THE LEADERSHIP AND ETHICS INTERFACE: STRENGTHENING HUMAN RESOURCES AND ORGANISATIONAL CAPACITY FOR DEVELOPMENT

E.J. van Rooyen
University of Pretoria

ABSTRACT

Leadership and ethics are concepts which are seen as important factors in human resources and organisational capacity in a developmental state. Leadership is necessary within the context of decision making and organisational performance whilst ethics refers to the particular conduct of those within organizations who are responsible for decision making. Recent examples of corruption, and less than exemplary conduct by South African public officials presented the vexed question as to how problems in this regard may be addressed.

This article attempts to lend perspective to the leadership and ethics interface. Aspects relating to the establishment of an ethical framework and anti corruption strategy for government are briefly described and mention is made of the leadership aspects associated with good governance. To exemplify the above, two cases of organisations and measures taken by such organisations within the context of policy and the regulatory framework are cited.

INTRODUCTION

Leadership and ethics are two concepts that are often quoted in literature in a fashion which seems to indicate that the two are mutually dependent or at least closely related. It may be stated that it is generally accepted that leadership in organisations coincide with a high measure of ethical conduct of the leader or leaders in the organisation. It should also be borne in mind that when mention is made of leadership, not only are leaders *persona* necessarily the subject of discussion, but also the collective of organisational leadership.

However, often not enough is mentioned about the interface that occurs between leadership and ethics and the impact that it may have on the general governance

prevalent within a state. Malan and Smit (2001: 10) are quoted as stating that *Public sector leadership and behaviour form a major yardstick to measure a country's morality and credibility in the eyes of the rest of the world, and this accentuates the importance of sound governance*. The question naturally arises as to how a general ethics-based environment could be instilled in public administration and how leadership could be exercised to promote and maintain such an environment. Recent examples of corruption, and less than exemplary conduct by South African public officials presented the vexed question as to how problems in this regard may be addressed.

This article attempts to lend perspective to the leadership and ethics interface. Aspects relating to the establishment of an ethical framework and anti corruption strategy for government are briefly described and mention is made of the leadership aspects associated with good governance. To exemplify the above, two cases of organisations and measures taken by such organisations within the context of policy and the regulatory framework are cited.

LEADERSHIP AND ETHICS WITHIN PUBLIC ADMINISTRATION

With a view to appropriately discourse the aspects of leadership and ethics in public administration, these concepts need to be defined briefly:

Leadership could be defined as a personality characteristic, organisational function, or relationship among leader traits, follower expectations, and situational demands. (Fox & Meyer, 1995: 72). However, in close relation to the previous definition, leadership organisations could be defined as those where the collective innovation and talent of all organisational leaders are put into a cohesive form that would truly reflect such an organisation. (Fox, 2006: 78).

Ethics could be defined as to "…clarify right and wrong and act on what we take to be right…" (Fox & Meyer, 1995:45) and ethics refers to rules or principles that define right and wrong conduct."(Fox, 2006:17). Fox and Meyer (1995: 45) continue to mention in the *Public Administration Dictionary* that in the context of development the professional ethos of managers should include public trust, service to society and protection of the disadvantaged. For instance, lacking ethical conduct, which results in corruption, tends to result in inappropriate developmental and investment choices. Thus, a commitment to the public interest is a function of the institutional role of government officials and the ethos of public service that this role demands. Malan & Smit (2001: 142) mention that when the basic functions of the government that underlie the Country's growth and development are considered, the soundness and integrity of its policies and the efficiency with which it carries out such policies are important determinants of success. To support the above opinion relating to the need for ethics in development, the former Minister of the Department of Public Service and Administration mentions that "Developmental States are about the interface between political, economic and bureaucratic elites. Democracy keeps politicians honest and accountable while sound corporate governance and systems

of accountability keep the economic and bureaucratic elites honest." (Opening address by the former Minister of Public Service and Administration at the Africa Forum on Fighting Corruption in 2007 – The DPSA, Towards a common understanding of corruption).

Within this context therefore, the *Constitution of the Republic of South Africa*, 1996 refers to the values and principles that govern public administration (section 195):

- a high standard of professional ethics;
- efficient, economic and effective use of resources;
- public administration should be development-oriented;
- services must be provided impartially, fairly, equitably and without bias;
- peoples' needs must be responded to and the public mast be encouraged to participate in policy-making;
- public administration must be accountable;
- transparency must be fostered by providing the public with timely, accessible and accurate information;
- good human resource management and career development practices must be cultivated; and
- public administration must be broadly representative of the South African people, with employment and deployment based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation (Country Corruption Assessment Report: South Africa, 2003: 32).

Naturally, ethical conduct among public officials can only successfully be pursued in the event where clarity is established as regards what ethics in an organisational setting would constitute. It cannot be expected of public administrators to behave ethically unless there is a universal set of ethics, which serves as a foundational point of reference. An *ethical framework* therefore, is imperative for successful development in the state.

ANTI-CORRUPTION REGULATORY FRAMEWORK AND ASSOCIATED DOCUMENTS

Pursuant to establishing an ethical framework for public administration are anti-corruption legislation and codes of conduct and the *Batho Pele* principles. During the past decade Parliament has passed various laws and regulations to support the government's efforts to combat corruption, including (Anti-Corruption Capacity Requirements. Guidelines for implementing the Minimum Anti-Corruption Capacity Requirements in Departments and Organisational Components in the Public Service):

Prevention and Combating of Corrupt Activities Act, 2004 (Act 12 of 2004)

This Act provides the legal definition of corruption and creates a range of offences. It also allows for people found guilty of certain offences (such as those related to tenders) to be *blacklisted* and it requires senior officials to report corrupt activities.

Promotion of Access to Information Act, 2000 (Act 2 of 2000)

This Act gives effect to Section 33 of the Constitution, 1996 (Just Administrative Action). It ensures that decisions that affect the public are taken in a way that is procedurally fair and it gives people the right to request written reasons for decisions they disagree with. In this way, it creates greater transparency – people may be less tempted to act corruptly if they know they will have to explain themselves to the public.

Protection Disclosures Act, 2000 (PDA) (Act 26 of 2000)

The PDA (often called the Whistleblowers Act) was passed to encourage employees to disclose information about unlawful and irregular behaviour in the workplace. It offers protection from victimisation for *whistleblowers*, as long as they meet the requirements and follow the procedure set out in the Act. This Act was under revision at the time of the compilation of this booklet (January 2006).

Public Finance Management Act (PFMA) (Act 1 of 1999) and Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003)

These acts set out the requirements for dealing with public finances in the national, provincial and local government spheres.

Financial Intelligence Centre Act, 2001 (FICA) (Act 38 of 2001)

This Act creates the Financial Intelligence Centre and was designed to combat money laundering

Various initiatives have also been launched to improve the level of professional ethics in the public service, including:

The Public Service Code of Conduct

This code of conduct sets the standards of integrity for public servants.

The Batho Pele (People First) Principles

These eight principles set out the required levels of professional ethics in the public service in terms of service delivery.

The Anti-Corruption Capacity Requirements

This document forms a guide for implementing the Minimum Anti-Corruption Capacity Requirements for departments and organisational components in the South African public service.

ESTABLISHING PREVALENT ETHICS AWARENESS IN SOUTH AFRICA

A survey conducted in 2001 by the Public Service Commission in conjunction with KPMG and Transparency South Africa (Country Corruption Assessment Report: South Africa, 2003: 89), to establish the extent which South African organisations, have established the prevalence of fundamental *Ethics in Practice* management practices. Specifically, the survey attempted to assess the following:

- initiatives in managing for ethical practice such as ethics documents, ethics related evaluations, responsibility for the ethics function within the organisation, resolution of ethics problems, reporting mechanisms, conducting ethics training, performance evaluation and risk assessments;
- future ethics management; and
- specific public sector ethics issues.

The survey reveals that the issues with which organisations are most concerned, were fraud, theft, security of information, financial management procedures, racial discrimination and workplace safety. The results indicate that although the notion of professional ethics is well comprehended at senior management level in general, many South African organisations have not been able to integrate ethics management practices into their existing management processes. The main findings are that for the most part, organisations do have an ethics infrastructure in place (e.g. codes of conduct) and that more than half of the organisations even have a confidential reporting mechanism in place, whereas many organisations do not acknowledge the importance of assigning a senior level manager to have an ethics responsibility/designation for the ethics programme. In addition, significant findings of the survey indicate:

- ethics training tends to be too brief to be effective and such training tends to be ill-focussed in relation to cohorts of groups, functionaries (e.g. new entrants and managers);
- only 27% of respondents indicated that all new employees are trained in the application of organisational codes of ethics;
- 13% of respondents indicate that new employees are taught ethical decision-making skills; and
- 12% of respondents indicate that new employees are assisted in integrating ethics into their everyday activities.

From the above, it may be inferred that although ethics is generally acknowledged as an important factor in organisational activity, it doesn't achieve high level priority status within the context of organisational decision-making's strategic thrust. Within this context it may therefore further be inferred that leadership in management decision-making, especially on strategic level may be lacking in general; thus managers in key strategic positions do not attribute enough value to entrenching active ethics practice within their organisations.

In fact, the Country Corruption Assessment Report: South Africa (2003: 89) mentions that the findings of the above mentioned survey imply that organisations tend to neglect

ethics, since little commitment is demonstrated in ethical practice. Interesting findings of the survey also include that:

- in the majority of the findings ethics criteria do not form part of performance, reward or promotion criteria;
- ethics-related evaluations are present in about 50% of the organisations;
- ethics was reported to be part of organisational risk assessment in 56% of the respondents' organisations (financial risks still override reputational risks when it comes to determining ethical priorities); and
- 50% of the respondents' organisations have an explicit strategy focused on promoting ethical values and practice in daily business activities.

As a result of the eminent lacking ethics emphasis, the South African government has decided to introduce guidelines that should provide direction on strategic and structural measures to address the situation.

PUBLIC SERVICE INTEGRATED ANTI-CORRUPTION STRATEGY

The South African government has developed a *Public Service Integrated Anti-Corruption Strategy in 2002* (Anti-Corruption Capacity Requirements – Guidelines for implementing the Minimum Anti-Corruption Capacity Requirements in Departments and Organisational Components in the Public Service: 9), which is aimed at combating corruption in a holistic and preventative manner. An anti-corruption strategy (or fraud and corruption prevention strategy as some departments term it) addresses at least the following:

- A department's objectives regarding corruption. This is usually a commitment to sound corporate governance and a zero tolerance policy towards corruption.
- The corruption risks that need to be addressed.
- The specific anti-corruption components and functions that need to be established.
- Who will be responsible for implementing the various functions including setting up an anti-corruption unit (known by various names such as Anti-corruption Unit, Integrity Strengthening Unit, Fraud Awareness and Investigations or Departmental Investigations Unit)?
- Who is responsible for oversight and monitoring of the process?

The Integrated Anti-Corruption Strategy is diagrammatically expositioned in annexure 1 and reflects the four main *components* (prevention, detection, investigation, and resolution) of an integrated strategy, as well as the various functions that fall under each component (such as risk management, training and disciplinary action). It also shows the interrelationship between these functions, which is just as important as the functions themselves.
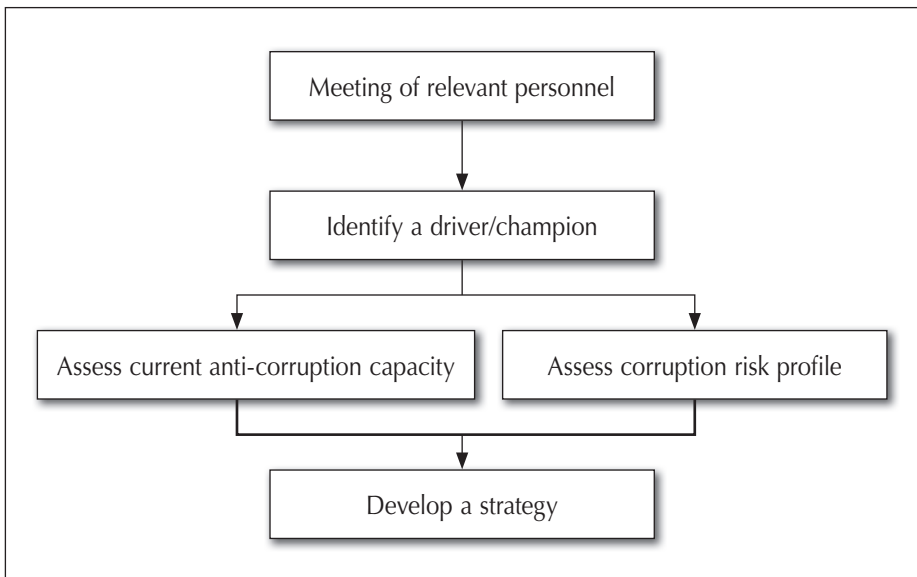
It contains the following activities:

- review and consolidate the legislative framework relating to corruption;
- increased institutional capacity. This includes the need for departments to create a minimum capacity to combat corruption- which is what this booklet addresses;

- improved access to report wrongdoing and protection of whistleblowers and witnesses;
- prohibition of corrupt individuals and businesses;
- improved management policies and practices;
- managing professional ethics;
- partnerships with stakeholders;
- social analysis, research and policy advocacy; and
- awareness, training and education.

HOW TO DETERMINE A STRATEGY

Each organisation has the opportunity to develop its own integrated strategy, which should be developed to address its own realities relating to ethics and professional conduct. This strategy is naturally drawn from the ethics framework, which is informed by relevant regulatory and other *points of reference*, set by government on a broad policy platform. The following diagramme the outlines the process for determining an organisation's bespoke anti-corruption strategy (Anti-Corruption Capacity Requirements. Guidelines for implementing the Minimum Anti-Corruption Capacity Requirements in Departments and Organisational Components in the Public Service: 10):

```
            ┌─────────────────────────────────────┐
            │    Meeting of relevant personnel    │
            └─────────────────────────────────────┘
                             │
                             ▼
            ┌─────────────────────────────────────┐
            │      Identify a driver/champion      │
            └─────────────────────────────────────┘
                   │                     │
                   ▼                     ▼
 ┌────────────────────────────────┐  ┌────────────────────────────────┐
 │ Assess current anti-corruption │  │  Assess corruption risk profile │
 │            capacity            │  │                                 │
 └────────────────────────────────┘  └────────────────────────────────┘
                   │
                   ▼
            ┌─────────────────────────────────────┐
            │         Develop a strategy          │
            └─────────────────────────────────────┘
```

The following steps are suggested to develop an anti-corruption strategy:
- An initial meeting is held with all relevant staff members. It is advisable to have all the relevant parties on-board as early as possible in the process to ensure commitment to the process.

- A person (or a group of people) must be identified to take responsibility for the process and to drive it forward. While the MASS requirements give the responsibility to ensure that the minimum requirements are met to the accounting officer (head of the department or organisation), the implementation is usually delegated. It is however essential that someone (or group) is clearly assigned the responsibility for implementation and that it becomes part of their key performance areas.
- The organisation's existing capacity to deal with corruption needs to be assessed. It is possible that many of the anti-corruption functions are already performed in an organisation and that these only need to be integrated into the strategy. During this assessment, one should determine which of the anti-corruption functions can be accommodated in existing functional units, and which of the functions will require new functional units or shared service arrangements.
- Fraud and corruption risk management is meant to be part of the normal risk management process in all departments. Any fraud and corruption risk assessment undertaken should be used to inform the anti-corruption strategy, which must address all of the specific risk areas identified in the risk assessment.
- When an anti-corruption strategy has been developed; a timeframe must be set for implementing it. This will depend on the size and nature of the department, the resources available, and the current state of ethics and corruption. It should also be remembered that corruption prevention is an ongoing process that needs continuous updating and realignment. Allocating sufficient resources (people, time, money, and physical resources) are crucial to the success of any strategy. As a result, an anti-corruption strategy should be discussed at the department's strategic planning sessions to prioritise it as an important area in need of resource allocation.

ORGANISATIONAL ANTI-CORRUPTION STRUCTURES: THE CASE OF THE DEPARTMENT OF TRADE AND INDUSTRY (DTI)

In the case of the dti, its anti-corruption management structure serves to exemplify its capacity in this regard. According to the Department of Public Service and Administration (DPSA), the dti's strategy forms an integral part of their strong focus on good corporate governance (Anti-Corruption Capacity Requirements – Guidelines for implementing the Minimum Anti-Corruption Capacity Requirements in Departments and Organisational Components in the Public Service: 13).

In the dti, the Chief Operating Officer is responsible for two directorates that have a strong anti-corruption focus – Corporate Governance and Employee Relations. The Directorate Corporate Governance is responsible for the Risk Management Office and the Directorate Employment Relations Governance handles all internal fraud cases and resultant disciplinary hearings. Furthermore, the Risk Management Office (RMO) (with two staff members) is responsible for the following anti-corruption functions:
- fraud prevention plan;
- whistle blowing policies;
- risk assessments;

- ethics training and awareness;
- financial disclosures; and
- receiving information from the National Anti-Corruption Hotline and referring it to relevant authorities.

The RMO has a dual role – to promote a culture of ethics, and to manage fraud and corruption risks in a pro-active and structured manner. It conducts annual risk assessments in close co-operation with the different functional divisions although both function independently; a close working relationship exists between the RMO and the office of the Chief Internal Auditor (CIA). The dti also has a Risk Management Committee, which is an independent sub-committee of the Department's Executive Board (EXBO). All deputy directors-general (DDG's) are members of the Risk Management Committee, which is chaired by an independent, non-executive chairperson appointed from outside the department. The Risk Management Committee considers the risk assessment reports and formulates recommendations for final acceptance by the EXBO.

An independent Audit Committee is established in terms of the *Public Finance Management Act,* 1999 (PFMA). This Committee consists of three independent, non-executive members plus the Director-General (DG). The Audit Committee has direct access to the Minister, if circumstances do require it. The DG cannot serve as the chairperson of this Committee. The Chief Internal Auditor (CIA) compiles all the reports with the assistance of the Audit Committee. The CIA is also responsible for managing forensic investigations into corruption. A Forensic Audit Consortium exists to conduct forensic audits, at the request of the CLA, when internal capacity is not available. This includes whistle blowing cases and hotline tip-offs (although this role of internal audit is not recommended by the Minimum Anti-Corruption Capacity requirements, it works well within the dti structures). The office of the CIA is supported by a professional Audit Consortium. This Consortium is appointed by tender to conduct audits when internal capacity is not available. The CIA reports audit matters directly to the DG and/or the Audit Committee and not via any other senior manager (for administrative and management matters, like budgets and staff request, the CIA reports to the DG via the CFO). The CIA also undertakes random audits at the request of senior management or following a tip-off, either internally or with the assistance of the forensic Audit Consortium. As soon as any fraud or corruption is discovered, the CIA immediately refers the matter to the DG. Forensic or corruption reports are compiled and the Legal Unit becomes involved. If staff members are involved, the Directorate Employment Relations is immediately brought on-board to institute any legal actions. Where necessary, matters are referred to relevant outside agencies (such as the State Attorney, South African Police Service, National Intelligence Agency, or the Scorpions).

LEADERSHIP AND ETHICS

A key component in the quest towards greater ethical conduct should coincide with significant leadership development. Literature on leadership abound. Mention is often made of leadership styles (for example *laissez faire* or autocratic leadership

styles) and the relationship and difference between leadership and management (which is not necessarily the same – a manager is not by default a leader). Leadership may also be categorised in terms of trait-theory, and according to Fox (2006: 69) considerable variations in the personalities, capabilities, abilities and skills of individual leaders exist.

Research has indicated that some leadership traits appear more consistently than others. The statistical correlation between particular traits and leadership is predominantly positive, but the correlation may be low and does not necessarily result in a cause-and-effect relationship. Fox (2006:70) continues to explain that for example, it may require a particular set of traits to achieve a position of leader and another set of abilities to remain within such a position.

In practical terms though, different organisations promote different approaches towards the type and nature of leadership which they may wish to instil. According to Akor (2008) Servant Leadership is an approach which is currently promoted by many organisations, including the South African Revenue Service (SARS). Servant leadership in an organisational setting is a practical means of enhancing organisational productivity. Servant leadership refers to a set of virtues that aspiring leaders must subscribe to. Public servants are called to render services, and by serving they become leaders. By serving they show commitment and that they have leadership qualities. Akor (2008) is of the opinion that

> We cannot wait until we become leaders before we learn how to serve because 'nemo dat quod non habet' (you cannot give what you do not have). If we do not possess the qualities of serving it would be difficult to acquire them when we become leaders.

Ethical systems such as servant leadership can be real as well as elusive because on the one hand officials may attempt to do the right thing, while on the other hand, many people fail to discern and do the right thing as a result of daily pressures to meet set targets or achieve practical outcomes. However, servant leadership can be encouraged through leading by example. As with ethics and morality, the virtues of servant leadership cannot be achieved overnight. Rather, they require patient cultivation, and are necessary for organisational advancement. All SARS employees are encouraged to embrace it.

Awareness programmes relating to Servant Leadership and ethical conduct are continuously run throughout SARS. Key characteristics of a servant leader are briefly explained below:

- The choice to lead: The servant leader has the potential to lead and chooses to lead, not as a non-servant, but as a servant.
- Foresight in practice: Foresight has its basis in the intuitive mind. It is a characteristic that helps the individual to understand past lessons, present realities and the likely future consequences of a decision.
- Listening skills: The ideal first step in true communication is listening rather than speaking. True communication demands respect for other people's ideas and understanding them as this is the way one can adequately harness various opinions in pursuit of organisational goals in the same way.

- Ability to conceptualise: The servant leader is able to visualise the objectives of the organisation in the context of the past, present and future.
- Proper use of power: Servant leaders do not use their power to coerce others. Rather, they use their powers through persuasion, which needs constant effort and patience. Coercion should be a last resort as the task of persuading others to follow has greater value and impact.
- Practice of acceptance and empathy: The servant leader is always empathetic without necessarily condoning underperformance.
- Consensus seeking: In group decisions, a servant leader consults all relevant stakeholders instead of merely imposing decisions.
- Use of open language: A servant leader uses open language that is clear to everybody and not ambiguous.
- Nurturing of the community: The servant leader ensures that all stakeholders derive a just share of the organisation's successes. True community can be built among employees to give them a sense of belonging.

The above merely serve as examples of a particular organisations approach to what leadership comprises. However, irrespective of the particular approach to leadership held by organisations and which particular leadership theory that is exalted, the important factor is that it should fall within the ambit of the ethical values for public administration enshrined in the *Constitution of the Republic of South Africa,* 1996 and it should promote human resources capacity to function within such parameters.

CONCLUSION

The relationship between leadership and ethics naturally calls for substantive debate on an ongoing basis in order to improve general awareness among public officials in general. Part of this debate centres around how leaders should conduct their functions according to what is deemed as ethical and which measures organisations should take to entrench and manage this quest. The policy and regulatory framework and associated guidelines set by the South African government may lay the foundation in this regard, but individual organisations should continue to structure and entrench their processes, methodologies and general behaviour to ensure that developmental and service delivery decisions are taken within an ethical milieu. It is therefore necessary to continuously seek out particular *best practices* found within South African public sector organisations to emulate in this regard.

BIBLIOGRAPHY

Akor, E.O. 2008. Ethics Consultant. South African Revenue Services. *Personal interview*. Pretoria.

Fox, W. and Meyer, I. H. 1995. *Public Administration Dictionary*. Cape Town: Juta & Co. Ltd.

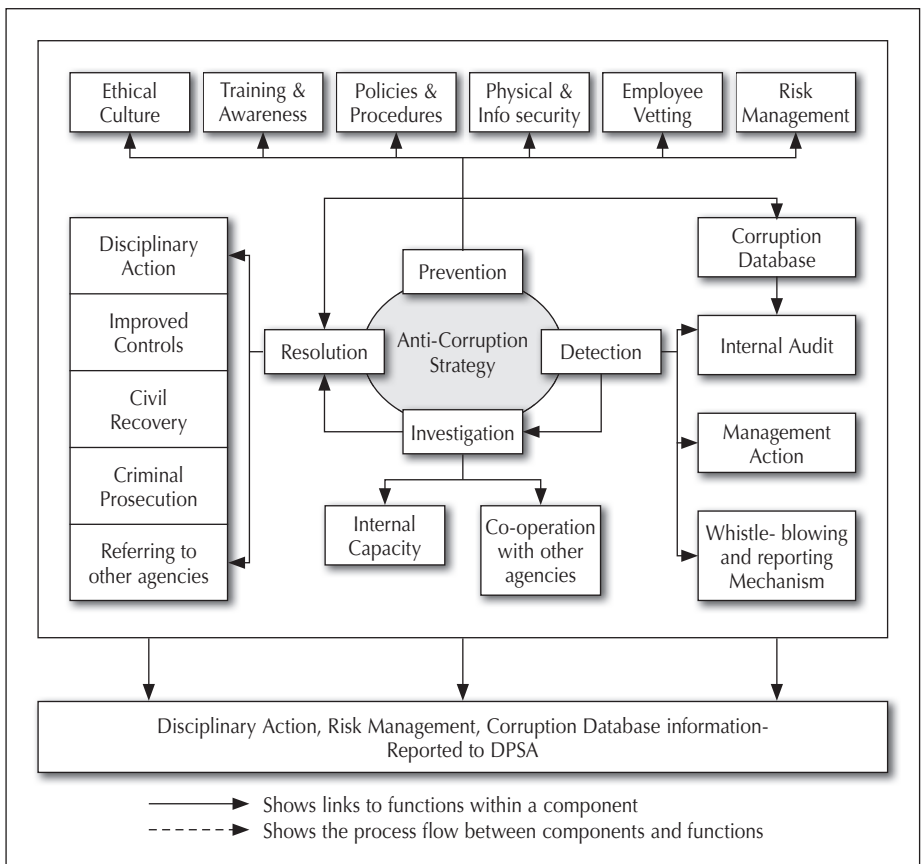Fox, W. 2006. *Managing Organisational Behaviour*. Cape Town: Juta & Co. Ltd.

Malan, F. and Smit, B. *Ethics and Leadership*: *In business and politics.* Cape Town: Juta & Co. Ltd.

The DPSA. (Department: Public Service and Administration.) Republic of South Africa. *Anti-Corruption Capacity Requirements.* Guidelines for the Minimum Anti-Corruption Capacity Requirements in Departments and Organisational Components in the Public Service.

The DPSA. (Department: Public Service and Administration.) Republic of South Africa. *Ttowards a common understanding of corruption.*

The DPSA. (Department of Public Service and Administration) and United Nations Office on Drugs and Crime. Regional Office for Southern Africa. 2003. Country Corruption Assessment Report. South Africa.

ANNEXURE1 – INTEGRATED ANTI-CORRUPTION STRATEGY

Source: (Anti-Corruption Capacity Requirements. Guidelines for implementing the Minimum Anti-Corruption Capacity Requirements in Departments and Organisational Components in the Public Service: 10)