

**Strengthening Governance for Infrastructure Service
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**Introduction to Governance Theme:
"Leadership"**

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“Leadership is an observable, learnable set of practices. It is not something mystical and ethereal that cannot be understood by ordinary people. Given the opportunity for feedback and practice, those with the desire and persistence to lead can substantially improve their abilities to do so.”

Kouzes & Posner

"Leading with Integrity" Requires:

- **Ethics as a "formal Governance item"**
- **An operationalised Code of Ethics**
- **Effective ethics awareness-raising, education and training**
- **An ethics advisory service / ethics contact officers**
- **An ethics committee (as a considered & distinct possibility)**
- **Rapid responses mechanisms to dilemmas and breaches**
- **Whistleblower mechanisms and protection**
- **Effective data collection and records of ethical issues**
- **Ethics audits**
- **Fraud and corruption risk assessments**
- **Public statements of values and intent (e.g.: their Website)**
- **Visible and publicly applied penalties for non-compliance**

Creating the Nexus !

- Ethical systems are very important but they are not enough, without ethical leaders driving them. *Conversely:*
- Ethical leaders are not enough without ethical systems being in place to provide a firm basis upon which to base their actions and decisions.
- So: It is a primary responsibility of the ethical leader to create this essential nexus by ensuring that such ethical systems are in place and working effectively.

Effective & Ethical Leadership is about focusing on fundamental issues:

Gaining and giving **RESPECT**

Instigating and allowing people **CHOICE**

Providing **EMPOWERMENT**

Allowing and balancing **AUTONOMY**

Fostering and utilizing **DIVERSITY**

Creating opportunity for **INNOVATION**

Encouraging **INITIATIVE**

Rewarding **PERFORMANCE**

Focusing on, and addressing, ALL **STAKEHOLDER NEEDS**

Being fully accountable, to establish **MUTUAL TRUST**

Creating open communication through **TRANSPARENCY**

Setting the **EXAMPLE**

Leading by Example

"If there is *any* indication that the leader is not totally committed to achieving the vision, then all the sweet talk in the world will not get people to support it."

(Fred Smith, Founder and CEO of Federal Express)

And:

“As leadership strategy moves from coercion to cooperation, the key to bonding people to the goals of the organization automatically becomes the intangibles -- relationships, commitments and shared values.” and.....

“Leaders who articulate such a vision aren't mystics, but broad-based thinkers who are willing to take risks. Visionary leaders don't have to be brilliant, highly innovative, or incredibly charismatic. But they do have to be intently focused on what it is they are trying to achieve.”

“THE CORE OF LEADERSHIP”

Dr Carol Goman

The Authority Devolution Puzzle

←-----SPECTRUM OF DEVOLUTION----->

**ABSOLUTE
AUTHORITY**

**No Rules
Autonomy
Variable Policy
Procedural diversity
Non-standard processes
High flexibility**

**NONE AT
ALL**

**Many Rules
No Autonomy
Static Policy
Procedural uniformity
Standardised processes
No flexibility**

A major factor in how much or how little a leader can afford to depend upon, and delegate responsibility to employees, is the degree of devolution of functions, geographically and organisationally. Knowing how far to trust people to make ethical choices is a difficult judgement that every leader must make. Key question: How well are ethical values shared, and committed to, across in the organisation ?

WHAT KINDS OF LEADERS DO PEOPLE WANT / NEED ?

There are so many “models” of great leadership. One useful model is by Kouzes & Posner, whose initial studies included 15,000 people, 400 case studies and many in-depth interviews. They identified:

- **1. Honesty**: 87% of the people selected this attribute first. If they are going to follow someone, they must be assured that the person is worthy of their trust, truthful and ethical.
- **2. Forward Looking**: 71% selected this attribute because they want and need leaders who have a vision, set goals, and are there for you when you need them.
- **3. Inspiring**: 68% said that leaders need to be able to communicate their vision and goals for the future in order to encourage employees to work hard toward their accomplishment. This may include such things as being enthusiastic, positive, optimistic, dynamic, and uplifting.
- **4. Competence**: 58% selected competence, being able to get things done for the team, being capable, knowledgeable and effective.

Building Coalitions of Ethical Leaders

- It is difficult, sometimes even impossible, to do these things alone.
- Several well-meaning people in alliance can create critical mass and achieve much more than one individual.
- Such coalitions can operate within the same organisation or across organisations.
- Coalition members provide you with more reliable, focused support, wider and varied judgements and more honest and frank advice.
- Coalitions of ethical leaders can and do operate internationally.
- It is harder for you to be isolated, sidelined or even victimised, when you are part of a coalition of ethical leaders.

“.....ethical leaders must create the right conditions and organizational culture (i.e., an "organizational soil") to foster the development of ethical behaviour....”

[Zhu, May and Avolio, 2004]

The Influence of Ethical Climate

- The ethical climate of an organisation can directly influence individual responses to ethical dilemmas.
- It is important to somehow get a measure of the ethical climate in your organisation.
- One respected example of applied research in this area is by Victor and Cullen, through their “Ethical Climate Questionnaire (“ECQ”).
- Their research, since the mid 1980s, plus ongoing replication work by other researchers, has proven the impacts of ethical work climate on individual ethical decision making in organisations.

Ethical Climate – Organisational Expectations

(Victor, B., & Cullen, J. B. (1988 -)

- **Caring**: An expectation of a concern for people, combined with a concern for efficiency;
- **Law and Code**: An expectation that people will follow legal and professional standards;
- **Rules**: An expectation that people will follow organisational rules and procedures;
- **Instrumental**: An expectation that whatever needs to be done to further the organisation's interests, should be done; and
- **Independence**: An expectation that decisions will be guided by people's own individual values and principles. **(But that these must be congruent with those of their organisation)**

Examining Ethical Climate: 5 Risk Factors

Knowledge of Expectations:

The extent to which values, policies, principles, standards, guidelines are known (or unknown) and understood among your employees.

Rewards & Punishments:

The extent to which these are known and visibly applied.

Individual and Group Norms:

Group norms can be more powerful than rules and regulations in promoting ethical or unethical behaviour.

Level of Stress:

Employee overload, role conflicts, lack of resources and unreasonable deadlines can lead to employees cutting corners, taking risks and ignoring ethical standards.

Level of Competition:

Excessive internal competition between individuals or groups can promote unethical behaviour.

Leaders need to assess these risk factors:

- Are the ethical values, policies, principles, standards and guidelines known to all employees ?
- What are the group norms in the organisation as regards ethical behaviour ?
- Are rewards and punishment for ethical and unethical behaviour visibly applied ?
- At what level is internal competition between individuals and groups in the organisation ?
- At what level is stress on individuals and groups in the organisation ?

The "Human Capital of Integrity"

- No matter how good the overall system may be....
- No matter how well good ethics processes are institutionalised
- No matter how strong the deterrents, education, training, enforcement or penalties....

IN THE END IT IS PEOPLE WHO MAKE INTEGRITY HAPPEN OR NOT HAPPEN !

- If we do not have in place sound, fair, equitable HRM policies and practices that yield strong loyalty and commitment from our people to our values, we will never achieve nor sustain a healthy ethical climate in any organisation.
- Issues such as: recruiting and selecting ethical employees. equitable pay, fair and appropriate performance management, rewarding ethical behaviour (e.g.: through the promotion system, awards etc.), are critical factors in achieving high order human capital outcomes.

Building and Maintaining the Human Capital of Integrity is Critical

- ⊙ **If organisations and leaders do not adequately look after their employees, why should those employees look after the organisation ?!**
- ⊙ **If organisations and leaders do not expect, and work hard at building, mutual trust with their employees, then those employees have no reason to act in a trustworthy manner ! Loyalty is a “two way street” !**
- ⊙ **So dealing ethically with matters affecting employees through ethical HRM policies and practices and Ethical Leadership, is essential in building an organisation with integrity.**
- ⊙ **The rights and obligations of employees must be properly balanced, as must fairness and justice.**
- ⊙ **This is true in every culture - the bases and issues may differ, but the principles do not !**

Specific HRM priorities & strategies to achieve and sustain a "Leading with Integrity" organisation

- ❑ **Pre-employment Ethics Education:** requiring more from our secondary educational systems (more ethical school leavers);
- ❑ **Recruiting Ethical People:** taking specific steps to ensure that we select only those recruits who have integrity;
- ❑ **Training and developing Ethical Leaders:** designing better training and development programs in ethical leadership;
- ❑ **Mentoring up-and-coming leaders:** using properly designed mentoring, as a key tool for ethical leader development;
- ❑ **Sponsoring Business Education:** but only where this contains effective and assessable ethics education content;
- ❑ **Performance Management:** ensuring that ethical leadership is a mandatory performance criteria; and
- ❑ **Rewards, Promotion and Advancement:** ensuring that rewards only go to those most deserving, based on ethical leadership behaviour

From: Shacklock, Arthur H. & Lewis, Melea. "Leading with Integrity: Ethical Leadership as a fundamental principle of integrity and good governance.". Oxford, 2006.

ETHICAL LEADERS...

- **Examine and re-examine emerging ideas about theories of ethical leadership (but with an eye on cultural differences)**
- **Take advice from our own admired leaders, peers and followers**
- **Consult others whose judgement we respect, to test our views; Take the advice of mentors**
- **Ensure that we fully understand organisational, professional and legal requirements (laws, codes, guidelines etc.);**
- **Carefully analyse leadership situations involving morally hazardous situations**

- **Re-examine decisions we have made in the past, in the light of new knowledge and new experiences**
- **Observe other leaders (“the good, the bad & the ugly !”)**
- **Observe the reactions of followers, peers, associates**
- **Continually assess ourselves as ethical leaders, enhance our self-knowledge to discover more about our own stances on issues, our personal values**
- **Develop scenarios of likely and specific ethical dilemmas that we could face in our organisation**
- **Select or develop a checklist of thoughts and actions which we can put immediately into gear when faced with an ethical dilemma**

THANK YOU