision making processes at work. It is generally prescribed in order to enable organisations to become more effective and efficient, and gain competitive advantage in the market place. Empowered employees are more dedicated, motivated, have high self esteem, and are more likely to be of greater benefit to the organisation.

Autonomy at work is part of empowerment at work, as it limits some of the organisational 'power over' the employee. Autonomy in the work context is based on the characteristics of the job and the freedom and discretion the job provides to the employee to plan, schedule and decide work procedures. Such autonomy is one of the elements of the job characteristics model developed by Hackman and Oldman (1980). The same concept at a group level is an autonomous work team, a team that has freedom to decide how it is going to achieve objectives the organisation has provided. More recently, autonomous business units have been used to enable organisations to deal with change and complexity (McKenna 1999). These business units require autonomy of a new variety in the organisational context. They require autonomy as 'power to'. The transition from autonomy as delegation to autonomy as devolution is described by Limerick and Cunnington (1993). They describe autonomy as a relationship between the organisation and a member of the organisation, and a set of characteristics that are required for that relationship. Delegation is the right an individual may be given to make decisions on behalf of the organisation, and it relates to the power the organisation has over its employees. Delegatory autonomy provides freedom to members of the organisation to decide how they are going to accomplish their prescribed tasks and functions, not the tasks and functions themselves. The individual becomes free from the controlling organisation only in terms of process, not in content, and is allowed to find ways to accomplish what the individual is required to accomplish. Devolutionary autonomy gives individuals in the organisation the right to make decisions on their own behalf. Devolutionary autonomy provides power to decide on the means as well as the ends.

Research on employee empowerment seems to be conclusive that it enhances organisational performance (Appelbaum, Hebert and Reroux 1999) Appelbaum et al. (1999, p. 240) describe four characteristics that are possessed by empowered people:

1. Empowered people have a sense of selfdetermination
2. Empowered people have a sense of meaning
3. Empowered people have a sense of competence
4. Finally, empowered people have a sense of impact'.

One can question whether these characteristics should be possessed by empowered people only or by all people. The moral dignity of each person, the duty to treat each as an end not as a means requires each person to be empowered. 'The core values of modern Western philosophy affirm individual liberty, inviolability of conscience, self-determination and choice' (Bass and Steidlmeier 1999, p. 200).

Despite the positive outcomes of empowerment, very few companies are truly empowered and empowerment programs are rarely successful (Appelbaum et al. 1999), primarily because organisations want to empower their employees without actually giving them any 'power to' and superficially limiting their 'power over' them, by sustaining their control mechanisms.

The organisational reality can be understood by looking at some prescription about managing with power. Pfeffer (1992, p. 46), for example, claims that managing with power requires the understanding that power is necessary to get things done. The more power the better, and certainly one needs to have more than his opposition. 'We need to understand power and try to get it. We must be willing to do things to build our sources of power, or else we will be less effective than we might wish to be'. Pfeffer goes on to discuss knowledge and power. He claims that 'knowledge without power is of remarkably little use. And power without the skill to employ it effectively is likely to be wasted' (p. 47). Pfeffer addresses the ethics of power in saying 'getting things done requires power. The problem is that we would prefer to see the world as a kind of grand morality play, with the good guys, and the bad ones easily identified. Obtaining power is not always an attractive process, nor is its use' (p. 48). Pfeffer's description uses power as a weapon that needs to be built and used in order to win the war. The means may not be appropriate but the required ends will be achieved. Pfeffer is describing 'power over', the power to influence and win. This is the main perspective of power at work and it provides some explanation why attempts to empower people have generally been unsuccessful and people perceive such attempts with cynicism and without trust.

Conclusion

The main point of this paper is that power in organisations is generally used as a management tool to influence and control employees, without regard for the ethics of power. Using the distinction between 'power over' and 'power to' the effect of power on the autonomy of others was developed. It was established that 'power to' enables autonomy and responsibility of persons while 'power over' affects the autonomy of people subjected to the powerful and raises moral responsibility issues for those that wield power, as well as those that are subjected to it. The ethics of power suggests that 'power over' is based on the utilisation of power for egoistic ends and disrespects people.

Empowerment at work is found to have positive outcomes for persons and organisations. Despite this evidence however there are few instances of organisations that successfully empowered their employees. This can be explained by the unwillingness of organisations to provide 'power to' their employees and instead relying on limited attempts to reduce their 'power over' them while sustaining control.

Empowerment is fundamentally about moral autonomy or self determination, a core value of Western philosophy. It is important we ask whether we should surrender our liberty, conscience and self determination to work and whether work should ask it of us.

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Leadership for Transformation: A Personal View

Jon Ungphakorn

I come from a country where corruption and patronage have become firmly entrenched and institutionalised in both national and local government. Bribery, kickbacks, conflicts of interest, vote-buying, and rewards for personal loyalty have become the norm in many public institutions. Senior civil service, military and police positions have become available for purchase. It is a system in which the 'crooked' float to the top and the 'clean' find themselves weighed down at the bottom. Young people with ideals for contributing to the development of society very soon become disillusioned after entering government service. They find it difficult to avoid taking sides in battles between various parties competing for power and influence, and to avoid getting sucked into the corruption process. At the very least, they are pressured into turning a blind eye to the unethical practices going on around them. Young police officers are subject to ridicule if they do drive expensive cars. Their promotion depends on their ability to regularly feed the mouths of their seniors. It is a situation where those officials who manage to uphold their integrity are likely to become outcasts within their organizations.

There is a great contrast and conflict between the ethical norms and expectations of society as a whole as reflected in our very democratic and idealistic Constitution of 1997, and the actual unethical practices that are commonplace within circles of power. For this reason, while politicians and high-ranking officials are treated outwardly with reverence, they are often inwardly regarded with contempt by the community.

In the old days, when corruption was much more concentrated and less widespread, we had a number of prominent and outspoken leaders in government service who stood up for honesty and integrity and became highly respected role models in society. Now, such leaders are extremely rare. This is because the chances of their survival in the system have become minimal. Such people would now prefer to leave the system rather than to confront it from within. We live in an era in which few have the courage to not conform. No-one seems to be prepared to play the role of a social outcast and revolutionary leader within the system. This is why senior civil servants are always ready to carry out unethical tasks for their political masters. The principle ingredient of leadership that has been missing has been the courage to challenge conformity from within. The only exception that I can think of is the long and finally successful struggle by our prominent Auditor General, Khunying (Lady) Jaruwan Maintaka, to retain her position in the face of moves by the Senate, the Audit Council and the Constitutional Tribunal (all commonly believed to have been acting on behalf of the entrenched political powers) to have her replaced.

All of this is not to say that there have not been substantial challenges to unethical practices carried out by those holding the reins of power. But these challenges have mainly come from outside the system rather than within. They have come from civil society movements, from affected communities, from academic and business circles, from organisations of lawyers and journalists, and from a minority group within the Thai Senate. As far as these challenges have been successful, they have been achieved through support from certain institutions that have remained more or less immune to political interference, namely the Judiciary and the Monarchy. For example, all members of the Counter Corruption Commission had to resign last year after being found guilty by a special court of justice for having illegally raised their own salaries. The charges came as a result of a complaint filed by a minority group of Senators. On March 23rd of this year, the Supreme Administrative Court put a halt to the Taksin Shinawatra Government's programme for privatisation of the Electricity Generating Authority for reasons of conflict of interest. The court was petitioned by a federation of consumer groups.

It should be noted that the supposedly-independent state organisations such as the Election Commission, the Counter Corruption Commission, the Ombudsmen, the Telecommunications Commission, and the Constitutional Tribunal have clearly failed to serve as watchdogs for unethical government practices in recent years because of unethical influences on the supposedly non-partisan Senate, which bears the responsibility for electing the members of these state organisations.

It is in fact civil society networks, community organisations and professional groups that have served as the watchdogs of society where most institutions formally assigned to carry out oversight of government, such as the Senate and the 'independent' state organisations have failed.

Thailand has a thriving community of civil society organisations (NGOs and peoples organisations) that have managed to flourish for nearly three decades despite attempts by successive governments to marginalise these organisations and their leaders. The movement has accumulated through various periods of political activism against dictatorial regimes followed by social activism for social development and social justice. This movement is now in the process of challenging the political power and influence of care-taker Prime Minister Taksin Shinawatra for reasons relating to his regime's abuses of power and unethical practices.

I would like to give two more examples of how community and civil society organisations have played a leadership role in challenging unethical practices and policies:

1. For over six years now, the fishing communities in Klong Dan Sub district of Samutr Prakan Province have opposed the construction of a huge industrial wastewater treatment plant in their area on environmental and livelihood grounds. The mega project has been supported by a loan from the Asian Development bank (ADB). The community's 'very ordinary' but extraordinary leaders – Mr. Narong Khomklom, Mr. Chalao Timthong and Ms. Dawan Chantarahassadee have managed to uncover many corrupt practices relating to illegal land transactions and conflicts of interest involving a number of well-known high-ranking politicians. The ADB has remained arrogant and defensive over its funding of the project despite the disclosures of systematic corruption and unethical practices surrounding the project and the prosecution of a former minister. However, the United Kingdom's Alternate Executive Director to the Bank resigned from the Bank's Inspection Committee in April 2002 following the Bank

Management's decision to reject totally the findings of the first-ever independent Panel of Experts commissioned by the Inspection Committee. A small group of village leaders has raised international questions over the governance of a major financial institution.

2. Earlier this year over 4000 people living with HIV/AIDS together with around 5000 farmers marched for three days in the northern city of Chiangmai to protest the US-Thai negotiations on a Free trade Agreement which were to discuss the issue of Intellectual Property Rights. Through previous campaigns by the networks of over 800 organisations of people living with HIV/AIDS, the Thai people now have universal health insurance funded by the State, and people living with HIV/AIDS have universal access to anti-retroviral therapies for the first time this year. Therefore, feelings against US demands that would protect intellectual property rights on essential medicines beyond the WTO TRIPS Agreement were very high, as the PLWHA felt that their access to second-line anti-retroviral drugs would be effectively cut-off if the Thai Government gave in to US demands. As a result of these demonstrations, the Thai negotiator has resigned and due to the political situation which forced Prime Minister Taksin to dissolve parliament, the talks are suspended for the time being. It is the movement of people living with HIV/AIDS in Thailand and other parts of the developing world that has raised international awareness on the global injustices with regard to access to health services, and raised questions about the inappropriate influence of multinational drug companies on global trade negotiations.

From the examples that I have given, I would like to make a few personal observations and conclusions which I believe are valid in the Thai context and maybe in other social and political environments:

1. I personally believe that when we talk of the need to promote ethical practices by governments or government officials or political leaders, we need to go much further than issues of corruption and transparency, and extend ethical issues to cover abuses of power, conflicts of interest, patronage systems of political favours and rewards, abuses of human rights and democratic rights, and policies that serve the interests of a privileged minority at the expense of the rights of the majority. Ethical issues should incorporate social justice and peaceful co-existence. For example, it should be considered unethical for the protection of intellectual property rights of essential pharmaceutical products to take precedence over the right of any human beings to access treatment. A world in which human beings are denied their basic needs due to commercial interests is basically an unethical world.

2. Civil society organisations such as NGOs and peoples organisations are the most reliable forces for social transformation and for oversight of ethical practices by governments. Leadership and leadership building among civil society organisations should be a collective process. For example, working together to build up a sustainable movement of diverse civil-society organisations will reduce dependence on the existence of outstanding individual leaders. Civil society activism at all levels, in schools factories, companies, professional bodies and communities will help to develop the mechanisms for social change or transformation, and to develop multiple leaders with principles and ideals.

3. It can be accepted that leaders for social transformation may be have vested interests as community representatives in the struggle to achieve their rights in accordance with accepted ethical standards and practices. Take for example the community leaders of Klong Dan opposing the waste-water treatment plant in order to protect the livelihood and environment of the community. When such common vested interests are clear and transparent, then they themselves will be open to public and media scrutiny.

4. Even leaders with tainted or questionable motives may play a constructive force in social transformation. For example, the movement to make Prime Minister Taksin accountable to the public is a coalition movement of strange bed-fellows (including a media tycoon who broke up with Taksin) that has the instruments to raise public awareness of the need for political and social reforms far beyond what the NGOs and civil society groups could have achieved on their own. Again, in this sense we need to put more importance on creating social reform movements based on ethical principles than to rely on the integrity of individual leaders. If the majority of a collective leadership are sincere in their values and the

leadership is made accountable to the movement as a whole, then there is some degree of insurance against those leaders who may have ulterior motives. Placing too much reliance on individual leaders for social progress may prove much more dangerous, as shown quite often in history.

The (Ir)Relevance of Integrity in Organizations

Peter Verhezen

Abstract

Although the notion of 'integrity' often remains an allusive and elusive concept, it can enhance the overall (organizational) value. However, such an approach may lead to a purely instrumental interpretation of integrity where the pursuit of integrity as 'good reputation' is pursued while ignoring its important intrinsic value. Without taking into account this intrinsic perspective of integrity, any integrity strategy will remain within the realm of self-interest that ultimately may destroy the notion of integrity itself. Moreover, integrity and its organizational expressions are complementary to compliance strategies and can be powerful force against free riding, greed and corrupt behavior within organizations.

Introduction

In the wake of the numerous recent corporate and organizational scandals, politicians and law are demanding more stringent reporting and controls to restore the reputation of our corporate world. In the most notorious collapse, the Enron rhetoric trumpeted a culture guided by comprehensive ethical code of conduct to reinforce 'governance' procedures, but the reality saw Enron executives flagrantly flouting the spirit of the culture they had 'created' to the extent they even colluded with their external auditors, Andersen, to avoid warning either investors or regulators about ongoing systemic irregularities. The lack of integrity demonstrated by Enron executives resulted directly in the subsequent collapse of Enron and the inevitable destruction of its reputation.

In this essay, I emphasize the link between the relevance of personal and professional 'integrity' on the one hand and the reinforcing role of corporate compliance strategies in terms of reducing risk and securing credible corporate reputation on the other hand. I argue that integrity demonstrated by the corporate leadership, which intrinsically focuses on adhering to moral commitments, can lead to better compliance, enhanced corporate reputation and reduction of risk. Above all, the resulting ethical organization will provide an environment in which employees will be proud to work.

The first section reflects on the notion of integrity, its relation to reputation in organizations and how it is related to responsible commitment, honesty and generosity. Establishing a definition of integrity introduces a trust creating process and shows how free-riding (i.e. a form of corruption) undermining integrity is self-destructive in the longer term and is certainly not socially optimal. Subsequently, I question in a second section whether an 'integrity strategy as good reputation' should be interpreted as instrumental and utilitarian only, or whether there exists an intrinsic meaning beyond pure individual and organizational

self-interest. Finally, I examine some practical organizational tools such as 'moral compass', transparent reporting, capacity building and dilemma training. These are just a few examples of how integrity and its subsequent 'integrated responsibility strategies' can be implemented in organizations — increasing its reputation — and how they can make a difference in the performances of an organization.

The 'Value' of Integrity

A number of researchers and companies believe that an effective anti-corruption program[1] is best achieved by institutionalizing a culture of compliance within the organization[2], supported by specific systems designed to reduce the opportunity for criminal activity and to detect unethical behavior. Compliance standards (e.g. strict procedures, codes of conduct[3] or rigorous corporate governance regulations) allow organizations to respond reactively to shareholder expectations as demonstrated by a rather mindless 'box ticking' approach. This managing to compliance standards may moderate the (legal) liabilities of the organization. However, using incentives to encourage self-monitoring is potentially more cost-effective and cost-efficient than sanction-based public enforcement. Such research argues that anticipating stakeholder expectations is often less expensive in the long run than short term compliance with regulations[4]. More regulation does not of itself generate integrity. It may only be able to reduce some aberrant unethical behavior out of fear of sanctions or retaliation but it will not motivate people in organizations to become better citizens. Indeed, beyond a certain point it may even become counter-productive. Besides the penalizing 'stick' approach (i.e. compliance strategies), a rewarding 'carrot' approach (i.e. integrity based strategies) needs to be invoked. Managing beyond compliance will foster competitively advantageous strategies. Compliance with (the letter and spirit of) laws and regulations is a necessary corporate motivator, but complete compliance with rules by all employees of an organization does not guarantee an organizational integrity. A culture of integrity is, therefore, needed to address the complexity of the modern organization. It will naturally foster individual private compliance as well as creating a trusting environment within the organization and beyond.

Let us first establish what we mean by the notion of 'integrity before attempting to show how free-riding and unethical behavior can undermine integrity.

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1 Arvis, Jean-Francois & Ronald E. Berenbeim, *Fighting Corruption in East Asia. Solutions from the Private Sector*, Washington DC, The World Bank & IBRD, 2003, p. 74. Weak corporate governance (as an expression of a compliance driven organization) often goes hand in hand with countrywide corruption.

2 Obviously the latest trends have been translated in law such as the Sarbanes – Oxley Act as well as numerous codes of conduct & governance regulations and statements.

3 Wallace, P. & J. Zinkin, *Corporate Governance. Mastering Business in Asia*, Singapore, John Wiley & Sons, 2005, p. 113.

4 Kennedy-Glans, Donna & Bob Schulz, *Corporate Integrity. A Toolkit for managing beyond compliance*, Ontario, John Wiley & Sons, 2005, p. 11.

Integrity: Keeping Commitment, Be Honest and Generous

Most dictionaries define 'integrity' as (1) an uncompromising adherence to a code of moral, artistic, or other values; (2) utter sincerity, honesty, and candour; avoidance of deception, expediency, artificiality, or shallowness of any kind. However, focusing on an uncompromising adherence to moral principles can diminish the importance of ambiguity. Integrity displays a virtuous behavior within a complex reality that serves to link or dissolve disparate goals, values, emotions, aspects of self and periods in one's life. Integrity is a virtue of balance that allows us to manage self-conflicts in a normative manner while taking into account that the self is dynamic and always in process, and thus, often ambiguous.

A person of integrity reflects about and discerns what is right and wrong. In addition, he acts on what he has discerned even at a personal cost. Furthermore, they he acts openly on the understanding of what is perceived to be right and wrong and is unashamed of not doing the 'right thing'[5]. As such, integrity requires a degree of moral reflection, and identifies a person as steadfast who keeps commitments in the face of challenges. In other words, a person of integrity supposedly integrates a reasonable coherent and relatively stable set of highly cherished values and principles with a cognitive though often tacit behavior expressing these values and principles while his conduct embodies his values and principles in a consistent way with what he says[6]. Most importantly, a person bestowed the notion of 'integrity' upon him/her usually achieves this state of being morally steadfast in cases of adversity.

The Latin root of the notion of integrity — 'integer' — means 'wholeness': a person of integrity is a whole person, a person somehow undivided[7]. Integrity relates to the integration of moral values into moral proper (business) behavior, and of integrating processes of transparency into accountability. A person of integrity is someone whose conduct follows from his principles in spite of public opinion, official pressure, or personal temptation, whose conduct forms a certain kind of morally intelligible 'whole', even if these values may be falsified as not 'true'. A person embodying (high) integrity is often perceived as someone who judges in a compassionately manner and with wholeness of purpose, demonstrating forgiveness and kindness[8].

The notion of integrity is intrinsically interwoven with a theory of the good life[9]. Indeed, integrity has its origin in 'our wanting to realize our conception of a good life.[10]' A person of integrity is a person we feel we can trust to do right, play by the rules and keep commitments. Such a person is virtuous, trustworthy[11] and demonstrates good character. That does not mean

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5 Carter, Stephen, *Integrity*, New York, HarperCollins Publishers, 1996, p. 7.

6 Benjamin, Martin, *Splitting the Difference. Compromise and Integrity in Ethics and Politics*, Kansas, University Press of Kansas, 1990, p. 51.

7 Carter, Stephen, Integrity, o.c., p. 7–8: The word integrity conveys not so much a single mindedness or fanaticism as a completeness. Integrity refers to the serenity of a person who is confident in the knowledge hat he or she is living.

8 Koehn, Daryl, 'Integrity as a Business Asset', *Journal of Business Ethics*, 2005, 58, p. 130.

9 Cox, Damian; La Caze, Marguerite & Michael Levine, Integrity and the fragile self, Hants, Ashgate, 2003, p. XiX.

10 Kekes, John, *The Morality of Pluralism*, New Jersey, Princeton Univ Press, 1993, p. 96.

11 Verhezen, Peter, 'Omkoping of gift? Vertrouwen en vrijgevigheid', in Vandevelde, Toon (ed), *Over vertrouwen en bedrijf*, Leuven, Acco, 2000, p. 133–142. I distinguish the notion of trust

we cannot make faults or commit sins; it means that we try to live according to our convictions and principles. Integrity alone is not a guide; it does not tell us what is right or wrong, but it 'helps us see the 'truth' of right and wrong[12]'. Integrity thus becomes the basis for giving trust and being trusted in an organization. It is hard to deny that a complex society is not likely to survive if all its members are governed solely by exclusively selfish motives. So participants have an interest to trust each other unless proven differently, and to develop an attitude of integrity based on the fundamental (and universal) principle of reciprocity which leads to beneficial cooperation. Giving trust and being trusted, based on the principle of reciprocity, is closely related to an attitude of integrity. A reflexive person of integrity knows well that it is in his/her interest to be trustworthy, to be honest or generous to engage in beneficial cooperation. Moreover, there is no integrity without the risk of loss. 'A person of integrity is willing to bear the consequences of his convictions, even when this is difficult, that is, when the consequences are unpleasant[13].' The test of integrity comes only when doing the right thing entails a significant cost[14], i.e. in cases of physical, financial or mental adversity.

So far so good! Unfortunately, this attempt to define 'integrity' does not really say anything more than that integrity is a desirable virtue. However, the difficulty of being able to accurately attribute integrity to oneself or others reflects the elusiveness of the notion[15]. Life — and its expression of what a 'good life' could be — is far from black and white. The appearance of certainty throughout a person's moral life may indicate some lack of integrity because ambiguity is disregarded. Undue certainty and self-deception may show a lack of integrity. Despite the acknowledged ambiguity of life, one expects people to make up their mind and stand steadfast in their moral principles. Integrity involves reordering and reprioritizing one's moral commitments. The virtue of integrity balances on the fine line between holding true to commitments no matter what the cost to other values or other people and continuously changing one's mind in a non-reflective manner[16]. Virtuous integrity justifiably integrates an intelligible and defensible moral vision in one's character within a certain context, enabling a wise person to know how and when to adapt his moral principles and commitments when understanding a different reality asks him to do so.

The Virtue of Integrity in Organizations

The opposite of integrity is best described as (moral) corruption — the getting away with things we know to be morally and often legally wrong. Doing the right thing rather than the wrong is neither habit nor instinct; it is an act of will or a moral act, and not just an act out of fear for sanctions. Corrupt behavior illustrates the lack of integrity; corruption is the antithesis of integrity.

— nothing more than an attitude to deal with uncertainty — from the notion of trustworthiness which is a real virtue. Although slightly differently interpreted, this distinction has been inspired by Hardin, Russell, 'Trustworthiness', *Ethics* 107, October 1996, pp. 26–42.

12 Carter, Stephen, Integrity, o.c., p. 19.

13 Ibidem, p. 23.

14 Hamspire, Stuart, *Morality and Conflict*, Oxford, Basil Blackwell, 1983, p. 159.

15 Cox, Damian; La Caze, Marguerite & Michael Levine, *Integrity and the fragile self*, o.c., p. 2.

16 Cox, Damian; La Caze, Marguerite & Michael Levine, *Integrity and the fragile* self, o.c., p. 5–6.

'Integrity based strategies' are normative statements (as in moral values and principles) found in mission and values statements of organizations[17]. Such norms may guide actual empirical behavior. The fact that an organization is committed to ethical values and has developed codes of conduct and governance principles does not guarantee that its agents or employees act accordingly. One needs an attitude of integrity which not only follows the letter and the spirit of the rules and regulations, but adheres to ethical values with a long term view[18].

The ability of a CEO, administrator or management team to retain their integrity will depend on the way in which virtues are exercised in sustaining the institutional form of good 'best practices' and good (corporate) government. The integrity of a [best] practice requires 'the exercise of the virtues by at least some of the individuals who embody it in their activities[19]', and represents the values of the organization. Conversely, the corruption of institutions is in part an effect of vices and undermining good governance rules. Without an overriding integrated conception of an ideal of a whole and 'good' human life, without clear ethical objectives and clear vision on values, our conception of certain individual virtues incorporated in institutional practices remains partial and incomplete.

The value of an organization is not only measured by its physical capital and assets. Intangible assets play an increasingly important role in organizations. Maximizing the value of a company implies a focus on both financial and non-financial targets, rather than the pure maximization of profits. Moreover, those intangibles (or sometimes called Intellectual Capital[20]) constitute enormous 'real' value to the organization[21]. Integrity and its related concept of moral capital is part of those valuable Intellectual Capital or intangibles assets. These intangible assets are significantly related to relationships with different stakeholders (i.e. the customers[22] and suppliers, employees and partners) of the organization, based on a

17 Paine, Lynn S., 'Managing for Organizational Integrity', *Harvard Business Review*, Boston MA, March-April 1994, Vol. 72, pp. 106–117.

18 Arvis, Jean-Francois & Ronald E. Berenbeim, *Fighting Corruption in East Asia. Solutions from the Private Sector*, o.c., p. 76. In Japan corporate governance improvements have gone hand in hand with the development of integrity systems.

19 Macintyre, Alasdair, *After Virtue*, Notre Dame – Indiana, Notre Dame University Press, (1981) 1984, p. 195.

20 Intellectual Capital is generally speaking — though conceptually imprecise and thus not really correct – the difference between market value and book value. Intellectual Capital is considered as the resource that creates invisible or intangible sources of competitive advantages such as networks and organizational systems. The value of any organization is constituted of (1) the Physical Tangible and Financial Capital which one finds on the balance sheet of a company and (2) the Intangible assets of a company which are often described as 'goodwill' on the balance sheet. A company's Intangible Assets is usually determined as the sum of its human capital (talent, social and moral capital), structural capital (intellectual properties, methodologies, software, documents, and other knowledge artifacts), and customer capital (client relationships).

21 Edvinsson, Leif, *Corporate Longitude: navigating the knowledge economy*, Bookhouse, 2002, p. 24.

22 Indeed, interesting to note is the acceptance of 'Social Capital' as a concept that refers to the personal and social relationships one has or is in, and the embeddedness within organizations or communities. In a way 'Social Capital', as it is defined by the OECD, is 'networks together with shared norms, values and understanding that facilitate cooperation within or among groups.' Such 'social' networks can be closely related to business and customer networks,

certain moral attitude and economic sense of those directing and sustaining the organization. Those relationships implicitly refer to and rely on trust between the interacting parties, and the trustworthiness of the individuals leading and managing the organization. It is this trustworthiness arising from an attitude reflecting integrity[23] that partially constitutes moral capital[24] in an organization.

Integrity reflects a certain professional responsibility, emphasizing a 'right' attitude and a certain manner of approaching a moral dilemma, rather than specific moral characteristics[25]. Obviously, such an attitude of integrity may lead to appropriate ethical behavior which complies with what one can expect of a virtuous and trustworthy individual. A reputation for integrity must be earned by being honest and trustworthy. Once that reputation is gained, one can be trusted by one's colleagues. Such a reputation not only shows personal 'worth' and leadership, but also enhances the organization's value.

Subversion of Integrity by Free-riding

Despite the (personal and) organizational 'worth' of emphasizing integrity based strategies, many corporate organizations are reluctant to adopt anti-bribery rules unilaterally as long as they believe their competitors continue to pay bribes. Efficient multinational organizations face a Prisoners' Dilemma (PD)[26] when they deal with corrupt government officials. Each believes it needs to pay bribes in order to do business, but each knows that all of them would

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which are part of IC. Networks encourage people to operate informally, outside the rule of law. Relationships therefore depend much more on cooperation than on control. Cooperation, in turn, depends on trust. This is true not just intra-murally but also in interactions between businesses.

23 It is important to note that the notion of integrity is not always uniform in its applications. Distinctions between personal and political or professional integrity can be made. Private and professional integrity within organizations may sometimes clash, but usually one can assume some level of overlapping and consistency between both spheres, adding enormous value to the worth of the organization and the individual within the organization. Cf. Van Luijk, L.,'Integrity in the Private, the Public, and Corporate Domain', in Brenkert, George G. (Ed), *Corporate Integrity and Accountability*, London, Sage Publications, 2004, p. 38–54.

24 Lennick, D. & F. Kiel, *Moral Intelligence. Enhancing Business Performance & Leadership Success*, New Jersey, Wharton School Publishing, 2005, p. 26–35: The notion of Moral Capital consists of moral intelligence (knowing what to do and integrate values into coherent behavior) and moral competence (knowing how to act with integrity and doing the right thing). Moral Capital is interpreted as consistently and intentionally behaving in a manner of compassion and integrity within organizational and individual responsibility and authority — hence, the close relationship between moral capital and the notion of integrity.

25 Karssing, Edgar, *Morele competentie in organizaties*, Assen, Van Gorcum, 2000, p. 30.

26 For a more detailed explanation of Prisoners Dilemma I refer to Axelrod, R., *The Evolution of Cooperation,* New York, Basic Books Publishers, 1984; Dawes, R. & R. Thaler, 'Cooperation', *Journal of Economic Perspectives*, Vol 2, No3, Summer 1988; Binmore, Ken, *Game Theory and the Social Contract II. Just Playing*, Cambridge; London, The MIT Press, 1998; Dawkins, R, *The Selfish Gene*, Oxford; New York, Oxford University Press, 1989 & Verhezen, Peter, *Gifts and Bribes*, Leuven, 2005, Unpublished PhD dissertation, Chapter IV and V.

be better off if none of them paid[27]. The reluctance of individual companies can be overcome by developing a broad consensus on an optimal solution through institutionalizing compliance strategies[28]. However, developing an awareness of integrity strategies will possibly lead to some competitive advantages in a world where 'moral propriety', commitment to stakeholders beyond shareholders and political correctness are well appreciated[29].

On an individual level, it is the fear of losing one's good reputation that may most deter people from behaving unethically and to push them to adhere to the rules of the game within an organization. Indeed, I argue that pursuing pure selfish greed is self-destructive in the longer turn and that people always need to 'give some trust' to achieve beneficial cooperation. These limits of greed carry a socio-economic and moral dimension, but even in the biological world genes seem inherently to limit greed[30]. The danger looms that in the short term people always can manipulate that trust, although Game Theory proves that such actions within a longer time frame will cause acts of retaliation[31].

In the simple game of the Prisoners' Dilemma (PD), there is no way to ensure trust. The Iterated Prisoners' Dilemma (IPD)[32] is now the orthodox paradigm for the evolution of cooperation among selfish individuals as it is perceived in neo-classical economics and management theories, however, a detailed analysis is beyond the scope of this paper. The paradigm of cooperating selfish agents is also strongly supported by Axelrod's computer tournament where the Tit-for-Tat strategy finished first[33].

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27 Rose-Ackerman, Susan, 'The Political Economy of Corruption', in Eliott, Kimberly Ann (Ed), *Corruption and the global economy*, Washington DC, Institute for International Economics, 1997, p. 53–54.

28 This is an Institutional perspective shared by many reform and anticorruption experts. Cf. Heimann, Fritz, 'Combating International Corruption: the Role of the Business Community', in Eliot, Kimberly-Ann, *Corruption and the Global Economy*, Washington DC, Institute for International Economics, 1997, p. 152.

29 I will follow a more behavioral-psychological approach, based on research in the Game Theory. Integrity beyond pure compliance may initiate a small group of ethical 'doves' that may outsmart the unethical 'hawks'. If the group of doves is big enough, the hawks may not survive their 'nasty' strategy; Cf Verhezen, Peter, *Gifts and Bribes*, Unpublished dissertation, Hoger Instituut Wijsbegeerte, KULeuven, 2005.

30 Dawkins, R, *The Selfish Gene*, Oxford; New York, Oxford University Press, 1989, p. 233. Giving trust enhances cooperation and creates Social Capital. The Darwinian theory gives us a subtle understanding of the principle of reciprocity. Vampires are great mythmakers. The real facts about vampires tell us a different tale than the vampire's incarnation of our deepest fear for blood sucking evil. 'The bats […] rise above the bonds of kinship, forming their own lasting ties of loyal blood-brotherhood. Vampires could form the vanguard of a comfortable new myth, a myth of sharing, mutualistic cooperation. They could herald the benignant idea that, even with selfish genes at the helm, nice guys can finish first.'

31 Binmore, Ken, *Game Theory and the Social Contract II. Just Playing*, Cambridge; London, The MIT Press, 1998.

32 Axelrod, R., *The Evolution of Cooperation*, New York, Basic Books Publishers, 1984, p. 34–37.

33 Axelrod, R., *The Evolution of Cooperation*, o.c., p. 54: The Tit-for-Tat strategy is completely based on the principle of reciprocity. 'What accounts for Tit For Tat's robust success is its combination of being nice, retaliatory, forgiving, and clear. Its niceness prevents it from getting

However, only a change in individual attitude towards greed and taking advantage of the other's generosity or unconscious naivety may result in a reduction of asocial, immoral or illegal behavior. Hobbes and quite a number of other political scientists suggest that strict legal institutional sanctioning may deter the greedy selfish[34]. I on the contrary argue — in line with Hume's notion of natural virtue of sympathy and artificial virtue of justice — that without a minimum level of social internalized convention and/or moral virtues, free-riding in the Prisoners' Dilemma may not be curbed. One needs to tame the factor of greed. This may be achieved in two ways. The self-interest deterrent is loss of reputation through undermining the possibility of future cooperation, that is ultimately being excluded from the game. The other way is through greater awareness of moral reasoning (such as an awareness of integrity translated into 'Integrity based Strategies') which avoids harming other people.

The basic idea is that on the individual level, an individual in an organization must not be able to get away with defecting without effective retaliation. On the organizational level, defection in the business world could refer for example to unlawful price competition, corrupt behavior undermining the principles of a fair price mechanism or improper advertising. Cooperation (on both an individual and organizational level) could mean to comply with the rules of the industry or to be a person (or an organization) with high integrity who is trustworthy with whom it is beneficial to engage in mutually beneficial business activities.

Integrity Beyond Instrumental Rationality

An instrumental perspective of an attitude of integrity can be translated in the reasonable 'usefulness' of a good reputation[35]. However, a deep understanding of what a good life can be goes beyond an instrumental perception of 'integrity' or seeking a good reputation. I will explore two main approaches of what integrity could mean to an individual or an organization:

1. the attitude of integrity has itself an instrumental value when limiting itself to the usefulness of an individual's or organization's self-interest;

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into unnecessary trouble. Its retaliation discourages the other side from persisting whenever defection is tried. Its forgiveness helps restore mutual cooperation. And its clarity makes it intelligible to the other player, thereby eliciting long-term cooperation.' Tit-for-Tat puts forward a credible conceptual framework on both experimental and theoretical grounds as being a particularly robust strategy. Results from these tournaments demonstrate that under suitable conditions and without central authority or strict moral rules, cooperation can indeed emerge in a world of egoists, as long as a cluster of individuals are willing to rely on the principle of reciprocity. One gives trust in a unilateral moment hoping that the other will reciprocate and return the trust. If both self-interested participants can engage in such a moment of trust-giving, the principle of reciprocity is established and cooperation can materialize.

34 Most political philosophers influenced by Hobbes' The Leviathan argue that only the retaliation of sanctions and fear for losing the freedom and access to property will keep people from behaving unethically or criminally.

35 Verhezen, Peter, 'Integrity as good reputation', Working Document Melbourne University – August 2004.

2. to be a person of integrity or to be an organization with a reputation of high integrity implies a moral intrinsic value which may be 'common' or 'universalized' across cultures, and beyond a purely utilitarian perspective.

Integrity as 'Good Reputation'

Integrity as 'good reputation', based on enlightened self-interest, could certainly serve personal interests and private aspirations. The self-regulating limits of selfish behavior as expressed in an Integrity based Strategy out of self-interest could be a potent competitive weapon for organizations. It is in the interest of the agent to be trusted and to be perceived as trustworthy. Such an integrity strategy could turn the symbolic capital of perceived integrity as trustworthiness into a real economic profit[36]. However, the ethical insight of such a strategy remains within the realm of 'first person perspective' (i.e. limited to the Agent's or the Principal's perspective, but still 'individualized'). The greater the integrity of a top executive or administrator of an organization, the better one can expect the reputation of that Agent and consequently its Principal (organization) to be. A good reputation will in itself result in greater loyalty and trust from a variety of stakeholders, likely resulting in better economic performance as well.

The self-interest of a businessman to make people believe that he acts as if he is honest is sufficient to ensure that honest behavior (or at least the appearance of honesty) will continue to exist[37]. The reputation of honesty does not necessarily result in a genuine form of integrity. Indeed, honesty can ruthlessly exploit the principle of (calculative) reciprocity as long as participants perceive this behavior as 'fair', open and transparent. Being perceived as honest, generous and reliable may result in being trusted, but it does not necessarily engage in a real attitude of integrity since people can manipulate and mislead the other's perception about himself. It might have been a faked attitude. In such a case a person does not intend to follow a 'good life of integrity', he only pretends hoping to reap the benefits attached to integrity. It is clear that an attitude of integrity — despite the possible intended manipulation — may be prompted to behave in ways that would benefit himself and his group in the long term[38].

When researchers examined the phenomenon of 'taking advantage' of the goodwill of the other(s), the results suggested that greed overrules fear for the sanctions as result of free-riding[39]. This conclusion has influenced my analysis that solutions against a-social behavior (such as free-riding in the form of bribery and corruption) will need 'more' than strict and formal sanctioning. Indeed, if strategies based on trust and reciprocity fail, institutional changes and reform will be recommended or most likely both should be combined as the stick and carrot approach. However, I am convinced that only a change in individual attitude

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36 For a more detailed analysis on the distinction between economic, social, symbolic and cultural capital, I refer to Bourdieu, Pierre, *Raisons pratiques. Sur la théorie de l'action*, Paris, Seuil, 2000 (1972).

37 Frank, Robert, 'A Theory of Moral Sentiments', in Mansbridge, Jane (Ed), *Beyond Self-interest*, Chicago, Chicago Univ Press, 1990, p. 71–96.

38 Hardin, Russell, 'Altruism and Mutual Advantage', *Social Service Review*, Univ Chicago, September 1993, pp. 361.

39 Dawes, R. & R. Thaler, 'Cooperation', *Journal of Economic Perspectives*, Vol 2, No. 3, Summer 1988, p. 193.

(of integrity) towards greed and taking advantage of the other's generosity or unaware naivety may result in a reduction of asocial, immoral or illegal behavior.

A purely instrumental interpretation of the notion of 'integrity' as a tool to improve the administrator's or manager's reputation may undermine the inherent value of the ethical virtue of trustworthiness. Nevertheless, my aim to 'seduce' management into a certain behavior that is as if it is virtuous and trustworthy may be interpreted as an event of rational self-interest. Rational egoism is the view that it is irrational to act contrary to one's self-interest and thus, rationality does not require one to refrain from harming others, especially when one would benefit from it[40]. However, if such an act would harm one's own reputation, such an act to harm others becomes irrational. It may be self-fulfilling and even 'useful' to extend our rational concept of self-interest and recognize people's ability to think about socio-moral goals that emerge as a superior alternative to the standard economic instrumental view[41]. The immediate impact of reputation on behavior will limit the radius of selfishness. It is the concern for others that is often the primary motivating force for acting in accordance with moral rules and for moral ideals as manifested by virtuous excellence. In addition, it is in one's self-interest to avoid shame[42], guilt and remorse[43] and consequently one must act morally if one wishes to avoid them. Further, the risk of punishment and penalties may prevent certain immoral behavior. Despite the possible punishment and penalties when crossing social, moral or legal thresholds, or being hurt by emotions of shame and guilt, it is the fear of losing their good reputation that may deter people most from behaving unethically and to push them to adhere to the rules of the game.

The instrumental use of the integrity to ensure a good reputation by reinforcing corporate governance serves a practical economic purpose but limits it to individual or organizational self-interest. However, integrity as 'good reputation', based on enlightened self-interest, could certainly serve personal interests and private aspirations. This approach, used as a form of rational instrumentality, becomes a tool to increase the profit sustainability of organizations and to reduce the legal and reputational risk as result of unethical behavior. However, the notion of integrity as good reputation does not present itself as a concept of justice that is true, i.e. one that can serve as a universal basis for informed and willing political agreement between participants viewed as free and equal partners. Moreover, this instrumental approach to integrity in organizations will likely undermine the notion of integrity itself in the longer term. Too much focus on cynically 'using' one's good reputation may destroy the objective (i.e. beneficial consequences because of integrity) itself over time.

A policy of integrity serves a certain practical purpose of 'receiving' a good reputation as in social (corporate) contracts. But it does not validate moral universal principles across organizations, business communities or industry standards or even across cultures. Such self-interested integrity strategies do not provide any epistemic reason to explain the potential

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40 Gert, B., *Morality. Its Nature and Justification*, New York; Oxford, Oxford University Press, 1998, p. 352.

41 Sen, A., 'Rational Fools: a critique of the Behavioral Foundations of Economic Theory', *Scientific Models and Man: the Herbert Spencer Lectures*, London, Oxford University Press, 1976, p. 1–25

42 Williams, Bernard, *Shame and Necessity*, Berkeley; LA; Univ of Berkely Press, 1993.

43 Tudor, Steven, *Compassion and Remorse*, Leuven; Paris, Peeters, 2001.

universal obligatory force of moral norms. In other words, this intrinsic moral value of the notion of integrity besides the enlightened self-interested purposes needs to be articulated.

An Intrinsic Perspective of Integrity as Truthfulness

Although it is quite obvious that one can 'justify' some enlightened self-interested behavior from a personal — private perspective, it remains very 'contextual'. In other words, one easily could turn any presumed attitude of integrity into a self-interested propaganda stunt. My aim here is to find a way to go beyond a community contextual content to circumvent the potential criticism of instrumental rationality of integrity to reach some universal validity beyond cultures or ethno-centric perspectives, possibly by reaching an overlapping consensus. The attitude of 'private' integrity (on an individual level or Agent) gives and creates a trusting environment can lead to some 'publicly' recognized obligations (on an organizational level or Principal) that constitute (business) communities based on the principle of (strict) reciprocity.

Indeed, integrity as reputation could serve some enlightened self-interest of the Agent and possible the Principal. Such an instrumental integrity strategy misses the obligatory force of binding norms and valid moral statements, unless serving one's self-interest. Hence my search for some cognitive content of a normative statement as found in an attitude of integrity that goes beyond its instrumental rationality where (A) the trustworthiness of a person with integrity can claim (B) some truthfulness — i.e. intrinsic value — as well. Such truthfulness could refer to a possible (though not absolute) 'universal perspective' of an intrinsic morally 'good'[44].

The criteria of 'intrinsic' moral worth remain fallible and dependent on (1) an intentional sincerity and (2) professional accuracy of using a moral vocabulary. Truthful moral reasoning requires the 'virtues' of (1) sincerity ('what a person says reveals what he believes') — or trustworthiness — and (2) what Bernard Williams refers as accuracy ('a person does his utmost best to acquire true beliefs') — or 'objectivity' acquiring abilities[45]. Sincerity involves a certain kind of spontaneity when one tries to 'tell the truth'. The notion of accuracy, implicitly referring to a semantics explaining a conceptual content, includes resistance to self-deception and wishful thinking, which implies the acknowledgment of traditions and (scientific) authority.

Based on the information available to the other party, an Agent can be rationally sound and yet be extremely immoral. He is only truthful[46] in the sense both of telling the 'truth' (as far

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44 Although the notion of 'intrinsic value' can be easily associated in history of philosophy which could be viewed with justifiable suspicion, I argue that 'intrinsic' here refers to what is agreeable to reason beyond pure private self-interest and beyond the instrumental use of the notion of 'utilility'.

45 Williams, Bernard, *Truth and Truthfulness*, Princeton; Oxford, Princeton University Press, 2002, p. 11 and p. 45.

46 The notion of truthfulness is here understood in a philosophically pragmatic manner (Putnam, H. & J. Stout), either as in a purely formalistic communicative ethical discourse (Habermas, J.), or as in a more substantive interpretation as expressed in 'deep moral values', called 'hypernorms' (Donaldson, D.). The notion of 'trustworthiness' and the accurate process of

as his internal perspective allows him) and of helping the other person to 'discover' some objectivity, implying that he is sincere and accurate about his procedures and motives which should be transparent to others and without hidden agendas in order to make the best sense of his statement. Being justified (in believing something or persuading someone else) is about epistemic and rhetorical responsibility, which is sensitive to the context in which it is spoken. One could justify a certain activity while not being completely sincere or authentic, and thus, not really trustworthy.

A moral proposition should not be insulated from critical questioning, conjectures and refutation processes. In recognizing my ethical judgments claiming some objective validity is not incompatible with acknowledging that I am shaped by a particular culture within its historical context. Despite the subjectivity of those who apply them, objective ethical principles are made possible in part by social interactions among virtuous individuals[47] within rule-based institutions. Such an attitude of integrity may result in more responsible and fair relationships, trust (worthiness) and truthfulness[48], open communication and empowerment of each individual.

Paradoxically, directly focusing on loyalty and 'good reputation' only without being 'sincere' and 'accurate' about our intentions will likely undermine these beneficial objectives of 'integrity' in the long term since they are perceived as purely instrumental to increase our selfish profit maximization objectives (which are not revealed). The beneficial consequences of being a person or organization of high moral integrity are side-effects and not the main aim of integrity itself[49].

Integrity Based Strategies in Organizations

Integrity in relations definitely adds value and creates trust. In other words, persons could gain the trust from other people by showing integrity. That could be easily translated in

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'truth-telling' express a need to find out the content about a certain matter, to hold on to it, and to share that with others – i.e. embracing an attitude of truthfulness. Truthfulness focuses on the act of 'calling-true' rather than on the quality of the thing called 'true', which may help resist the temptation of epistemic foundationalism or a strict correspondence account of 'truth' (which may be meaningless anyway in case of normative statements). Truthfulness emphasizes the correctness of the content of a statement.

47 Of course, it is individual extraordinary persons — usually of highly virtuous character — whose intentional acts of building, constructing and discovering new moral realities have made a difference in moral history. Individuals like Gandhi, Martin Luther King, Nelson Mandela and many others have contributed to adapt or even change our moral custom and language to 'new' realities from within not outside a specific moral vocabulary.

48 Whether truthfulness can be translated into an overlapping consensus or can be acquired into a moral obligation of unconditional and categorical validity is beyond the scope of this paper. I refer to Ralws, J., *Political Liberalism*, Harvard University Press, 1998 & Stout, J., Ethics beyond Babel, Princeton University Press, 2003. Whether truthfulness can be translated into an overlapping consensus or can be acquired into a moral obligation of unconditional and categorical validity is beyond the scope of this paper.

49 Verhezen, P., 'The Paradox of Integrity in organizations', a public lecture for CAPPE at the Department of Philosophy, Melbourne University, 11 November 2006.

increased value to the organization. An organizational culture driven by positive motivations such as integrity and its accompanying ideals and values can inspire individuals and raise the level of their behavior and attitudes. Shifting a culture away from corruptive behavior — which (literally and etymologically) breaks down (integrity) — is critical for the organization's and individual's 'well-being'. The goal is to create a whole new field of meaning from which the organization and its individuals can draw. Integrity based Strategies mean shifting the underlying motives and 'shift the values' which underpin them[50]. Because motives are what drive behavior, a shift in motives leads to a consequent shift in behavior. When persons have changed or 'upgraded' their attitude affecting their behavior, they can enable and expect a shift in culture at the organizational (and broader) level.

Curbing Corrupt Behavior by Integrity Capacity Building

Based on empirical data gathering and some personal contacts with BP, Unilever and Mead Johnson, all multinational companies operating in Indonesia, I found that these international organizations reasonably resist the temptation to bribe or to be molested by tax and other government officials. They stick to their internal rules and regulations and adhere to strict law enforcement. In addition, individuals show determination to implement certain moral values in practice, resulting in a respectful attitude of integrity. Moreover, those multinational organizations aim at increasing the moral standard. Unilever in Indonesia for example, which contributes almost 0.6% of all tax revenues to the Indonesian government, will not make any 'deal' with the tax officials despite numerous harassments[51]. All those organizations have high integrity values and know how to implement them as well as adhering to the rules and host regulations without upsetting (too much) the local (often corrupt) host government officials.

An Integrity based strategy or 'Value Program' basically adds a moral dimension to an organization and its broader business environment, which largely reduces the assumed natural distinction between private enterprises and public institutions since both will become 'servant leaders'[52], 'serving' or adhering to their values and goals of the Principal. Facing ethical dilemmas, organizations will need to rely on their values and principles to provide a solution for such dilemma problems. An Integrity based strategy implies an action-based or process-oriented approach in implementing values and ethical principles instead of a more formalistic rule-based compliance approach.

Obviously, such an attitude of integrity may lead to appropriate ethical behavior that complies with one can expect of a virtuous individual. 'Integrity is the basis of trust which is not as much an ingredient of leadership as it is a product.[53]' A reputation for integrity must be earned by being honest and trustworthy. Once that reputation is gained, one can be trusted by one's colleagues. Such a reputation not only shows the personal 'worth' and leadership, but

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50 Paine, Lynn S., *Values Shift*, New York, McGrawHill, 2003.

51 This information has been obtained in a personal discussion with Mr. Nihal, the former CEO of Unilever in Indonesia whom I invited for a guest lecture in Business Ethics at IPMI, 2004.

52 Zohar, Danah & Ian Marshall, *Spiritual Capital. Wealth we can live by*, London, Bloomsbury, 2004, p. 208.

53 Bennis, Warren, *On becoming a Leader*, Reading MA, Addison-Wesley, 1989, p. 41.

also enhances the organizational value[54] through a continuous dialogue with stakeholders who are critical for the organization.

The notion of integrity almost functions as the 'bottom line' of an organization, delivering (organizational) value with (ethical) values. Integrity (and compliance) based strategies add real value in terms of an enhanced good reputation, increased loyalty, reliable products and services, trustworthy employer, credible leadership and account taking into their stakeholders' interest. One could easily argue and empirically prove that the agents' and employees' attitude and their loyalty to organizational values play an even more important role[55] in achieving some level of integrity. However, such efforts will require a conscious awareness of moral dilemmas[56] and some ethical capacity building within organizations.

Integrity as in Moral Compass & Transparent Reporting

How do values constitute our perception which guides our behavior? By being aware of our principles and values and understanding what to do and how to implement them, we acquire the ability to differentiate right from wrong. This ability is defined as moral intelligence[57]. As a matter of fact, one of the two main clusters of skills of moral intelligence is an attitude of responsible integrity which can be viewed as an essential requirement to be a good (moral) leader. If you add the second main skill of forgiving compassion, it may build up to the necessary requirement to become a great (moral) leader.

The most successful leaders in any organization are likely to be trustworthy individuals, who have a strong set of moral beliefs and the ability to put them in action. A moral compass[58], used by those individuals, is a set of deeply held beliefs and values which drive their personal and professional lives. This internal moral compass — i.e. our internalized rules and regulations overviewed by our personal court or conscience — constitutes our moral understanding of what needs to be done. A moral compass can be interpreted as a specific moral guide for the executives of an organization. Moral competence is our ability to act in alignment with what we know is right. It is the understanding of how to implement those values. The moral compass directly affects our goals that drive our behavior. As long as we are in line with them, we can be called a person of integrity, a whole person in line with his/her values, goals and behavior.

Empirical evidence — based on Fortune 1000 research — suggests that most multinational organizations combine a compliance and integrity based strategy to address the issue of (un)ethical behavior. However, there seems to be a consensus that integrity based strategies may provide superior results in tackling moral dilemmas. Individuals in those organizations feel empowered and involved in integrity based strategies whereas they may feel like they are

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54 Karssing, Edgar, *Morele competentie in organizaties*, Assen, Van Gorcum, 2000, p. 30.

55 Arvis, Jean-Francois & Ronald E. Berenbeim, *Fighting Corruption in East Asia. Solutions from the Private Sector*, o.c., p. 46–47.

56 Dilemma training is an example of such 'capacity building' that likely will have a positive effect on the organizational reputation and value.

57 Lennick, D. & F. Kiel, *Moral Intelligence. Enhancing Business Performance & Leadership Success*, Pennsylvania, Wharton School Publishing, 2005, p. 5–18.

58 Paine, Lynn S., *Values shift*, New York, McGraw Hill, 2003, p. 37–61.

being 'watched' in case of compliance strategies emphasized by the Board[59]. However, many managers are reluctant to talk about integrity with their colleagues because they are not familiar with the moral issues, because they prefer to avoid conflicts or ambiguities which characterize moral dilemmas, and because ethics often is considered as soft and not related to management issues. Such a negative attitude vis-à-vis integrity may lead to moral muteness[60], undermining an attitude of integrity.

If we believe that it is proper and valuable to reveal the real 'truth' or position of an organization to its share- and stakeholders, accurate and sincere reporting will be required to gain trust. Such objective (i.e. accurate) and trustworthy (i.e. sincere) reporting can be interpreted as accountable which is usually the result of an attitude of integrity to do the right thing. Thus transparent and accountable reporting not only reflects a truthful and trustworthy attitude, it will create and sustain trust among employees, customers, and other important stakeholders, not to forget investors-shareholders. Moreover, such transparent reporting will likely comply with most international accounting standards (given some technical events-driven adaptations in the reporting methods and standards) and be in line with the Sarbanes Oxley Act (given that new legal responsibilities for internal and external auditing which legalizes some good governance practices are taking into account [61]).

One could refer to the ethical leadership of an organization based on ethical consistency and transparency where the leader will be held accountable for his/her convictions and respective actions. These 'defining moments' reveal their genuine commitments, test the strength of their ideals and moral values, and share their organizational or individual moral character[62]. They demand the capacity to work and live within the inescapable tension between (moral) 'virtue' and (economic-political savvy) virtue in the unforgiving real world[63].

Conclusion

Good reputation achieved as a result of an attitude of integrity usually generates greater loyalty and trust from a variety of stakeholders. It also implies the awareness of one's

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59 Trevino, L.; G. Weaver; D. Gibson & B. Toffler, 'Managing ethics and legal compliance: what works and what hurts', *California Management Review*, Vol. 42, no. 2, 1999, pp. 131–151.

60 Bird, F. & J. Waters, 'The moral muteness of managers', *California Management Review*, Vol. 31, 1989, pp. 73–88, quoted in Karssing, Edgar, Morele competentie in organizaties, o.c., p. 47–48.

61 Moeller, Robert, *Sarbanes-Oxley and the new Internal Auditing Rules*, New Jersey, Wiley & Sons, 2004, p. 9–55. The Sarbanes-Oxley Act has been speedily voted in place as result of the Enron debacle. The SAO makes directors and executives reliable and legally accountable for appropriate transparent reporting of their activities. SAO aims to legally implement good corporate governance rules in the USA.

62 Badaracco, Joseph L Jr, *Defining Moments. When managers must choose between right and right*, Boston, Harvard Univ Press, 1997, p. 120.

63 Ibidem, p108: The Latin notion virtu — as it is interpreted by Machiavelli and many so called 'Real Politiker' is the combination of vigor, confidence, imagination, shrewdness, boldness, practical skill, personal force, determination, and self-discipline, and it to be distinguished from moral virtue (in Aristotelian sense). Machiavelli perceived 'virtu' as the moral code of public life.

economic-political and ethical responsibilities as an agent to the principal and the significance of strict implementation of one's ethical values and principles.

Because of self-interest rather than altruistic motivations, being perceived as an executive of integrity may help cement a more ethical and thus more responsible social corporate environment. The Prisoners' Dilemma revealed the correlation between integrity and the limits of selfishness on the one hand, and the positive influence it may have on the reputation of an organization-principal or individual-agent on the other hand. Consequently, a practical approach attempted to prove that 'integrity as reputation' can have a significant positive influence both in the corporate world as well as in the public sector to indicate the enormous potential such perceived image of integrity may have on an organization or public entity.

Integrity based strategies usually do not result from compliance but definitely would generate better compliance. In order to improve compliance, one needs not only to increase the deterrents for unethical behavior (i.e. sanctions) but also to change one's perception on moral principles and values. Integrity strategies may be able to shift motivation of organizational executives which may shift their behavior towards becoming more ethical and aligned with their norms, principles and values.

The motivation is not only instrumental in nature that such an attitude brings good reputation and increased value. Moreover, integrity may also have an intrinsic value 'worth' pursuing. A trustworthy and truthful CEO (Chief Executive Officer) could be considered a 'Chief Ethics Officer' who leads his organization in a more appropriate and sustainable way, while increasing its total value.

Coordination on Ethical Values: Yes or No?

Mimi Zajc

Introduction

Ethical conduct of employees in the public sector is an important factor for the appearance of credibility and trustworthyness of the state. The ethical standards, expectations and requirements of citizens about behavior of people in the power has diffrered throughtout history. However, the establishment of modern states and the acceptance of constitutions in the 18th and 19th century were very important in forming new constitutional rights and for the protection of human rights and fundamental freedoms against the discretionary and arbitrary use of state power. Last century, the emergence of Nazism, fascism and communism meant that the world experienced the terrible consequences of totalitarianism. Such cruel, inhumane and degrading treatment would not have been possible if the national authorities allowed oversight of the political process by civil society. With the changable social environment and modern times have come new dilemma(s). It is important that democratic societies and emerging democracies revisit ethical standards and principles of public sector ethics for protecting the human rights and fundamental freedoms against arbitrariness of state authority. To ensure proper ethical conduct in the public sector, many countries have set up special bodies, which are charged with developing and promoting ethics, participating in the process of education of public servants, and assisting state institutions with solving various ethical dilemmas.

Results of the Research

The research titled 'Ethics in the Public Sector' was undertaken in 2004. The results are presented below..The survey was sent to 490 employees of the public sector and 610 users of service of the public sector. Responses were received from 247 employees and 155 users of public sector services. The questionnaire (not anonymous) about ethics in the public sector was sent to 59 important public institutions including parliament, government departments, courts, political parties, educational institutions, health and cultural institutions. From these organisations, 29 completed surveys were returned.

Figure 1(a) Sex of inquirees

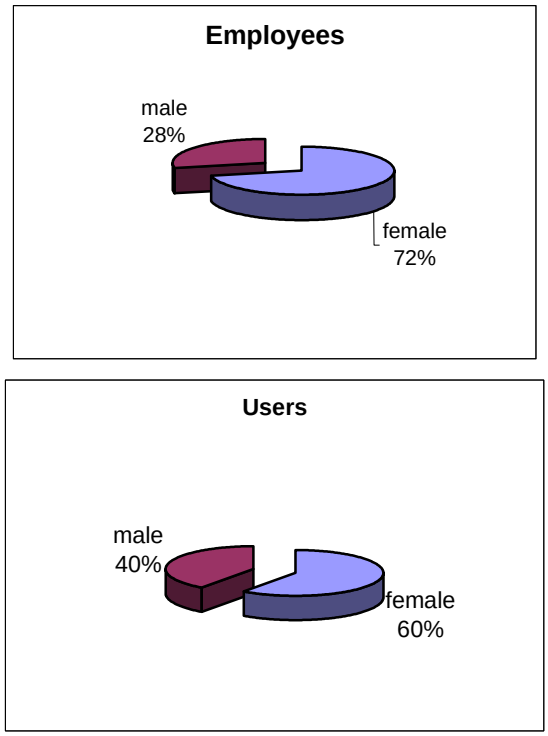


Figure 1b. Age of inquirees

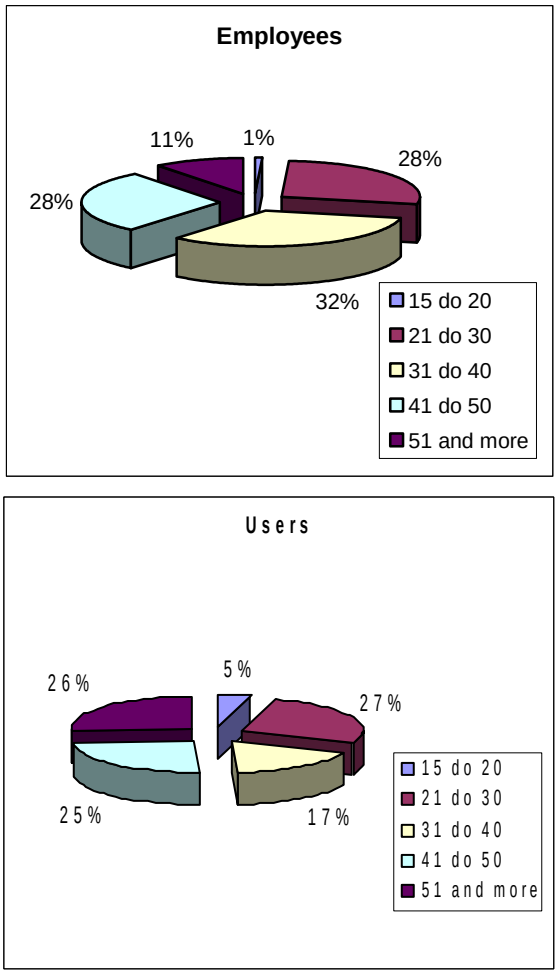
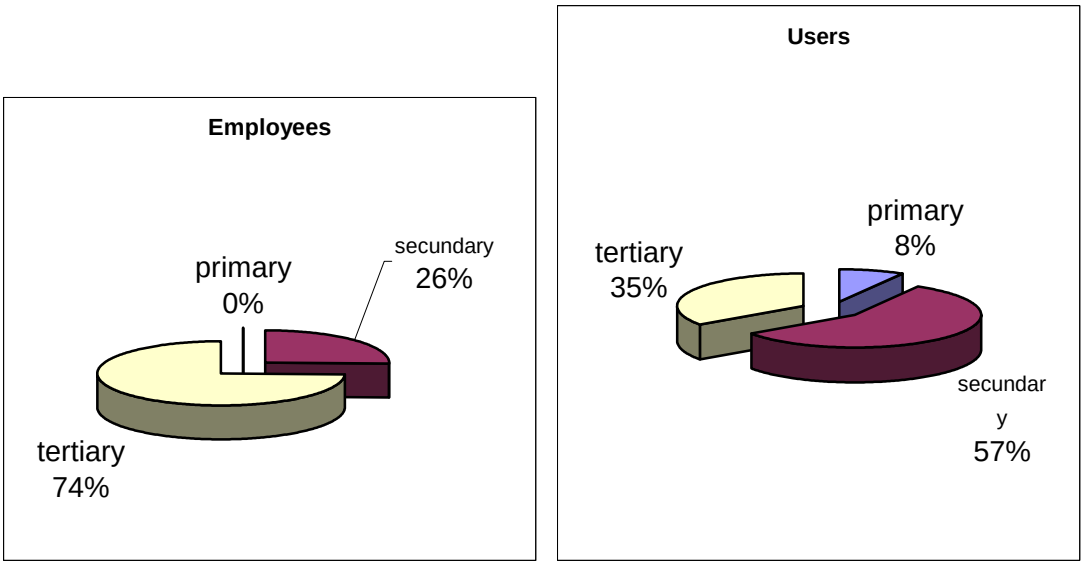
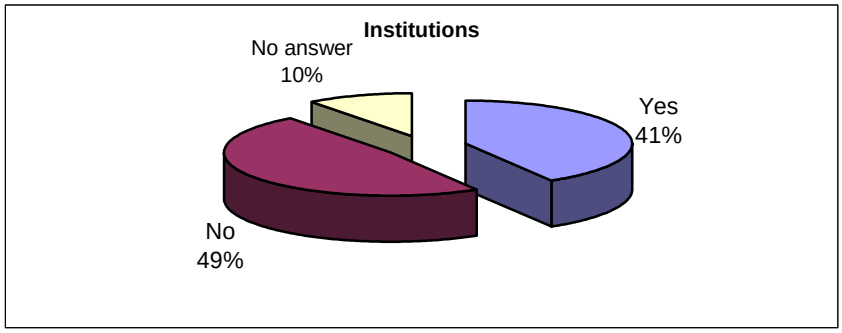


Figure 1c Level of education of inquirees

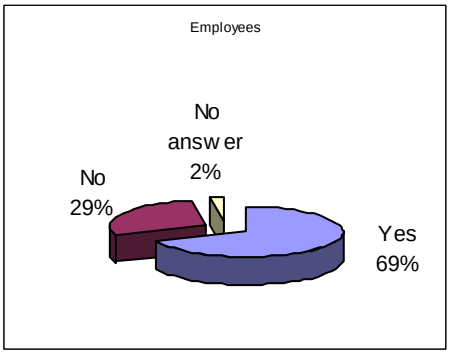


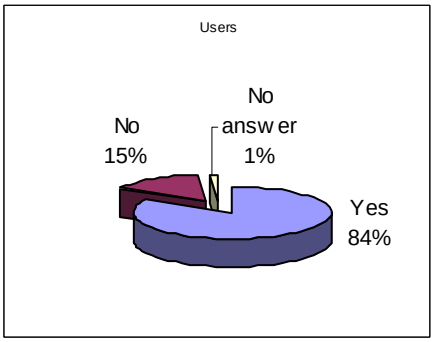
2. Do you think that the coordination of ethical conduct in the public sector is needed?

Results of the questionnaire for public institutions



Results of the survey for employees and users of public sector services

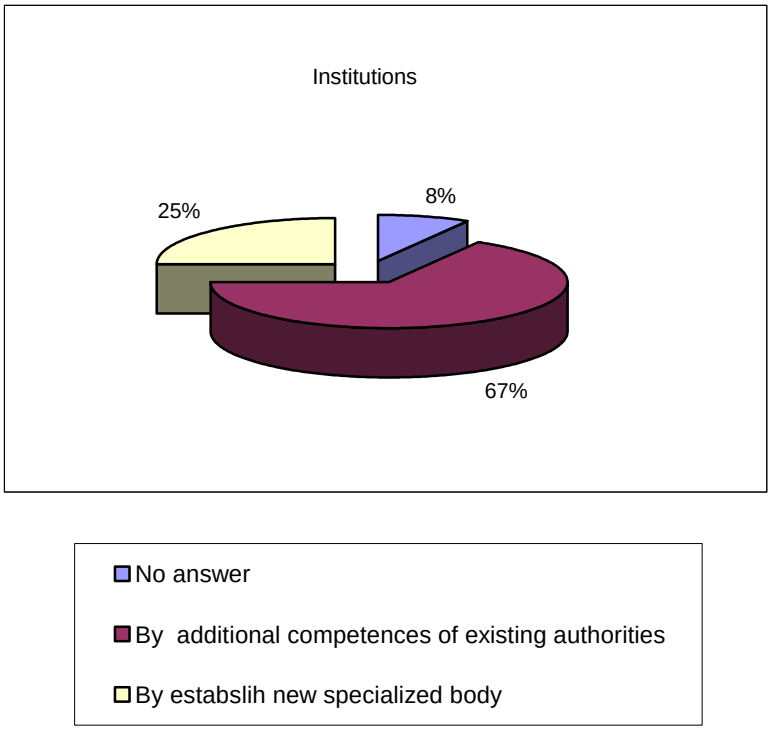


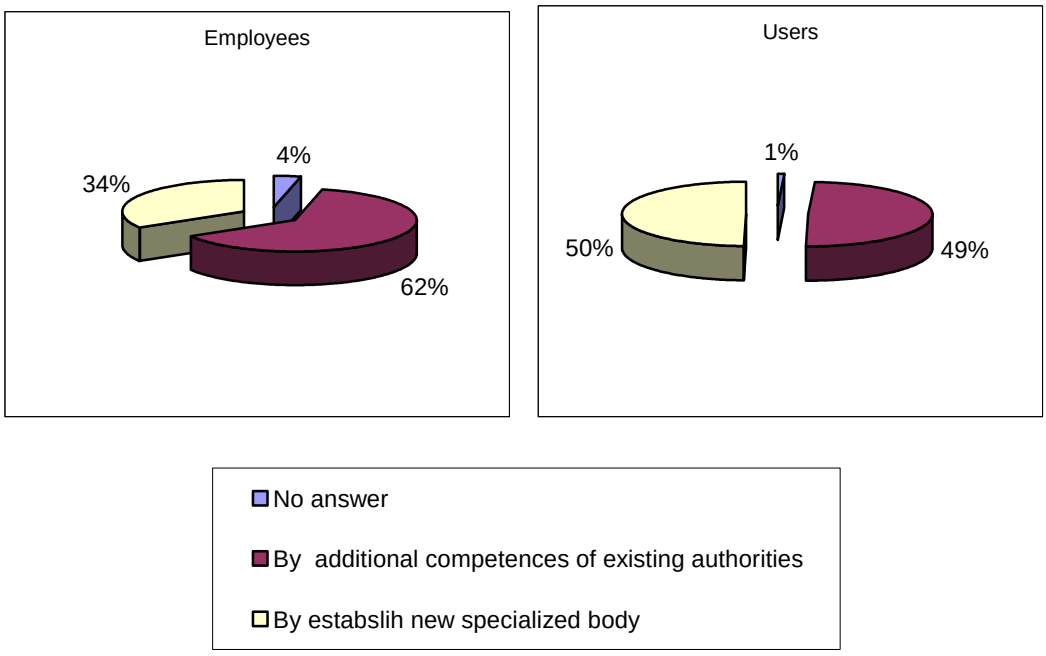


The graphs show that employees and users support the coordination of ethical conduct across the public sector.

3. How, for those who answered YES

Results of the questionary for public institutions



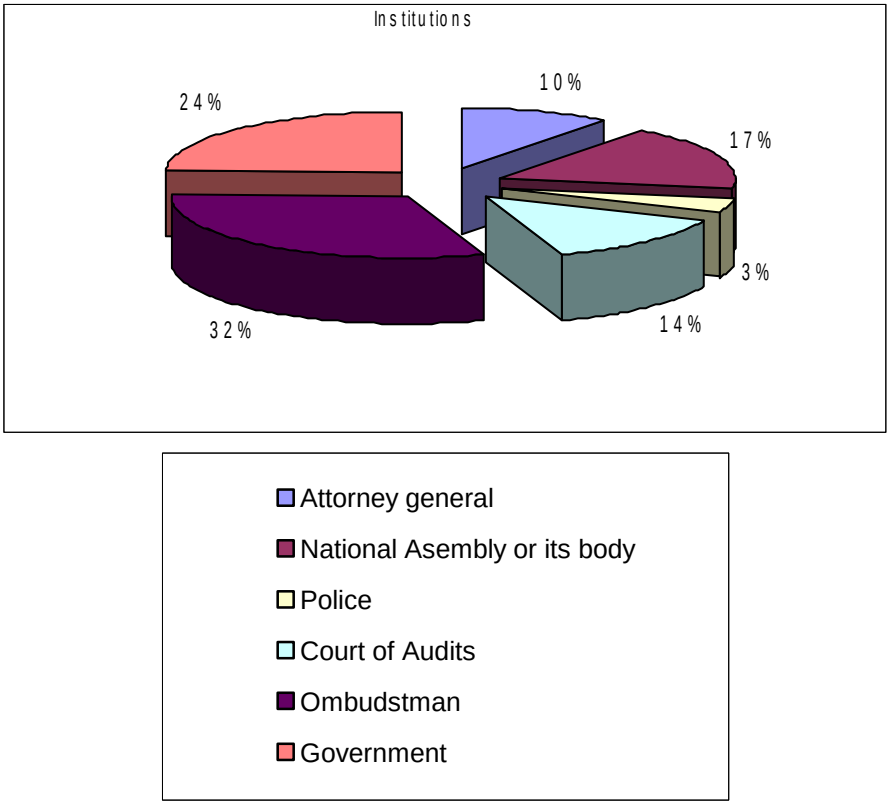


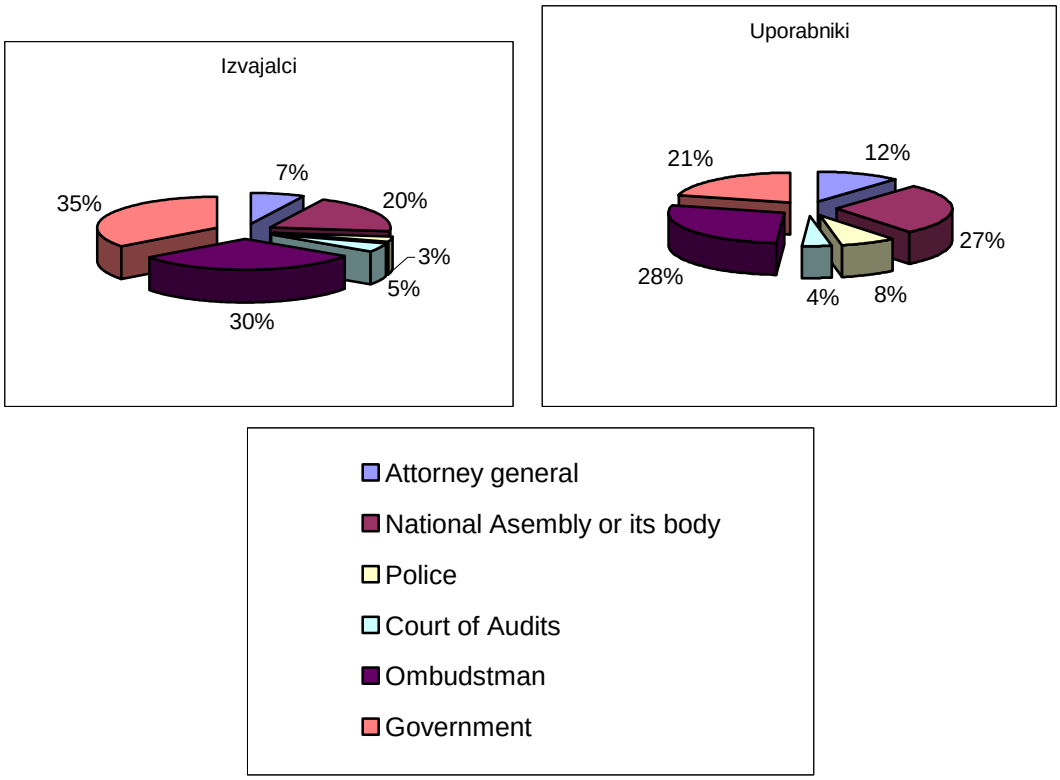
Graf. 3: The method of setting up the coordination on ethics conduct

The results show that the majority of public institutions do believe that responsibility should be given to one of the existing authorities. The response from employees was similar. Among the users, both options are divided almost equally.

4. To which existing authority the competency of the coordination and promotion on ethical conduct should be delegated?

Results of the questionnaire for public institutions





Graf. 4: Granting responsibility for coordination and promotion of ethical conduct to existing authrities

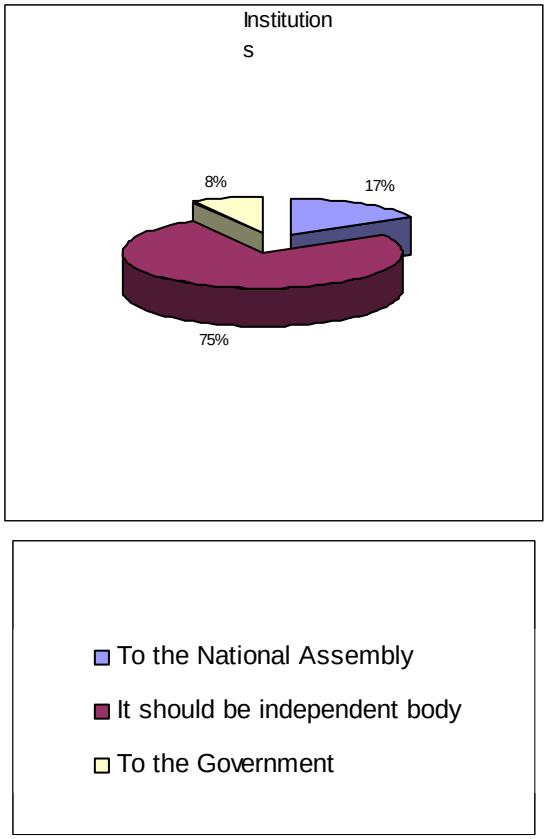
The results of the research show that the majority of public institutions believe that responsibility for coordinating and promoting ethical conduct should be granted to the Office of Ombudsman.

Responses of employees and users show that 35 percent of employees think that the government should have the responsibility for coordinating and promoting ethical conduct in public sector — 30 percent would delegate these responsibilities to the Office of Ombudsman rather than to the National Assembly (20 percent).

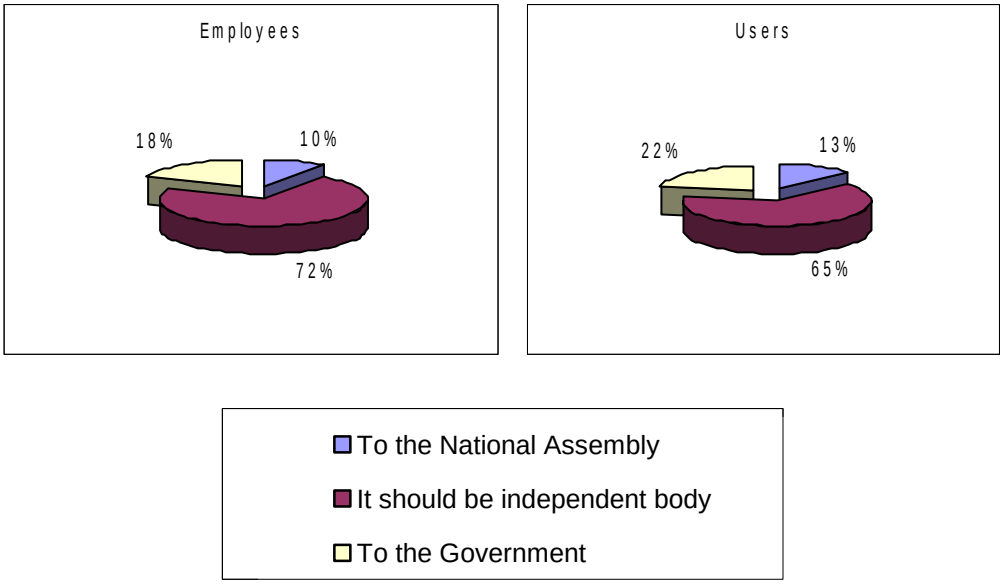
Users of public sector would assign these responsibilities to the Office of Ombudsman, followed by the National Assembly and then government agencies. According to data, it could be inferred that the Office of the Ombudsman was considered to be the most reliable authority for the coordination role.

5. If the new specialized body would be created, to which authority it should be accountable?

Results of the questionnaire for public institutions



Results of the poll for employees and users of public sectorservices



Graf. 5: Accountability of the new specialized body

The New Paradigm of Anti-corruption Policies in Korea: A Focus on the Lobbying Disclosure Act

Young Jong Kim

Abstract

The prevalent corruption in Korea functions as a setback to the democratic development of Korea. The government of Korea, over the years, has struggled to control and prevent the corruption phenomena with limited success. Among various causes of corruption in Korea, weakness of ethics among public officials is a major cause of the phenomena. In addition, presently, despite widespread corruption is associated with lobbying, no lobbying disclosure or prevention Act exists in Korea. Using a paradigm approach to corruption, the author of this paper contends that it is urgent to control widespread lobbying corruption by introducing an act as an efficient and effective mechanism for controlling corruption in the country. The author argues that we need to build the new paradigm by stipulating a lobbying disclosure Act and suggests a new paradigm focusing on maximizing the control-mechanism of lobbying by establishing a new system in Korea.

Introduction

The new millennium in Korea has begun with positive prospects for vitality along with instability. The 21st century came heralding the powerful impact of the global economy, society, and values without borders, which inspires both hope and possible hazards. It seems that the nation needs a strong leadership with wholesome visions for the new era to cope with the enormous challenges in store in the new international environment of accelerating globalization. There is no doubt that the new environment in the new millennium would require a new pattern of thought and system in nations around the world, especially in emerging economies like Korea. Politics must be the driving engine for Korea, which is still at the toddler stage of democracy and the market economy.

Moreover, as a recent opinion poll in Korea demonstrated, politics has become the most corrupt profession in the country. This report, conducted by the Seoul Metropolitan Government, indicates that among the Korean citizens residing in Seoul, 58 per cent of respondents believed that the public officials in Seoul were involved in corruption. In addition, according to KICAC (Korea Independent Commission Against Corruption), 60 per cent of Koreans believe that

public officials are still involved in some form of corrupt behavior.[1] These findings are an indicator of the prevalesence of corruption and citizens' perception of it.

In case of Korea, corruption in the public sector poses a setback to a more transparent nation. Although previous governments of Korea planned special actions to reduce corruption, the results were far from successful. So far, numerous politicians and scholars have advanced their own prescriptions to cure the widespread corruption phenomena. Yet, it seems that their systems do not work because of the superficial measures for combating the corruption phenomena. The approach taken by the National Assembly to eliminate corruption exemplifies such superficial measures. It cannot be emphasized enough, the important role and responsibility of lawmakers since they are in the position to operate sound mechanism for controlling corruption. It is argued that the anti-corruption law should be independent from political influence.

The author, in this paper, suggests approaching corruption using a paradigm as its framework. Paradigms used are categorized into external, internal, and future. The external and internal paradigms are based on the causes of corruption. First, brief conceptualizing concepts are discussed in chapter 2. Next, chapter 3 discusses the current state of lobbying corruption in Korea. In chapter 4, the first part examines each paradigm in further detail in connection with corruption. In the second part of chapter 4, suggestions on external paradigms are laid out and finally; a lobbying disclosure Act is proposed. Using this paradigm approach to corruption, the author of this paper contends that it is urgent to control widespread lobbying corruption by a related Act as an efficient and effective mechanism for controlling corruption in the country.

Conceptualization of Major Terms

Definition of Corruption and Lobbying

Corruption is like a social disease. Once it starts to infect one sector of society, it can spread through the entire society in just a matter of time. In case of Korea, corruption is prevalent among government officials, significant number of public officials or bureaucrats, businessmen, or even ordinary citizens. Because few incidents are reported, and the public only notices those of a serious nature, it is necessary to observe corruption with great care and comprehensiveness; in reality, those cases that come to public attention are only the 'tip of the iceberg'.

In general, corruption is a human vice that probably dates back to the advent of the earliest civilization. Ever since a society began to feature a hierarchy of the ruler and the ruled, there have been growing practices of impairing existing social morals and virtue. Ideally, the definition of corruption can be analyzed from an integrated perspective. Since the word corruption refers to different types of corrupt acts, it is difficult to define corruption as a single concept. In the context of the integrated perspective, corruption could be defined as an expression to denote an array of fraudulent schemes and commercial offences by con men, businessmen or public officials.

In particular, corruption by public officials refers to deviant behavior resulting from violation of norms by public officials or related citizens in carring out their public duties. The main aim of this paper is to discuss corruption in political or administrative systems. The culture of

[1] *KICAC report* to roundtable conference sponsored by TI Korea (April 6 2006)

corruption can be defined as a universal phenomenon in an organization or society which means that corruption is so prevalent and widespread that both citizens and officials are involved in reciprocal acts of corruption such as paying and accepting bribes for obtaining their specific objectives. Likewise, both sides justify the practice — perhaps morally justify it — and neither feels that they are acting under duress.[2]

As diverse as the concept of corruption is, the causes for such behavior also greatly differ. Gould's study of corruption focuses on the case of developing countries. More specifically, he points out the special circumstances such as rapid economic social change, strong kinship and ethnic ties, overlapping/monopoly of economic condition, widespread poverty and socio-economic inequalities, legitimacy of governmental organizations, and systematic mal-administration as the reasons for bureaucratic corruption in those countries (Gould, 1983). The tolerance of corruption is also a factor to consider for causes of corruption. Specifically, if the tolerance for corruption is lower then, the higher the risk of widespread corruption.

Different scholars have focused conceptualizing corruption. Heidenheimer focuses on the third category of political phenomenon (Heidenheimer, 1978) and Scott emphasizes the special case of political influence where deviant behavior comes from the public office (Kim, 2003). Johnston points out the reality of corruption, focusing on explanations as a consequence of human nature, institutional explanations as a consequence of loopholes, hidden dynamics or unintended side effects inherent in our institutions and laws, and on a form of influence within the political system, rather than as a sort of despoiling force (Johnston, 1982). Huntington views political corruption as a result of social frustration and dissatisfaction-satisfaction (Huntington, 1968).

Corruption refers to deviant behaviors resulting from violation of socio-cultural and ethical norms. Most of the corruption phenomena can be attributed to maladjustment between system, behavior, and socio-cultural environment.

Then, what is lobbying? The concept of lobbying varies among scholars.[3] First, the "narrow" conception of lobbying restricts the practice to the attempt to influence legislators through direct contact. Secondly, the "middle-range" concept extends application to attempts to influence any government institution or official. Finally, the "broad" concept of lobbying includes the "grass-roots" operations that attempt to agitate public opinion in the hope of influencing government decisions. [4]

In this paper, the term "lobby" is used in a broader sense than the legal concept under which lobbyists register. It includes any form of communication intended to influence a governmental decision directly or indirectly. Under this definition, lobbying can occur within any governmental institution, and can focus on any decision maker ─ clerk, staff member or official. In this study, the term "lobby" is interpreted in this broad sense. It includes not only the

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2. See the detailed sources; William L. Miller, ASE B. Grodeland and Tatyana Y. Koshechkina (2001), *A Culture of Corruption? : Coping with Government in Post-Communist Europe*, Budapest: Central Euprean University Press, p.15.p. Young Jong Kim (April, 1988.), *Innovation of a Culture of Corruption*, presented *at the Conference sponsored by KAPA,* pp.1-25.
3. Chung Hee Lee (1988), *Foreign Lobbying in American Politics*, Seoul: Seoul National University: 20-27, 197-198.
4. *Ibid*

lobbyists' activities in Congress but also their other activities, such as lobbying in the executive branch, public relations activities, and research and "grass-roots" lobbying.

Recent Scandals in Korea: The Land of Total Lobbying Corruption?

Corruption erodes the moral fabric of every society; undermines democracy; violates the social rights of the poor and the vulnerable; subverts the rule of law which is the basis of every society; retards development; and, denies society — particularly the poor — the benefits of free competition (Lima Declaration, 1997). Besides, corruption discourages productivity and breeds distrust, encourages social conflict, dissatisfaction, and complaints. As a result, people react against their government through the collective action of social movements. The collective behaviors of the people might even destabilize the government. At the point where corruption problems become so severe that there is no public confidence in the government, people often approve — without any sound rationale — more drastic measures to correct the economic or political situation.

Recently, the Prime Minister of Korea, Lee Hae Chan was involved in a golf outing scandal by playing golf with businessmen. "His former aide, who accompanied him, said a businessman paid the green fee on behalf of the prime minister, which constitutes a violation of the ethical code for public servants. The main opposition Grand National Party stepped up pressure for the dismissal of the prime minister, calling for a parliamentary inquiry and a probe into his relationship with the businessmen. The opposition party also requested a state audit agency and a prosecution probe into his relationship with the businessmen." [5] Lee apologized to the public for teeing off with "inappropriate partners" which included businessmen with criminal records in Pusan when the nation was hit by a railroad strike.[6] Finally he resigned his position because of strong public opinions regarding his breach of the ethical code of public servants.

Another recent case of lobbying corruption involves Kim Jae Rok.[7] Though this case is still under investigations, fierce and illegal forms of lobbying are taking place. There are allegations against Hyundai Automotive Group raising slush funds to lobby politicians. Investigators at the Supreme Public Prosecutors' Office arrested Lee Ju-Eun, head of Hyundai Automotive's logistic unit, Glovis, on charges of embezzling company funds of up to 7 billion won ($7.1 million).

Prosecutors believe that Lee used some of the money to bribe politicians and government officials for business favors. There are suspicions that Hyundai Automotive had lobbied officials at the Seoul Metropolitan Government and the Ministry of Construction and Transportation to acquire a permit to build a research and development (R&D) facility in Yangjae-dong, a southern district in Seoul. Other accusations include the carmaker's attempt to bribe politicians ahead of the 2002 presidential elections.

The controversy over Hyundai Automotive, which is now a national scandal, is the latest in a series of dust-ups involving Korean conglomerates and politicians. Samsung Group, Korea's largest conglomerate, became the target of public scrutiny last year, when the local media

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5 *Ibid.*

6 *Korea herald,* March 15, 2006.

7 See -*Korea Times,* Thursday March 30, 2006

revealed the transcripts of a tape-recorded conversation between Samsung Vice President Lee Hak-soo and former Korean Ambassador to Washington Hong Seok-hyun, then publisher of the Samsung-owned newspaper *Joongang Ilbo*. The two men reportedly discussed providing illegal campaign funds to presidential candidates ahead of the 1998 elections. Samsung was also pressured when prosecutors strengthened their investigation over allegations that the group's wealth was unlawfully transferred to the founding family. In a desperate attempt to improve its public image, Samsung announced earlier this year that it would donate 800 billion won to society.

There are worries that the pervasive corruption in Korea imposes not only a moral cost but also acts as an obstacle to foreign investors spending money here, with concerns over business efficiency becoming more evident. "It is true that there are certain market sectors in Korea that are considered by most foreign investors as a closed book, with transparency risks in the operational process keeping them from getting extensively involved," said an executive of a Korean-American consulting company, a U.S-national who did not want to be named. As a matter of fact, the recent cases of corruption and fraud committed by politicians, government officials and high-profile businessmen have left the general public disappointed.

Some observers[8] such as the director-general of Transparency International Korea, the local branch of the international corruption watchdog, argue: "It is apparent that our society has a long way to go but I believe we are on the right track, in the middle of building a consistent system and framework to fight against corruption." A Transparency International spokesperson concurs that Korean politicians and businessmen are still much too vulnerable to corruption, fraud and abuse. However, he believes that the pressure is increasing to improve their transparency and accountability. Oh Jung-taek is also confidant that Koreans are now better educated in fighting corruption. "I think we could credit the intellectual community for pressuring policymakers in the past years to implement consistent measures to evaluate the conduct of public servants and set stronger regulations against those who use their public status for private gain," said Oh.[9]

In short, this case refers to a case of typical lobbying corruption. That is, Hyundai Automotive Group Chairman Chung Mong-koo, his son Eui-son, and Glovis CEO Lee Ju-eun were apprehended for allegedly bribing influential people through lobbyist Kim Jae-rok. [10] Likewise, Korean corruption has mostly been caused by lobbying behavior because there has never been any related regulation for controlling lobbying behavior.

The following table somewhat demonstrates the reality of corruption in Korea. Among the 12 Asian countries that Transparency international analyzed, Korea ranked 6th on average as of 2005. Although Korea has struggled to improve in the CPI, the score is not satisfactory.

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8 Tong Hyun Kim (March 30, 2006), "*Latest Scandals Test Korea's Efforts to Fight Corruption"*, Korea Times.

9 Korea Times, March30, 2006.

10 Korea Times, March 28, 2006.

Table 1

Average Ranking of 12 Asian Countries on Transparency International's Corruption Perception Index, 2005

Country	2005 CPI	Country Rank/158 countries	Ranking (From least to most corrupt countries in Asian Countries)
Singapore	9.4	5	1
Hong Kong	8.3	15	2
Japan	7.3	21	3
Taiwan	5.9	32	4
Malaysia	5.1	39`	5
South Korea	5.0	40	6
Thailand	3.8	58	7
China	3.2	78	8
India	2.9	88	9
Philippines	2.5	117	10
Indonesia	2.2	137	11
Pakistan	2.1	144	12

Source: http://ww1.transparency.org/cpi/2005/2005.10.cpi.en.html#CPI

Past Regimes and Corruption in Korea

Although the anti-corruption campaigns were ained at reducing corruption, previous presidents were all involved, whether directly or indirectly, in some form of corruption during their presidency. As for Park's regime, Major General Park Chung Hee back then, led the military coup in 1961 that brought an end to a brief period of democratic revival. Park quickly established his control over the country's political life by declaring martial law and dissolving the National Assembly and all political parties. Demonstrations became illegal and the press was censored. Park also established his control over the economy. Park soon created institutions to support his economic policy and created new planning agencies such as the Economic Planning Board and new business organizations such as the various producer associations. Park initially justified his coup by claiming that it was necessary to end corruption in government and society. Another example of Park's control over the economy is that KCIA (Korean Central Intelligence Agency) was established by Park to serve and support his own personal political power, especially for raising funds for political party activities such as illegal schemes and corruption.

Jun's regime in the 5th Republics of Korea was similar to a military dictatorship with export-led growth, and abuse of political and bureaucratic power which, perhaps, was more than that of the Park's regime. Hundreds of retired officers were given political and administrative positions such as ambassadors, mayors, and major positions in the central government as well. Jun basically followed Park's growth-oriented line: labor repression to fight inflation, restoring competitiveness to light manufacturing industries, and boosting chaebol (plutocracy) profits. In particular, direct state intervention was used to support financially troubled chaebols. As a result, political and economic interrelationship between the political elites and chaebol allowed more bribery-corruption from chaebol to the politicians. Jun then established his own foundation

called the "Ilhae Foundation" in 1984. It is estimated that the top 12 chaebols were forced to give approximately $14 million a year to the Foundation.

Roh while supporting anti-corruption on one hand was later accused of accepting bribes that amounted to over $600 million from conglomerates and other individuals. Kim Young Sam's initial campaign toward anti-corruption was somewhat successful but failed in later years after Kim's son was arrested for bribery and tax evasion in the Hanbo loan scandal. Some also viewed Kim's unsuccessful campaign to be a cause of the economic crisis in Korea. The scandal led to the overall distrust of the government's anti-corruption campaign.

Kim Dae Jung's Government has also involved in various corruption incidences. For example, in the process of implementation of so-called "sunshine policy" between his government and North Korea, his top staff were involved in large amounts of illegal dealing and corruption and were prosecuted. Also, unfortunately, his three sons were deeply involved in corruption incidences and were indicted.

As exemplified, the past history of Korea indicates the role that policies and presidents play in creating corruption. Once the connection between different elites of various groups are established through corruption, when bureaucratic and politicians are making policy decisions, bribes and influence come into play and decisions lean toward favoring those who corrupted them. For both Park and Jun, it was using chaebols as their means to increase personal gain and in turn, the chaebols through their bribes to bureaucrats and politicians (including Park and Jun) allowed them to gain favorable policies.

As the Korean government realizes that corruption is a more complex social issue, Korea needs additional effective means to combat the rise of corruption. So far, the Korean government has attempted to prevent crime by the public officials becoming a rampant problem in Korea. The reform also includes economic crimes by civil servants, politicians, and corporate and union leaders. According to the administration, corrupt civil servants could be barred from re-employment or even from receiving full pensions.

The above-mentioned examples suggest a need for governments to form an anti-corruption campaign that is vigorous and willing to eliminate corruption. Governments must take a proactive role in anti-corruption. This involves a three-step approach by the government. The government or its proper agency must take bold measures to achieve the goals set. The government's efforts and measures must set an example for the people to follow and to regain their trust and cooperation.

Paradigms and Corruption: External, Internal and Future Paradigms

Using a paradigm as its framework can combat corruption. Following this approach, there are three possible paradigms: external, internal, and future. External and internal paradigms are based on interpreting and perceiving corruption in our society that still exist around the world. The future paradigm denotes a model or a guideline as to what needs to be achieved.

First, the term "external paradigm" is used to refer to controlling corruption using an integrated legal system. In general, conditions such as the political situation, rapid economic development that lacks a stable system to support it, or lack of democracy causes corruption to occur more

commonly. In other words, those social conditions present in a society acts as a stimulus and thus cause corruption to occur. By understanding the causes of corruption, the external paradigm can be used to control such causes of corruption. As mentioned, an external paradigm suggests the use of the legal system to control corruption. In order to reduce corruption, effective controlling mechanisms must exist to impose a high penalty for those caught. This suggests involvement of the government and legislative bodies to implement policies aimed at reducing corruption.

In case of Korea, previous regimes have demonstrated some effort to form an external paradigm. In reality, however, the anti-corruption campaigns launched by previous regimes were, mainly, no more than a political gesture. Corruption, as identified since 1948, is a serious social ill facing Korea where all previous presidents, upon taking office, have promised to take every possible measure to eradicate corruption (Kim, 2003).

Second paradigm, the internal paradigm, is based on human ethics, morals and values. The cause of corruption for internal paradigm is due mostly to the culture and people's midset and value system. The value system of units must change to reduce corruption. Units may either be one person, a family or organization or even a few groups of people.

Korea's corruption and peoples acceptance of corruption exemplifies how culture can have impact on the mentality of its people. For instance, historical residues of Korean history have influenced its political culture. Some of the patterns of Korean society and politics include submission to authority; hierarchical view of life; collective passivity; centralization of administration; past/tradition oriented; ritual/formal oriented; loyalty to persons; and, idealistic solutions.

The teaching of Confucianism, Buddhism, Taoism, and homogeneity allows the political powers to legitimize authority, and has influenced the Korean political culture. Of all, Confucian doctrine was used as a vehicle for the ruling powers to highly centralize the government. Confucianism teaches submission to authority. A. F. Wright states that:

> A hierarchy of roles was through to be essential to the ideal order but Confucians insisted that the vital roles of functionary and perpetuator of the cultural heritage should be open to those of moral worth. The monarch who presided over the whole hierarchy had, in the utopia of remote antiquity, been chosen for his merit. The summit of the sociopolitical pyramid.
>
> (Wright 1962)

He also characterizes the Confucian education as submissiveness to authority — parents, and superiors — and to mores and norms; reverence for the past and respect for history; preference for nonviolent moral reform in state society; and non-competitiveness (Wright, 1962). Among these teachings, loyalty to persons can also be a source of corruption. Korean history has long been known for its homogenous culture. People with different backgrounds form ties according to their backgrounds — such as education, region, and so forth. What Koreans call '*jung*' goes beyond the family boundary; it is the togetherness of one another that result in compassion, inclusion, and total involvement.

Paik [11]states *jung* as a similar concept to *uiri*, meaning 'we' in English. He examines the concept of *uiri* as returning another person's kindness, but states that "if he rejects the request for favor from someone he knows well or if he distinguishes mine from yours in the use and ownership of things" then that person as regarded as being unethical by others.

Jung causes special ties to be recognized especially that of alumni factions and regional connections. Alumni faction refers to those that went to the same universities, and regional and region means those who share common birthplaces.

Asking favors and acknowledging ties in personal relationships in local government applies to the business and political powers in local communities as well. There are some cases where businesses preferred recruiting high-ranking officials to create ties between them. The recruited high-ranking officials working for the business would ask favors of the officials that are in important decision-making positions (Kim, 287). Conglomerates may also ask political power favors because of ties to the same university, region, and so forth. Then, *Jung* or the personal relationship causes them to accept that favor.

Some counter argue the negative effects of Confucianism on society and its mentality toward corruption. They claim that Confucianism helped development and extended political democratization as well. Many share the view that the Confucian work ethic which emphasizes hard work, diligence, and importance of education, social harmony, and loyalty to authority played an important role in the East Asian economic "miracle." Still, many retain the view that the Confucian value system has been more of a hindrance than a contributing factor for democratic consolidation. Huntington, for example, argues that Confucian democracy is a contradiction in term.

Overall, an internal paradigm is necessary to change immoral and unethical behavior. Complex factors normally unlie the causes of unethical attitudes, especially in the information age that we live in. However, although the definition of ethics is not always agreed upon, bribery and other misconducts must be discouraged. In terms of the internal paradigm, reduction of corruption can occur through educational programs highlighting ethical behavior and through providing incentives for ethical conduct.

Finally, the inside out approach is a paradigm for the future. This is the answer to questions that linger for corruption. With every anti-corruption campaign and paradigm, the question is whether the people will cooperate in reducing corruption. Cooperation has been successful in countries like Singapore. But for countries where corruption is deeply rooted and has traditionally been prevalent, the cure for the corruption is for more individuals to have honesty and transparency in their dealing, personal integrity and sincerity as their mindset. These characteristics should be emphasized to the next generations. As for this generation, it should act as a transition generation, which works to change the current corrupt environment.

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[11] Wanki Paik (1972), *Modernization of Korean Bureaucracy (Ph.D. Dissertation)* Tallahassee, The Florida State University:1-200.

An External Paradigm for Controlling Corruption: Legislation for Disclosure of Lobbying

External Paradigm and its Related Issues

The external paradigm should take into consideration three related issues: corruption and the economy in Korea, corruption and legal mechanisms currently available, and the political willingness to adopt stricter legislation. First, the economy has to be deregulated and liberalized. Corruption in Korea has strong ties with the economy. The government with its excessive intervention causes corruption to occur. Where there is less government regulation, there is less scope for corruption of bureaucrats, politicians and the chaebols. In addition, a drastic government downsizing is with a much smaller civil service force is advocated. With savings in personnel costs, the salary of the civil servants should be made comparable to those in the private sector (as is the case in Singapore) in order to lessen the need to take bribes.

The role of the Korean government in the conomy has caused corruption in Korea. The Korean government has clearly taken some gradual steps to withdraw from the central role it plays in economic development. However, increasing financial pressure from the government to deal with the economic crisis tends to exemplify another form of government intervention. Conglomerates are forced to reform, and on the other hand, conglomerates are responding negatively to the fast pace of reform. For analytic purposes, the government will be considered as a specific example of political power. Political-business collusion can be viewed as the residues of government intervention. One of the grounds for government intervention is the teaching of Confucianism, Buddhism, Taoism, and homogeneity, which allows political powers to legitimize authority and has influenced Korean political culture.

Furthermore, since government was intervening with the development of the economy, it had a unique ‘power’ to make favorable economic policies and special benefits to the conglomerates. This intervention caused the chaebols to submit to political power, using ‘bribes’ to gain benefits and to show their submission to authority. Without strong government intervention on the economy, the politicians would not have a powerful tool to make favorable policies for conglomerates.

Second, the Korean government currently has no specific legislation to combat corruption. Although there are some legal mechanisms to control corruption, public officials have failed to vigorously use the existing mechanism. Korea must adopt a new integrated strategy that is more efficient and effective in order to reduce its corruption.

Third, the current Administration must adopt more stringent laws to fight corruption. For example, one of the criticisms of frequent government intervention in corruption incidences is that it places Korean businesses at a competitive disadvantage. Such an anti-corruption strategy is seen as biased and is not enough to control the corruption phenomena. The policy needs more effective coordination and comprehensive efforts to fight against corruption. Korea as a nation should encourage public officials as well as citizens to show moral and ethical confidence and conviction to fight against corruption.

Molding the External Paradigm

Taking into account the relevant issues of corruption discussed above, the external paradigm should include a compliance policy for public officials, a prevention of corruption Act, and strict penalties for violation of the corruption Act.

First, Korea should adopt a compliance policy for public officials. The government must create mechanisms that strengthen cooperation for investigation and suppression of corrupt acts. This attempt may include economic incentives to stop violations or bending of the law. One method is to set-up an administrative agency to oversight corruption by public officials. Others mechanisms could involve fines or other penalties. The governing authorities must encourage both the public and private sector to abide by anti-corruption regulations and guidelines when conducting business in Korea and abroad.

By imposing criminal sanctions, corruption related crimes could be controlled. Interestingly enough, many countries that have successfully implemented anti-corruption policies have evaluated their independent anti-corruption systems by the basis of prevention of corruption. The following describes the characteristics of various anti-corruption systems of each country. For example, the OECD Convention passed on 26 May 1997 requests each member to criminalize the bribing of foreign officials by the end of 1998. The European Union implemented its own anti-corruption policies recommended by the Council of Ministers of EU in May 1997. Singapore, for example, stipulated 'Prevention of Corruption Act' in 1937 (amended in 1960), Hong Kong in 1948(amended in 1971), Australia in 1989, and the U.S.A. in 1934 (amended 1977) called 'Foreign Corrupt Practices Act' and 'Ethics in Government' in (amended 1989). Thailand proclaimed the 'Anti-Graft and Corrupt Act' in 1975, Philippines in 1960, Malaysia in 1961. Korea, on the other hand, has stipulated a prevention of corruption Act in 2001, but does not have an integrated prevention of corruption Act as this presenter points out. Therefore, the political leaders need to have a strong will to reduce corruption through an anti-corruption Act.

Second, the countries that adopted prevention of corruption Acts also established an independent committee or commission to deal with corruption. For example, Singapore set-up CPIB (Corrupt Practices Investigation Bureau), which has a power of investigation on corruption cases, and arrest powers depending on the situation. In the case of Hong Kong, ICAC (Independent Commission Against Corruption) is given full power to investigate, educate, publish, and plan for anti-corruption purposes by the government. In particular, the ICAC also has a power in cases of corruption focusing on public officials, lawmakers, public businessmen, and businessmen. On the other hand, in case of Australia, ICAC has a strong power to act om incidents of corruption, without any political intervention. In particular, it is noted that the concept of corruption has been defined in this Act misconduct, bribery, fraud, theft, embezzlement, election bribery, tax evasion, illegal gambling, violations, and violence.

Third, the countries that have anti-corruption acts stipulate strict penalties as a control mechanism. For instance, in cases of Hong Kong, Singapore, England, and Japan the corruption laws regulate maximum 7 years of imprisonment. On the other hand, Italy regulates 20 years in maximum, while Philippines require 10 years' imprisonment in maximum. However, Korea seems to show too much tolerance toward corruption-related criminals. The indictment rate by the public persecutor for bribed officials in only 40 per cent, compared with 60 per cent of general criminals who are indicted. Therefore, almost all those prosecuted for incidents of

bribery and corruption are released by the first or second court in Korea. Special pardons by President for political purpose have frequently been executed by the government for those indicted.

Finally, the Integrated Prevention of Corruption system that I propose, which can be a new legal systems fighting corruption in Korea, may include the following elements by focusing on the major control provisions in terms of legal perspective. The following is a proposed Prevention of Corruption Act for Korea that places emphasis on an integrated approach.

External Paradigm: The Proposed Lobbying Disclosure Act for Korea

Although prevalent lobbying behaviors has caused corruption to a serious extent in Korea, a lobbying prevention Act or disclosure Act has yet to be enacted. In order to reduce the occurrence of corruption, a lobbying disclosure Act must be enacted as a controlling mechanism. The author views this as a necessary component to control corruption through lobbying. If the enactment of lobbying disclosure act is properly prepared, it can be an efficient and effective mechanism for controlling corruption in the country. The followings are the major contents of the proposed lobbying disclosure Act.

The concept of lobby must be defined in this act. Tentatively, we define the concept of lobbying as various activities including planning, data collection, research activity etc. The definition of a lobbyist refers to all registered role agents who represent the specific objective of the interests group.

The object of lobbying includes government agency, local government, and public organizations, which influence the decision making of interest groups in the process of policy making and implementation.

The expenses and scope of lobbying activity include a total of direct and indirect activity, which might influence the policy maker:

- The registration of lobbyist may be considered as a few suggestions such as office of congress, administrative agency, or independent agency.
- Qualifying lobbyists who have licenses can be registered at the office in terms of a license system by government. The limitation of numbers for registration for each interest group should be also regulated.
- The lobbyists' activity refers to opinions making, data collection, research activity, and propaganda for interest groups.
- The limitation of lobbyists' activity refers to non-intervention of political affairs, prohibition of lobbying behavior to provide bribery and also prohibition of overlapping lobbing behavior.
- The transparency and disclosure of lobbyists' account and budgeting is required for ordinary citizens every six-month.
- The lobbyists' right refers to the institutional protection for the interest groups' interest. On the other hand, lobbyists' responsibility refers to principles of sincerity and trust, confidential obedience, prohibition of double substitution, prohibition of interest's intervention, registration of property etc.

- The duty of disclosure and transparency regarding lobbyists' activity refers to a report management agency, major contents of report, report styles, period, and sanction for non-reporters.

The lobbying disclosure act should be closely related to anti corruption Act. Under the current anti-corruption law in Korea there is no prohibition of lobbying behavior. Therefore, it might be required that the anti-corruption act might be necessary to accept this new legislation. Also, the public ethics law and criminal laws might be considered to amend the related regulation in accordance with this law, by which those existing laws should be identified with this new legislation in terms of an efficient and effective anti-corruption policy.

Finally, it might be seriously required that, if any person or interest groups violates the related regulations, strict sanctions and punishment should be complement this new legislation.

External Paradigm: Integrated Prevention of Corruption Act

In addition to the lobbying disclosure act, the author suggests stipulating an integrated prevention of corruption act to control the prevalent corruption phenomena in Korea. The current prevention of corruption Act is superficial and nominal, and fails to work as an effective mechanism.

Chapter One: chapter one should focus on the purpose and general principles for anti-corruption, including responsibilities and duties of business, public organizations, and citizens. In this chapter, we attempt to emphasize the strategies for successful anti-corruption policies by various related methodologies such as change, special education and training, and encouragement of a mindset against corruption by citizens.

Chapter Two: chapter two should define public officials' their ethics, and their principles of actions. In particular, in this chapter, we include the concept of public officials such as national, local, elected, political, and honorable positions but also social leaders such as medical doctors, lawyers, businessmen, bank officials, and managers.

Chapter Three: chapter three should focus on public officials' property registration and disclosure. In particular, this chapter requires that most of high-ranking public officials should register their properties at the office within designated periods. The Anti-Corruption Committee should investigate and the register properties in accordance with the principles of this Act.

Chapter Four: chapter four should concentrate on how whistleblowers, including both whistle blowers not as officials and ordinary citizens reveal public information for public interests.

Chapter Five: chapter five should direct its discussion on how to control money laundering, which means how to prohibit dealing with black money involved in corruption.

Chapter Six: chapter six should be a detailed discussion of punishments for corrupt behavior. In this chapter, penalties should be stipulated — depending on various typologies of corruption.

Chapter Seven: chapter seven should discuss the handling of illegal properties acquired through corrupt incidences.

Chapter Eight: chapter eight should focus on how to deal with lobbying. Lobbying should be controlled by limited and qualified registration of related organizations. The Lobby process, in general, almost always brings with it bribery through the demand and supply chain.

Chapter Nine: chapter nine should emphasize how to establish an anti-corruption committee and their role and function. This chapter is very important as it is at the core of this 'integrated prevention of corruption Act' because the committee must assume broad responsibilities in the process of anti-corruption policy making. For instance, the Committee may have a right to investigate, educate, decide, and request cooperation from other institutions in the design and implementation of anti-corruption public policies. In particular, we suggest two separate independent committees located in two different areas of the government: one in a government and the other in a local government.

Chapter Ten: chapter ten should discuss how to educate within formal educational systems (such as schools) regarding anti-corruption, and to incorporate anti-corruption education wihtin formal educational institutions or social systems.

Chapter Eleven: The chapter eleven should focus on how to identify the best public officials and provide reward through special promotions or special prizes as examples to show good public official's service toward citizens.

Chapter Twelve: this chapter should recommend the establishment of a special committee to coordinate public officials' morale. It is very important to investigate and improve the morale of public officials every year. The level of morale could be used as an indicator to measure the success of the campaign to reduce corruption by public officials.

Conclusion

Lobbying corruption, which has occurred in various public sectors among governmental officials and representatives of interest groups, poses a serious obstacle to democratic national development. Lobbying corruption effects has caused conflicts of interests and distrust in the democratic system.

In conclusion, the author argues that lobbying corruption is the most important cause of corruption, especially in case of Korea. It should be controlled by legislation that would control criminal activities related to lobbying. To implement the objective of an anti-corruption policy, it is recommended by the author to legislate against lobbying corruption. The author suggests legislation to focus on disclosure of lobbyists' information through registration and a balance between their rights and obligations

Ideally, we contend that the internal, external, and future paradigms in the process of anti-corruption policies need to combine to maximize the effectiveness for controlling corruption.

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Ethical and Socially Responsible Investment: From oxymoron to tautology?[1]

Charles Sampford and Virginia Berry

For many years, corporations and the investment community were routinely urged to concern themselves with one thing – shareholder value. Corporate governance experts promoted the idea that management and boards should pursue a single goal, whether conceived as 'profit', 'bottom line', 'shareholder value' or 'long–term shareholder value'.[2] The singularity of this goal was so prevalent that board members of large corporations – mostly decent individuals committed to a range of values – believed that it was *unethical* to consider issues other than shareholder value in their deliberations. Board members who did champion the importance of the social dimension in corporate governance usually did so from the standpoint of indirect profit maximisation.

When universal superannuation was introduced in Australia some years ago, there was a widespread assumption that the only goal that future retirees were concerned about was the total value of their payout. The idea that employees might make collective decisions about how their superannuation should be invested, based on other values, was considered ridiculous. Instead, it was thought that all superannuation should be handled by professional wealth managers whose sole goal is maximising the dollar value of superannuation funds. This approach, however, is based on a misleadingly simplistic image of human values and motivation – a corporatised version of neo–liberal economic theory in which economic man seeks to maximise profit for himself.

The increasing demand for alternative investment funds such as ethical or socially responsible investments (and their success)[3] makes explicit individual investors' concerns with other values – something not captured by traditional rational choice economics. Ethical entrepreneurs and ethical funds should, therefore, see it as their role to help integrate individual investors' values with their investment decisions.

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1 This is the latest version of a paper first delivered by Professor Charles Sampford to a socially responsible investment conference in 1991. Sampford, C. and Berry, V. "Shareholder *Values*, not Shareholder Value: The Role of 'Ethical Funds' and 'Ethical Entrepreneurs' in Connecting Shareholders' Values with their Investments," *Griffith Law Review*, vol. 13, no. 1 (2004), pp. 115–123. Subsequent versions have been presented at various conferences. These ideas are the basis of a book to be completed in mid 2007.

2 See, for example, Elton, E. & Gruber, M. *Modern Portfolio Theory and Investment Analysis*, 5th edn, New York: John Wiley & Sons, 1995.

3 See, for example, Sparkes, R. *Socially Responsible Investment: A Global Revolution*, West Sussex: John Wiley & Sons, Ltd., 2002; and "Socially Responsible Investment in Australia," The Allen Consulting Group, 2000 available at www.allenconsult.com.au/publications (accessed 20 May 2004).

Resisting the Shareholder value approach

The 'shareholder value' approach appears simple and it is sold on this basis. However, there are two reasons why we should resist this approach.

Pragmatic reasons

The shareholder value approach appears simple, and therein lies much of its charm. But there are two main reasons why such simplification ought to be resisted. The first is that we cannot be certain what will maximise long–term shareholder value. The second concerns issues of individual agency.

Firstly, it is difficult to know exactly how to go about maximising long–term shareholder value. Although the end may be conceptualised as singular, the means of achieving it are sometimes manifold and complex. They may involve recruiting and keeping staff, delivering good products or services at a competitive price, developing good relations with customers, suppliers and communities, and complying with regulatory requirements. They may also involve identifying risks and developing strategies to minimise them. Real managers' jobs are about developing plans to simultaneously achieve a variety of valued goals. These plural goals might be merely instrumental to achieving the supposedly single value, but this does not mean that the manager does not have to manage for them. Quite the contrary – they are what make management *hard*. It might be said that the single value arbitrates between these different instrumental values. However, we are not talking about either/or situations. A company cannot decide to sacrifice its employees for its customers, or its customers for the community of which it is a part and which regulates it. If a manager attempts to sacrifice any of them, the business will eventually fail. It is a portfolio, but one where none of the constituents can be sold off.

We might try to justify considering other relevant values by arguing that these (and ethical values in general) are in the long-term self-interest of shareholders. While this is generally true, we should be wary of this suggestion for various reasons. We have already suggested that it is difficult to reliably maximise profit over the longer term. You might think it easier to follow ethical principles which you justify on the basis of them being generally advantageous. However, if others think that you are only adhering to these principles because you believe that it is generally in your long-term self-interest to do so, they will always be wondering if their current dealings with you might be an exception. Such an exception would be justified where acting against ethical or other declared values would be more profitable than sticking to them. They will have to take one of two kinds of precaution – either take more care contracting to ensure that you do not have the opportunity to cheat them or, more simply, just deal with someone else. This is why some have argued that the 'fanatical ethical behaviour' of stating values and living up to them might actually be more profitable, pre-commitment engendering trust. Such instrumentalism is not unknown to economic theory. Those who advocate markets often argue that the profit motive is a better way of achieving social goals than seeking to achieve them directly. However, conversely, sometimes the best way to achieve profits is to promote generally accepted goals, in particular by behaving ethically and seeking to promote values other than one's own narrow self-interest. The instrumental relation can be reversed.

The second reason for resisting the shareholder value approach concerns issues of agency – it can be a fragile rather than a stable motive. An individual who would act unethically to maximise corporate profits (and therefore shareholder value), might be more likely to (unethically) seek to maximise his own fortunes *regardless* of shareholder value. (Who

hires a hitman will not sleep well. This is basically the problem with seeking an amoral person to further your own interests at the expense of others). Why should he cheat only your customers and suppliers? Why would he not go for the trifecta of cheating the shareholders as well? Indeed, we saw this in Australia in the 1980s, where the amoral business practices of various entrepreneurs were cheered on by shareholders who did not realise that they would be the next victims. We have seen similar phenomena in recent corporate scandals. If corporations are to behave as if they owe no duties other than to their shareholders, we will need to develop and enforce strict codes of behaviour to regulate their activities, since they cannot trust or be trusted. The alternative, of course, is to recognise that there are other values for public corporations than the narrowly prudential, and that real managers manage for them. They believe that recognising them will advance the corporation on the various measures on which it is asked to perform. However, that need not be there only motivation. They need not see their managerial role as so one-domensional.

Where managers continue to insist that there is only one value worth pursuing, we should be wary of them. If the value they trumpet is financial reward, then we should be especially careful. If we hear an individual say that everyone is selfish or that everyone acts to maximise their own wealth, we should treat it as an accurate statement of their personal set of values (even if it suggests that they are ignorant of the ways of the real world and real people). We should also suspect that such a statement is an admission of the speaker's sociopathy. For that is precisely what economic man is; a sociopath whose only norms concern self–gratification and who holds no other norms except for instrumental reasons.

The literature on sociopathic behaviour is generally confined to criminology and psychology, where questions are concerned primarily with its origins and responses (and for psychologists' treatment). But the question of what ought to be done if this particular behaviour becomes universal – or merely universal among all economic and political actors – is not examined. Luckily, the criminologists and psychologists are correct. Sociopathy is not universal or even particularly common. Real shareholders and real executives do have a broader set of values (despite the economic ideology occasionally demanding that they either do not or should not enjoy such normative reasonableness).

Real shareholders and real shareholder values

Long–term shareholder value is not the only deceptively simple answer that has been given to the question of what should motivate corporate behaviour. Originally the goal was seen as profit, then as 'shareholder value'. Each of these was replaced because of perverse incentives created by the earlier, simpler answer. When the sole goal was corporate profits, it became recognised that these did not automatically translate to a benefit for the shareholder. Shareholder value was then trumpeted, taking into account the value of shares and the value of dividends paid. However, the manipulations of shares and their occasional rapid declines led to a recognition that shareholders were really interested in what shares were ultimately worth to them, rather than what the market could be persuaded to pay for them from day to day.

As unrealistic as the notion of a single master value is, its influence on corporate ideology and behaviour stubbornly remains. It is a corporatised version of neo–liberal economic theory in which economic man seeks to maximise benefit for himself (Hill, 1997). The idea is as deceptive as it is puerile. The facts refute it. Virtually no shareholders are so

narrow as to value only the long–term price of the shares in which they invest; other values are relevant to any reasonable calculation about which shares they should invest in.

So what *do* shareholders value? Even if they were cardboard cut–out parodies of economic man, they would nevertheless value more than just the monetary price for which their shares can be sold today or at some point in the future. Shareholders are not merely investors. They are workers, members of communities, breathers of air, drinkers of water and parents of similarly varied people. It may well be that an investment that is slightly less profitable might increase the number of jobs significantly. Someone who is a member of that community might benefit because this increases taxes, decreases welfare payments, and thereby increases the possibility that they will have adequate health care in their old age. More directly, one of those jobs might be theirs or their child's. Accordingly, the justification of companies managing exclusively for shareholder value (because that is all that shareholders value) collapses.

It might be argued that 'shareholder value' simply *means* the marketable value of the shares. But this denotation is perverse. Why should shareholders only be interested in that? Indeed, the marketable value of shares is, for them, itself merely an *instrumental* value towards the achievement of their *real* goals. No one should tell them that they must raise to the apex of their moral lexicon what can only be a means to their own real ends – least of all a manager who is supposed to be serving them.

This shift to a wider and more pluralistic conception of value is natural for the ethically minded.[4] When you invest, you are still a moral agent responsible for your choices. If you invest in a company destroying a rainforest or the lives of its workers, or exporting weapons to dictators, your actions are contributing to those effects. To say 'I am an investor, I must maximise the value of my shares whatever the consequences of that action' is no defence. An investor needs to understand that investing in a corporation that compromise her values means ultimately that she is not being true to herself. Indeed, she is betraying herself. If she does not ask broader value questions, she is not a *smart* investor, but merely an investor ignorant of what she is about and why.

Being ethical can involve asking hard questions about our values, giving honest and public answers and trying to live by them. This can be a difficult process, but what is the alternative? If you do not ask yourself questions about your values, you condemn yourself to ignorance about them and become susceptible to unwittingly acting contrary to them. If you do not give *honest* answers, you are only cheating yourself. If you do not give *public* answers, you are merely being two faced, projecting yourself as someone less worthy than you are. If you do not live up to your own values, you make yourself a wicked person by your own lights.

Being ethical need not involve denying yourself. Rather, it is about discovering your better self and living up to being that kind of person. This is not to say that there aren't hard choices involved, as we may find ourselves holding conflicting values. However, if we do not seek to live up to our own values, we are a failure on our own terms. This may appear to make life more complicated – and life is already complicated – but it is only through questioning our own values and exemplifying them that we can chart our *own* course through that complicated world (as opposed to a path chosen by others). Even if

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4 For a comprehensive discussion of this idea see Kutz, C. *Complicity: Ethics and Law for a Collective Age*, Cambridge: Cambridge University Press, 2000.

this is difficult in some areas of our institutional existence, it should be easier when we are making investments.

If an investor decides to take into account values other than maximising the price of his shares, he is showing how one-dimensional economic man can become a human being by reintegrating his economic and other personalities. The more religiously minded might say that ethical investment allows economic man to regain his soul.

Of course, this is not to say that the long–term price of shares is irrelevant. The ethical investor is not donating to charity, but investing in enterprises which have realistic prospects of turning a reasonable profit while furthering, or protecting, values that she holds dear. Indeed, the ethical investor may consider the investment more 'profitable' because she is, in a sense, 'right' about its values – because others will come to see its importance or because alternatives will fail as environmentally or ethically unsustainable (if you put all your money into landmines, you will look at a bit silly the day they are outlawed). This is where ethical entrepreneurs – those who create sustainable corporations, formulate plans to make money by furthering other values, sell them to investors and then carry those plans through to vindicating success – have a critical role. This is also where ethical fund managers have a role in identifying the corporations that further values other than merely shareholder value, and facilitating more socially responsible investment.

It is very important to note the plural here – values. One of the unstated but commonly held assumptions about ethical funds or social responsibility funds is that there is only one set of values that socially responsible investors might adhere to. In fact there are a great variety of such values – environmental, labour relations, energy usage and association with undesirable elements like dictators, pornography, drinking and smoking. Investors will no more have unanimity on the values that would influence their ethical investment than they would their donations to charity.

Some may have very strong ethical views. Some of those who found 'ethical funds' or those who judge companies for the purpose of social responsibility indices may well have strong views and judge companies, funds and investments generally on that basis. However, other may legitimately disagree.

For us, being an ethical fund or an ethical corporation is a matter of process not of substance. It is not ethical because it adheres to a single externally determined set of values. It is ethical because it states what its values are – and seeks meaningful evidence to determine, with a reasonable degree of reliability, that the companies they invest in further those values. Ethical companies and ethical funds should enjoy a symbiotic relationship and attract the participation of ethical managers and the investment of ethical investors. Investors, managers, companies and funds will be ethical because their values are public and the last three are accountable for the furthering of those values. However, different individuals, corporations and funds may have different views on whether it is a good or a bad thing to produce alcohol or wine or the way in which drugs are marketed. If the companies are upfront about their values, it will be easier for managers to choose which companies to work for and funds and investors which companies to invest in. As soon as values other than share price are deemed relevant, an efficient market should respond to this fact.

Alternative approaches to values *other than* long-term shareholder value

The singularity of the shareholder value approach is, as we have already outlined, based on a misleadingly simplistic image of human values and motivation in which economic man seeks to maximise profit for himself. Most investors, company managers, company directors and fund managers would agree that there are other values, but disagree on what those values are and how they should be applied. There are six basic approaches:

1. Shakespeare had Hamlet say to Horatio, 'There are more things in heaven and earth … than are dreamt of in your philosophy'. Some investors, managers and directors might say "I'm with Horatio" – there *is* nothing more important than money, and individuals and societies are measured by the dollars they control.
2. Other values should be dealt with via legislation – environmental, employment and occupational laws, consumer protection, taxation etc., but shareholders, unit holders and managers should *only* concern themselves with long-term shareholder value.
3. Nothing destroys long-term shareholder value more quickly the corporate irresponsibility and any prudent director will see that long-term shareholder value can only be enhanced if is to respect and advance the interests of other 'stakeholders'.
4. Shareholders and unit holders may and should take into account other values they hold in deciding what to invest in, how to vote their shares, and whether or not they are convinced that this will increase long-term shareholder value.
5. Corporations should take into account values other than those they share.
6. Stakeholders who are not shareholders should take part in the governance of the corporation.

The third and fourth approaches are, in theory, fundamentally different. The third approach is a utilitarian argument about means – it suggests that other values and interests must be recognised in order to achieve long-term shareholder value. The fourth approach is a 'deontological' argument about ultimate values/ends/principles which should be valued even if they do not enhance long-term shareholder value. In practice the two will often generate similar outcomes. Many highly committed and ethical directors and managers believe that the long term value of the shares of the company will depend on retaining the good will of relevant stakeholders such as governments and communities, and in avoiding practices that will be harmful to the environment, social stability and so on. They are not cardboard cut-out economic man. They feel uncomfortable basing company policy on any other basis. Accordingly, they replace a principled argument about the values of the corporation and its owners with an empirical claim that can never be disproved and which the board is entitled to take into account. It replaces a 'deontological' argument based on ends/principles and fundamental values with a utilitarian argument about means. We find the utilitarian arguments highly persuasive and believe that they should be highlighted by directors, managers, shareholders, unit holders and stakeholders. However, for reasons outlined above, it is not only right in principle to argue that shareholders and unit holders have values other than long-term shareholder return, it is actually more profitable. Those who do the right thing (precisely because it is right rather than because it is profitable) will be more trustworthy and the transaction costs of doing business with them will be less. Such an approach is more effective in generating the 'goodwill' that is necessary for business to operate.

Our suggested approach to reform

The following section describes a suggested approach that takes into consideration the competing and often conflicting interests that regulators, legislators and corporate entities bring to the debate. Its starting point is that shareholders and unit holders have values beyond the narrow economic issue of the long term return on their shares and superannuation accounts and that capitalism is enriched rather than impoverished if mechanisms exist to allow investment decisions to link those values to investment decisions.

The setting of uniform minimum legal standards will not in themselves prove sufficient. A regulatory framework based on sanctions, by virtue of its reactive nature is weak in terms of imposing penalties after an event that contravenes a provision has occurred. Calls for changes to corporate culture as the most effective mechanism to alter corporate behaviour without outside regulation regularly refer to chief executive and board leadership, corporate frameworks to permit employees to act ethically and the reduction of the fear employees have of speaking up. Using such terms places the onus of recognising wider duties to stakeholders on the board to 'create' values and conditions conducive to this recognition. Proponents of such a method of encouraging CSR may be concerned that regulation hampers the ability of companies to set themselves apart and differentiate their product from others competing in the same market.

The central dynamic of CSR is that responsible directors, managers, shareholders and unit holders do recognize the importance of values other than the long term value of the shares and units involved – whether for utilitarian or deontological reasons. This should be encouraged and facilitated, impediments and roadblocks should be removed, and difficulties put in the way of those who would seek to profit by pretending to further environmental and other values.

This model incorporates the following:

1. Building a code of corporate ethics which reflects the purposes for which joint stock companies are created and sustained.
2. Amendment to legislation to make it absolutely clear that directors may to take into account values and interests other than long term shareholder return.
3. Provide mechanisms by which corporations may make claims to about such values to attract investment – either in prospectuses seeking funds or by endorsement of existing shareholders. The Corporations Act can be amended to give an indicative list of the matters on which such claims may be made.
4. Require that any such claims must be reported on in the annual report.
5. Provide mechanisms for the independent assessment of such claims – including internal and external auditing, monitoring and rating (though with ratings based on specific claims rather than a set of values set by the raters). Corporations holding themselves out as conducting their activities in a certain manner need to have supporting documentation that may be subjected to thorough scrutiny. The claims of social responsibility should be as testable and contestable as those of financial responsibility. If this means that the claims to environmental or other virtue have to be moderated to reflect the realities of how businesses currently operate then so be it.
6. Encourage the development of investment products that allow shareholders to weight investments according to their values (including concentrating on those that promote certain values or exclude those which further others)

7. Encourage investment advisors to ask if investors want to consider other values in choosing their investments.

1. Corporate Ethics

Corporations laws that authorize and encourage joint stock companies and superannuation trusts are put in place for a wider community purpose. These should be explicitly reflected in Corporations Laws and in the ethics of corporations. We would like to revive and idea previously suggested by Bob Baxt and Charles Sampford early in the 1990s for a new 'chapter one' of the corporations act which sets out a set of principles for guiding the legal regulation and ethical standard setting of corporations. This would provide a very clear statement of the purposes of the legislation that would guide its interpretation and future amendment. While it would have had to passed through parliament, it would be drafted by government and business with inputs from stakeholders.

Corporations would then have a common starting point in framing their own codes of ethics and the internal integrity systems through which they seek to realize the values set out in the ethics codes. Corporations which are following such a code will find compliance much easier because they are operating under the same principles that guide the law and its interpretation.

2. Amending legislation to explicitly authorize and legitimate CSR

We do not believe that current legislation should be interpreted to mean that corporations and super funds cannot take into account values of importance to their shareholders and unit holders other than those which can be immediately and clearly justified as enhancing the monetary value of their investment. However, that interpretation is often offered as an excuse for ignoring issues of CSR by corporations. In the case of trustees, there is a legitimate concern.

The amendments should make it clear that taking into account other values which the Board believes are more likely than not to increase the long term shareholder/unit holder value is not only legal but specifically permitted and falls within the responsibilities of directors. However, a Board should minute their reasons to show that they have thought through the issue and had good reason for taking the view they did.

The amendments should also permit the Board to take into account other values held by shareholders and unit holders – such as environmental sustainability (generally or specifically – e.g. water use or carbon emissions), involvement in specific morally contested industries (gambling, sex industry, alcohol, nuclear industry, arms), non-exploitative labour relations, use of local product/services, non-investment in dictatorships etc. This list is merely illustrative of the kinds of issues that shareholders and unit holders might take value positions on (and in some cases, like nuclear energy, some will choose to invest in areas that others shun). However, corporations making such claims would have to be able to justify those claims. We seek to promote the integrity of claims not their substance.

3. Making claims

The emphasis of the reform process should be on permitting CSR, endorsing and encouraging it by listing the areas under which to make claims regarding CSR actions. Corporations then may make claims under such headings.

4. Annual reporting

Corporations do not have to make claims that they are furthering other values at the same time as long term shareholder returns. However, if they do so to differentiate themselves from others and to attract capital (or avoid shareholder motions for reform) they should report on the achievement of those claims and the means by which they can substantiate their claims

5. Assessment of claims

The means by which corporations internally justify their claims will vary. There are various mechanisms for internal audits for financial reporting despite well over a century of practice. The variety of other matters reported on will lead to even more variation. While such internally generated processes should be at the core of assessment (as they are in financial audits), there should be an independent assessment process to address the issue of 'pretended goodness'. Also, a requirement for the justification of a corporation's actions means increased and improved access to information and knowledge about the activities of the corporate sector. The mechanism that permits companies to make claims about their conduct means information is more likely to be informative rather than misleading. The process increases the contestability of claims made by companies.

The onus is on business to support any claims made about their conduct. If an interested party is not satisfied that the claims expressed by a corporation are accurate that interested party may make a submission to the appropriate assessment body, detailing specific issues and questions. The assessment body will then request further particulars from the corporation to substantiate the claims. This body could then report that the claim was valid, in need or modification, or unsubstantiated. Where the assessment body considered that the claim had been misleading or deceptive, it could refer the matter to the ACCC. However, the goal would be to improve the accuracy of the claims made.

There is a role for ratings agencies. However, it is important that there is not a single ratings agency and that corporations are rated on the values that they claim to further rather than the value preferences of the agency.

6. Development of flexible investment products

If an investor wishes to invest in shares and superannuation funds that seek to make money by furthering certain kinds of values it is not easy. In theory such an investor may invest in corporations which pursue those values or by voting shares to make existing companies alter their values it is not easy. They could join ethical funds. However, it is difficult for individuals to make much difference and ethical funds tend to package values based on their origins, the values of the Board or the predilections or those who rate ethical funds. The more that corporations/trustees are explicit about the values they seek to further in trying to enhance the interests and values of their shareholders/unit holders, the easier it is to tailor products to investors who wish to take into account such values and the particular mix of values that individual investors may hold.

7. Investment advice

If some investors want to achieve more with their investment than a monetary return, then investment advisors may have a very important role to play in assisting them to find the right funds and shares. They should be encouraged to do so.

Conclusion

Incorporating a values based model into the regulation of corporate behaviour need not be viewed as the antithesis of maximising shareholder interests and ensuring the longevity of the success of a company. By permitting corporations to make claims about their operations and the values that underpin the decisions they make, corporations are able to justify their actions while providing information to both shareholders and stakeholders to make informed decisions about how to react to such actions. Reporting on corporate activities allows investors and potential investors to formulate decisions based on the 'values' information the corporate entity has claimed. In this way, would-be investors are given the opportunity to ask values questions of themselves when making decisions. Values questioning means asking questions about your values, giving honest and public answers and living by those answers. This way the wide ranging interest of corporate entities and stakeholders is not limited to a fiction of there being one commonly held set of values.

Provision for corporations to consider interests other than shareholder interests and make statements about activities in relation to those interests may also include the making of claims about risk factors to ensure a balanced perspective. In terms of this approach, CSR is also about managing risk in relation to other relevant factors *in addition* to shareholder interests. Having said that, the focus on risk is not merely about avoiding negatives. The aim is to further positive activities in relation to CSR so that questions of risk become about risk outside of the corporation to encourage socially responsible awareness of risks to external stakeholders.

This proposal focuses on the need for business to reduce the impact of risk while allowing for business activities to be improved to enhance business success. It achieves this by encouraging market based competition and permitting office holders of corporations to make decisions about what is in the long term best interests of the company and its owners, and being able to make such claims and support them if required. This process brings to the forefront of corporate governance corporate reputation and the potential negative impacts if misleading claims are made to the public.

The ultimate goal is to make space for the 'ethical entrepreneur', individuals and corporations that have an idea about making money that also furthers values that are held by at least some investors. In that way, investors can link their values to their investments. If the values are or become more widespread, the firm may end up spectacularly successful. Corporations that meet widespread interests, needs and values may end up being worth more than those corporations that meet manufactured short-term wants. But in any case, where the corporation furthers values of importance to the investor, the investor will know that they have made a difference that might outlast the monetary returns on their shares and their superannuation.