INCLUSIVITY FOR ETHICAL PUBLIC SECTOR GOVERNANCE IN SOUTH AFRICA

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Abstract

Public sector organisations have moral obligations to a diverse range of stakeholders. The governance of ethics as an integral part of sound governance in the public sector. This necessitates the application of principles of accountability, responsibility, fairness and transparency inclusively to all stakeholders. The South African Constitution of 1996 identifies these core principles as underpinning sound public sector management in a democratic dispensation. The landscape of public sector governance constitutes various control measures to ensure that the interest of all stakeholders are acknowledged. This article focuses on the contribution of inclusive ethics to sound ethical governance in the public sector. While there is no universally accepted best practice of corporate governance, the governance of inclusive ethics in new democratised states like South Africa is vital which embodies a complex system in which individuals, public sector departments and societal characteristics dynamically interact and converge or diverge.

Keywords: Public Sector, Inclusive Ethics, Stakeholders, Governance, South Africa

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Introduction

Public sector organisations are being increasingly made aware of the impact of ethical decision making on all stakeholders in an endeavour to render quality public services. Ethical governance features as an imperative in organisational decisions affecting sustainable public service delivery.

It is generally accepted that the rights of all stakeholders, who depend on public institutions to achieve their goals, should be protected. Therefore, organisational decisions by any public sector institution should not negatively impact on stakeholder interests. In view of public sector organisations having an obligation to contribute to the ethical dimensions of good governance, the principles of sound public management as identified in the Constitution of 1996, require adherence to.This is especially important in view of the failings of the apartheid system to embrace the basic tenets of non-discrimination. The principles of responsibility, accountability, transparency and fairness, which ultimately contribute to social justice and development, are integral for the achievement of optimum organisational performance based on ethical governance. These principles did not feature during apartheid, where public sector institutions lacked institutional processes of ethical governance, while protecting the interests of those who controlled the state at the expense of society as a whole.

An inclusion stakeholder approach, which recognises the interests of all stakeholders in the public sector, reflects on participative governance which acknowledges that organisations can no longer operate independently from stakeholders and their environments.

By recognising the fundamental principles of good governance, inclusive ethical governance becomes of fundamental importance, thereby contributing to the achievement of expectations of all stakeholders in any public sector environment.

Governance and the public sector

Public sector organisations conduct their operations in a wide and diverse context, which includes internal and external stakeholders. Such organisations are becoming increasingly aware of the imperative to operate with the necessary cognisance of the broader stakeholder constituency which invariably has contributed to the influence and power of various organisations in the public sector. Stakeholders like employees, local and international non-governmental interest groups, citizens, suppliers, political parties and trade unions cannot be marginalised as they are

directly or indirectly affected by public service delivery.

The imperative for sound public sector governance is highlighted by the Commonwealth Association for Corporate Governance (1999:1), which states that good corporate governance is becoming a necessity for every country and organisation and no longer restricted to the activities of large corporations in advanced industrial economies. While public sector organisations have specific service delivery functions, they are obliged to make responsible decisions which protect and enhance the common good of all stakeholders. While efficiency, effectiveness, economy and equity should drive public service delivery, the impact on internal and external stakeholders cannot be ignored. Since governance embellishes ethical governance, public sector organisations have to consider public good and responsiveness to people's needs. A shift from self-interest to public interest is therefore advocated since sound public administration is affected by the relationships with stakeholders in the governance system. Establishing and maintaining these relationships on high ethical standards implies adherence to the principles of accountability, responsibility, fairness and transparency.

Since the sole purpose of public sector organisations is the provision of quality public services, a good reputation is established through quality service provision. It can be argued that a good reputation is a based on ethical conduct, good governance and organisational success being synergised. The imperative for such a reputation is alluded to in the White Paper on Transforming Public Service Delivery (South Africa, 1997:10) in the following areas: increasing access, especially for the traditionally disadvantaged, providing useful information so that citizens are aware of government activities, increasing openness and transparency in government to foster effective stakeholder participation and providing effective and efficient public service delivery. Therefore, a good reputation based on high ethical standards earns the trust of all stakeholders, which is important for public sector organisations to achieve their goals. A good reputation, further, assures all stakeholders that public sector organisations execute their powers in the interests of stakeholders who are ultimately impacted on (Roussouw and van Vuuren, 2007:193). Therefore, the relationship with all stakeholders characterised by responsibility, fairness, accountability and transparency provides a foundation for inclusive ethical governance in the public sector, which is important of sound public administration.

Inclusive ethics and the stakeholder theory

The stakeholder theory focuses on organisations developing and maintaining relationships with all stakeholders, whereby everyone strives to give their best to contribute to the achievement of the core functions of any organisation (Freeman, Wicks and Parmar, 2004:364). The theory considers values as the driver in the process of service delivery, thereby recognising that all those who have legitimate interests in an organisation should enjoy the same priority interests and rewards. Within a democratic environment, the public sector is not self contained to an extent that it can establish it's goals entirely independently of the expectations of all stakeholders. Any organisational ethics motivated by the sole purpose of organisational interests only distracts attention from crucial issues which serve all stakeholder interests. Since the public sector is driven by quality service delivery within any democratic society, then it ought to contribute to stakeholder interests which is instrumental in determining the righs, powers, benefits and sustainability of the public sector (Dorasamy, 2009:50).

According to Freeman *et al.* (2004:365), supporters of the stakeholder theory benefit in the following ways:

- Management can display value for stakeholder relationships and interests through action.
- Management can embrace a pluralistic and pragmatic approach with all its stakeholders to address the challenge of " which values counts", thereby generating cooperation.
- By taking cognisance of the legitimate interests of stakeholders affected by its activities, organisations can establish alink between service delivery and the creation of value for stakeholders.

By ensuring that all stakeholders' interests are pointing in the same direction, joint stakeholder interests become the focus of ethical governance. This avoids the tunnel vision rationalisations and self dealing which has contributed to poor governance of many states, especially in Africa. Governments which reduced their responsibilities to self interest, fostered unethical conduct through the failure of linking ethics to daily organisational activities. This invariably highlights the interests of various stakeholders which is important to consider for organisation performance and ultimate success. This is advocated by literature which supports the belief that proper stakeholder management reinforces favourable performance (Donaldson and Preston, 1995:77). In this regard, democratic governments show a greater tendency forward a more inclusive stakeholder approach compared to communist governments.

Since every stakeholder invests in public sector organisations in terms of time, money and other resources, they are arguably entitled to the protection of their interests. The recent economic crisis is evidence of the lack of ethical passion within many organisations. This impacted adversely on individuals and groups from all sectors of society. The impact is

reflective of poor ethical governance which failed to consider stakeholders as an end in itself. Once stakeholders are seen as a means to an end, they are not comprehensively involved in directly the activities of the organisation in which they have an interest (Donaldson and Preston, 1995:73).

Stakeholder interests

Public sector organisations operate in a wider society, necessitating consideration of all stakeholder interests in the execution of their activities. A stakeholder can include any group or individual who can affect or is affected by the actions, policies, decisions, practices or goals of an organisation (Daft, 1997:142). The broad area of stakeholder influence in the public sector requires public sector organisations to not merely provide goods and services in an endeavour to improve the general welfare of society. Further, in view of the impact of the local, national and international environments on organisations, operating in silos is no longer feasible. Therefore public sector organisations have a responsibility to their primary and secondary stakeholders, who endorse their establishment and activities through legislation, regulations and policies.

Any public sector organisation has shared purpose, which implies adherence to multiple objectives of good governance. Stakeholders invest time, money and other resources in such organisations, thereby being entitled to benefits. The recent global crisis is testimony of poor governance which affected employees, citizens, financial institutions, global partners and various other sectors of society who are vital contributors for sustainable governance in any country. In this regard, Donaldson and Preston (1995:73) argue that every stakeholder has a right to be treated as an end in itself, rather than as a means to an end. This necessitates not only full participation of such stakeholders in government affairs, but also accountability underpinned by ethical practices without compromising the interests of any particular group.

The public sector has an obligation to be responsive to society's needs and to meaningfully utilise scarce resources amidst challenges faced by any developing state (Dorasamy, 2009:54). Stakeholders play a crucial role in assisting governments with ways of managing emerging economic, political and social challenges, while sustaining effective and efficient public services. Section 195 (1) of the Constitution, 1996 states that public administration must:

- Be accountable.
- Respond to people's needs.
- Promote effective, economic and efficient use of resources.
- Maintain a high level of professional ethics.
- Provided services fairly and equitably.

It is quite evident from the aforementioned challenges and responsibilities that government, in the execution of it's duties, needs to draw on the contributions of stakeholders from different sectors. It can be argued that while the public sector has the responsibility to deliver services which the public cannot promote in an individual capacity, similarly governments are becoming increasing reliant on support and help from the global political, economic and social environment.

Role of stakeholders

Stakeholders in the public sector can include any individual or group who can affect or be affected by the policies, regulations and decisions of government. The diverse range of stakeholder influence in a democratic dispensation compels government to focus beyond the mere provision of goods and services to enhance the common good of society.

Primary stakeholders like employees and citizens have a vested interest in ensuring that resources are used effectively and efficiently. Embedding loyalty from employees depends ontheir conditions of service which invariably impacts on organisational performance. Similarly, citizens expect goods and services to be provided in the spirit of Bath Pele, which focuses on standards of excellence for the public sector, Malan and Smit (2001:181) advocate integration of the ethical system of an organisation into its strategic position, rational judgement during organisational purpose and the acceptance of responsibility and accountability as important considerations for the protection of primary stakeholder interests.

Secondary stakeholders like non government organisations and global organisations make significant contributions to development in sectors like education and health. The sustainable involvement of these stakeholdersdepends on sound governance practices in government. Government has an obligation to adhere to national and global standards that contribute to the protection of society, rather than promoting self interest which transgresses social responsibility and overall development. Balancing the needs of different stakeholders, consideration of the impact local and global developments and defining the diversity of socio-economic realities that affect public sector goals are some of the factors that must be considered by public sector organisations in relation to the interests of secondary stakeholders.

In view of the complicated web of relationships facing the public sector, the impact of decisions on such relationships must be addressed. This complex network of human relations requires ethical consideration of those who constitute the network. Stakeholders, together with government, need to contribute toward improving society. Therefore, the core business of the public sector involves all

stakeholders in achieving sustainable public service delivery.

In the absence of ethical practices in the public sector, the confidence of stakeholders can be eroded since a democratic government, which threatens the tenets of democracy, can be alienated. Once the reputation of government is clouded by unethical practices, then its credibility as a government for the people, by the people and of the people becomes questionable. As stakeholders have invested their resources in the country, there is an expectation that the interests of those who have committed themselves to good governance will be taken care of.

The "dog eat dog" approach in the public sector is not only destructive for sustainable public service delivery, but can also destroy the legitimacy of any democratic government.

Imperatives for sound public sector governance

Apart froma regulatory framework governing sound governance in the public sector, governments' social, political and economic responsibility toward its citizens is an imperative. Sound public sector governance provides an impetus for effective and efficient public service delivery. Poor governance violates the public service code of conduct, deters foreign investment, increases the cost of public service delivery and undermines the fight against discrimination (Dorasamy and Pillay, 2011:198).

The principles of corporate governance outlined by the Organisation for Economic Co-operation and Development (OECD) recognises respect for all stakeholders (OECD, 2004:3). Access to relevant information, consultation, disclosure and transparency are considered vital elements constituting good governance. This reinforces the belief that any organisation should act in good faith and in the best interest of it's stakeholders. It can be argued that weak disclosure and non-transparent practices increase opportunities for unethical conduct, thereby negatively impacting on the integrity of the organisation. In terms of the public sector, different resource providers contribute to the sustainability and stability of government. Therefore, it stands to reason that managing competing demands and conflict of interests is important in dealing fairly and responsibly with the interests of all stakeholders the public sector.

'Participative corporate governance' according to the Second King Report on Corporate Governance highlights the importance of social, ethical and environmental performance of organisations in relation to sound governance practices (IOD: 2002:7). The following considerations can be applied in the public sector (IOD: 2002:30-100):

- Sustainability
  Confidence and support from stakeholders on whom government depends ultimately makes government a "going concern". The

identification of stakeholders expectations and acting in good faith can increase and sustain public sector performance.

- Legitimacy to operate
  Apart from complying with the legal obligations to operate as a democratic state, government also earns legitimacy through accountable and responsible conduct. This is evidenced through consultation and participate governance.

- Social Power
  Government has a great impact on society in respect of public services, thereby contributing to an enhanced standard of living. Government's social responsibility toward citizens necessitates recognition of all stakeholders in an equitable and fair manner.

- Citizenship
  Any government elected by its citizens has an obligation to address developmental issues affecting it's people. Addressing developmental issues contributes toward building strong sustainable societies which undoubtedly impacts on strong, sustainable public sector governance.

- Societal values
  Government's commitment to a democratic constitution based on non-discriminatory practices and addressing the injustices of the past renders an inclusive focus on all parties that directly and indirectly affect government. Co-existing in a diverse society necessitates a governance system which reflects the societal value system in which government operates.

- Reputation
  The reputation of government hinges on the perceptions that stakeholders have of it's integrity, efficiency and effectiveness. Regular engagement with stakeholders to determine their perceptions of public sector performance can help to protect government from destabilisation.

The Second King Report on Corporate Governance (IOD, 2002:10) considers the individual interests of stakeholders as merging into organisational interests, thereby highlighting the recognition of stakeholder interests as being mutually beneficial. From a public sector perspective, if public sector performance is poor, then stakeholders will have reservations about an enduring interest in government. Once stakeholders challenge governments licence to operate because of poor service delivery, then it's legitimisation is threatened. Thus can have serious consequences for the continued existence of any democratic government.The World Bank (1999:10) highlights the following elements of good governance:

- Participation
  Participation can be considered as an imperative in a democratic society, whereby government in collaboration with it's stakeholders can engage in quality public service delivery.

- Accountability

Accountability implies establishing and maintaining the credibility of government. This can be facilitated by adherence to sound ethical decision making, which is open for public scrutiny.

- Predictability

  Policies and laws provide a framework for consistent decision making practices. This helps to regulate service delivery in the public sector, without transgressing democratic principles of fairness and equity.

- Transparency

  High levels of unethical conduct can be controlled through the application of the principle of transparency. Transparency, underpinned by legal enforceability, can reinforce the obligation of government to conduct itself in an ethical way.

The various elements of good governance clearly indicate the need for an inclusive approach to good governance in the public sector. Such an holistic approach ensures that through accountability, the interests of all stakeholders are promoted. Further, transparency places an obligation on government for public disclosure as stipulated in various legislation. This in turn provides some guarantee of predictable outcomes commensurate with good governance. In the absence of an ethos of ethics, sound public administration is eroded, thereby hampering quality public services responsive to public needs (Dorasamy and Pillay , 2001:295).

Ethical practice in the public sector

According to Roussouw and van Vuuren (2007:4), ethics is about identifying and implementing standards of conduct that will ensure at a minimum level, the organisation does not negatively impact on the interests of its stakeholders; while at the maximum level, ethics is about standards of conduct that promote the interests of all affected by the activities of the of the organisation. Therefore, any public sector organisation has to adhere to a defined system of ethical practice which clearly distinguishes between the rightness and wrongness ofit's conduct.

A democratic government has an ethical responsibility to all it's stakeholders, since an ethical relationship is expected from a democratically elected government whose existence is legitimised by the electorate. Any department in the public sector interacts with different stakeholders in its environment, which ultimately is aligned to the goals and aims of the public sector. Such goals and objectives need to be informed by an ethical mould which does not compromise the needs and expectations of all stakeholders. The inclusion of the ethical dimension into all organisational activities is a public acknowledgment of the need to behave ethically. In this regard, Kouzes and Posner (1987:193) argue that such on inclusion requires the

regulation of core values such as altruism, accountability, integrity, transparency, fairness and equality. By recognising and implementing these core values, public sector organisations show a commitment to achieving purpose ethically, providing a framework for sound governance and facilitating consensus about organisational goals and objectives.

Van Tonder and Roodt (2008:63-66) argue that ethics can be managed in the following ways:

- Ethics risk

  The public sector needs to establish a reputation for ethics. This requires identifying the extent to which ethics is practiced and how unethical behaviour is managed. The identification of ethics risks and strategies for managing ethical conduct can be devised and underpinned by an organisational code ethics.

- Ethical standards

  Ethical standards should complement organisational values, promote ethical conduct and decision making. These can be included in the code of ethics which should represent the collective ethical interests of all stakeholders, while minimising widespread deviations in interpretations of right and wrong.

- Walking the talk

  Organisations should not merely react to ethical governance requirements in the public sector, but rather deliver public services in the spirit of ethical governance. Internalisation of ethical standards is evident when organisations show a "lived" approach in all activities. Such a "lived" approach can be institutionalised through an ethics management system which practices ethics awareness training and disciplinary processes, involving all functionalities within the organisation.

- Ethical Performance

  Feedback on ethical performance to all stakeholders is an important reflection of good governance. Reporting on ethical performance strengthens organisational ethical culture, while empowering stakeholders to undertake a meaningful analysis of the organisation's performance.

- Organisational duty

  Public sector organisations have a duty to exercise control and directions, act with integrity in the best interest of all stakeholders, be committed to effective organisational confidence and have the competence for sound governance. These duties hinge on a shared perception about what is considered the "right thing to do", which becomes an ethical imperative. Documented studies show that such an ethical imperative translates into high employee morale, increased public sector confidence and strong relations with all stakeholders.

In addition, the King Report on Corporate Governance (2004:95) identified the following

elements for a best practice model for ethical practice: determining stakeholder expectations, codifying ethical standards, institutionalising ethics, monitoring ethics performance, ethics communication, rewarding or disciplining unethical conduct, whistleblowing, auditing ethics performance and disclosure of ethics performance to all stakeholders.

Evidence points that public sector organisations that embrace a weak ethical culture have a poor performance history in the long term. Studies by Webley and More (2007:8) revealed a strong positive relationship between ethics and performance, whereby organisations which used a code of ethics and implemented ethics training programmes surpassed those that did not go beyond merely exposing ethical commitment in terms of performance. The former organisations shared evidence of "eating, drinking and sleeping" ethical governance that moved beyond mere compliance with laws and regulations. While law and regulations may be efficient mechanisms for guiding ethical practices, it may be inadequate in promoting higher levels of ethics at an inclusive level (Dorasamy, 2009:52). Sullivan (2009:20) argues for organisations to move beyond observing bright lines which encompass merely observing specific rules to follow. This can be considered as minimum standards, which is inadequate to promote the sustainability agenda for long term success. Therefore, the imperative is for ethical governance to move from mere compliance to systematic implementation of integrated ethics programmes and culminating with organisational leadership that continuously improves standards of organisational ethics (Sullivan, 2009:36). Such an approach contributes to the highest possible outcome of good for everyone affected by the actions of public sector organisations. This is important as the public sector is part of a social system, whose activities can have significant effects throughout society (Dorasamy, 2009:53). Therefore the interests of society reflects the total interests of all its members, which includes the public sector.

Conversely, any organisation which focusses on exclusive ethics can be characterised as having a moral world of its own and which does not require justification on any grounds outside itself (Alford, 2001:60). Such organisations are not motivated by promoting and protecting ethical values of all stakeholders, but rather motivated by instrumental values (Dorasamy and Pillay, 2011:299). Public sector organisations in a democratic state cannot be characterised as such, since there is violation of a humanising public sector culture which perpetuates integrity and dignity of all stakeholders.

Conclusion

By focussing on the purpose of public sector organisations, public service delivery can be driven by ethical considerations underpinned by altruistic interests. Since the public sector operates in an environment comprising of stakeholdersfrrom diverse sectors, sustainability requires recognition of multiple stakeholders' interests. Shared responsibility and collaboration is integral for effective and efficient public service delivery in any democratic dispensation. Benefits should not be restrained to government, but should also accrue to all stakeholders whose contribution to public sector sustainability cannot be ignored. Therefore, the relationship with all stakeholders should be based on an inclusive ethics foundation which promotes the common good of all. While it may be unreasonable to maximise the interests of all stakeholders from an ethical perspective, what is suggested is for the public sector to make an ethical consideration where it is reasonable to do so and to make ethical decisions that do not negatively impact on any one stakeholder.

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