

Ethics and Corporate Governance: A Model for South African Public Service

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Abstract: The history of a country can be marked by its lack of the capacity of good governance and generally it can be viewed as backwards. The backwardness and lack of good governance can be perpetuated by lack of ethical conduct and corporate governance. These are some of the tenets and requirements for globalisation in Africa. Most of the African states had to be reorganised to fit local context of cultural, political and economic process in the quest for globalisation. Because globalisation is widely used to describe a variety of economic, cultural, social and political landscapes, it is contested how African states are able to match the good standards of governance and South Africa is not an exception. Good governance should be based on oversight bodies established with the primary objective of monitoring as well as ensuring ethical conduct for sound decision making. The organisational culture, the organisational climate, organisational goals as well as stakeholders play a vital role in influencing decision making process. These, in turn, impact on the country's productivity and service delivery and impacting on its standing in the global village. Despite all efforts, the administration and management of government is infiltrated by corruption consequently with the decline in economic growth and development. These can impact on social and economic factors for corporate governance and adherence to global standards. The deontological or rule-based beliefs and values that are based on the expected outcomes or the teleological beliefs can contribute to the ethical conduct for corporate governance? The paper looked at, through the primary and secondary data, on how can organisational culture, the external and internal environment, organisational values, organisational culture, the organisational climate, organisational goals, ethical climates, management control, individual values and stakeholders play. A Model for South African context is developed to address ethical conduct and suggest good corporate governance for the South African public service.

Keywords: Corporate Governance, Deontological, Ethics, Model, Organisational culture

1. Introduction

The history of society and its development is marked by its capacity of good governance for economic development and growth, social and political stability; and cultural sustainability such as Africa. Literature has that backwardness and lack of good governance can be perpetuated by lack of ethical conduct and good governance. This happens after the Africa states were decolonised from their masters. It is reported that after years of liberation struggles the African continent gained political independence from its colonial masters though the observable lack of good governance. In most cases, most of the African nation states had to be reorganised to fit local context of cultural, political and economic process in the quest for globalisation. There are challenges that impact on administration for good corporate, especially on economic growth and development. This is evidenced by the trends in the European States on how African states are

unable to match the good standards of governance in the global village (Fritzsche, 1997), and Republic of South Africa (RSA) is not an exception.

Globalisation is widely used to describe a variety of economic, cultural, social and political landscapes. The Constitution (Constitution henceforth) of the Republic of South (RSA) has established the oversight bodies with the primary objective of monitoring as well as ensuring compliance to good governance and ethical conduct. The administration and management of government is infiltrated by corruption with the influence from politics consequently with the decline in economic growth and development. These can impact on various factors such as social, economic, cultural, moral, and ethical, etc). President Woodrow Wilson wrote on the influence of politics on administration in 1887 in the USA, and made observations on the impact of politics on administration of various countries such as Germany, France, Serbia, Austria-Hungary, Russia, and England (Yoder, 1997:7-8).

Within the South African context, various institutions have been established through legislative framework to ensure ethical conduct by management. For instance, the Constitution, in section 196 provides for the establishment of Public Service Commission, and the state institutions supporting constitutional democracy in sections 182-192. The institutions include Public Protector, South African Human Rights Commission, and Commission for Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities, Commission on Gender Equality, Auditor-General, Electoral Commission, and Independent Authority to Regulate Broadcasting. These state institutions supporting democracy in RSA have various functions in respect of curtailing unethical conduct and promoting corporate and good governance. They should be independent but only subject to the Constitution and the law in performing their constitutional mandate. They must be fair, impartial and exercise their powers without fear, favor or prejudice.

2. Corporate Governance

Every country is affected and involved by international global political, economic and cultural factors. This is the reason as why powerful economic, technological industrial, political and demographic forces are converging to build the foundation of global order. Today most countries activities are global in scope, including RSA. Certain aspects such as technology, research, capital, investment, production, marketing, and distribution and communication systems have global dimensions (Cateora & Graham, 1999). These aspects can be affected and influenced by politics, economy, culture, and demographics; resulting in such countries having possibilities to avoid the influence. Such influences can be through internalisation and globalisation of the world's markets, politics and economics.

The internalisation and globalisation of the world's market, politics and economic require professionalism, morality and ethics to define the administrative activities within government. The knowledge on how our everyday dealing affects the externalities is of paramount importance. The ethical conduct and moral standards would then have an impact on the end product of our services and products, especially on productivity in the global markets, politics and economy. It is, therefore important to have and build global awareness and its impact on ethical

conduct and good corporate governance. Cateora and Graham (1999) indicated that opportunities for globalisation and internalisation are bound for those who are prepared to confront myriad obstacles for ethical conduct and good governance. The confrontation of obstacles should be done with optimism and willingness to continue learning new ways for the 21st century and beyond. The example is the Manville Corporation which was a leading asbestos company by the turn of 19th century in the USA. The company mined and sold raw asbestos fibres, developed, manufactured and sold intermediate and finished asbestos products. An investigation was conducted at the request of the firm representing the asbestos industry, Metropolitan Insurance Company, and the report was never published in the United States Public Health Service Report. The report showed that only 4 out of 708 workers were free of asbestosis and diagnosed as permanent and irreversible (Fritzsche, 1997:34). Manville and other manufacturers continued to suppress negative information on the effects of asbestos, in the meantime workers continued to die of asbestosis. Scholarly journal articles linked asbestos to other diseases and it was estimated that more than 100 000 Americans would die of asbestos related diseases. Lawsuits against Manville were filed in increasing numbers by workers and their families. Additional studies were conducted in the 1930s and 1940s but the results were always squealed, as the company rejected and denied responsibility. Manville put the labels on asbestos products after increasing pressure, and such labels read "Inhalation of asbestos in excessive quantities over long periods of time may be harmful" (Fritzsche, 1997:35).

The firm had grown and prospered over the years with great dividends, however, major problems emerged when the founder of the company died of dust phthisis pneumonitis which came to be known as asbestosis. The company became successful in defending itself as it is argued that its employees assumed the risks of employment and they should or knew of the dangers of asbestos and were contributively negligent (Fritzsche, 1997:33-34). Nonetheless the number of lawsuits increased with a decrease in asbestos sales and decline in profits with subsequent increase in number of deaths. This was due to lack of good ethics of which good behaviour supports the market system and unethical behaviour distorted the market. There should be reciprocal benefit for both buyers and sellers from the ethical

behaviour, and it is only possible in a trust relationship created between the seller and the buyer, as much as trust that promotes productivity from employees. This example demonstrates how other countries view the corporation operation (administration and management) especially on the trust relationship due to its un/ethical conduct. Various stakeholders such as business, politics, economy, labor unions, academics, and communication media locally and internationally have shown interest in their litigations on lawsuits. Thornhill (2007:14) commented that un/ethical and bad/good corporate governance have demands for consideration of the effects of political, economic and social issues as one of the part of the world may have an effect on one or more parts of the world because of globalisation. The other cited example is the economic crisis that was in Zimbabwe which affected South Africa and Botswana, as well as the other Southern African countries, the political instability in Ethiopia or Sierra Leone affected the neighboring countries. This will invariably affect international trades, foreign investments and flow of capital across national and international boundaries.

Thornhill (2007) asserted that social conscience demands that social issues be the concern of the international society and disregard for basic human rights. The social issues should be viewed in the context of ethical conduct in order to have a sound decision making process by management.

3. Ethics and Decision Making

The ethical conduct for corporate governance should consider numerous factors such as individual and organisational values, organisational goals, organisational climate, ethical climate, stakeholder management. The management control is imperative such that legislative framework (policies), internal and external environmental factors, strategy, organisational structure can assist in sound decision making process.

3.1 Values

Individuals are expected to make decisions daily and such decisions are based and influenced by numerous factors. These factors include personal values, ego strength, field dependence, focus of control, stage of moral development, stage of moral approbation, culture of organisation (Fritzsche, 1997:87). According to Allport (1981) a value is a belief upon

which a man acts by preference though Rokeach (1973) indicated that a value is a prescriptive belief because it is about what is right and what is wrong. According to Rokeach Values Survey, values can be terminal or instrumental, in which the former refers to beliefs or conceptions about ultimate desirable goals or end-states of existence such as comfortable life; whilst the latter refers to beliefs or conceptions about desirable modes of behaviour that are instrumental to the attainment of desirable end-state such as ambitious hard working. Examples of terminal individual values include a comfortable and prosperous life, a world (of peace, beauty, free from war and conflicts), equality and freedom, social recognition, happiness, harmony, mature love, pleasure, self-respect, salvation, wisdom, true friendship, family security. The instrumental values include ambitious, capable, broad-minded, imaginative, intellectual, logical, cheerful, obedient, polite, clean, responsible, courageous, independent, forgiving, loving, self-controlled and honest

According to Fritzsche (1997) the values may be based on rules such the Ten Commandments and are referred to as deontological or rule-based beliefs. Alternatively, as Fritzsche indicated, values may be based on the expected outcomes and are referred to as teleological beliefs. The Deontological or rule-based beliefs and values are based on the expected outcomes or the teleological beliefs contributed to the ethical conduct for corporate governance. The beliefs and values should be embodiment of ethical leadership and corporate citizenship. This means that the leadership should ensure that the organisation is seen to be a responsible corporate citizen. The leadership should consider that the performance of an organisation has impact on its operations, society and the environment. It should be the responsibility of the leadership within an organisation to protect, enhance, and invest in the wellbeing of the economy, society and the environment through ethical behavior in decision making.

3.2 Ethical Conduct

Collaborative efforts with stakeholders and clients can assist to promote ethical conduct and good corporate citizenship (Kana, 2009:2). It is important that management develops organisation citizenship of which the values that drive employees' behaviour should be reviewed to ensure that employees as well as the organisation reflect societal norms and accepted governance guidelines. This can be

achieved through corporate citizenship which an ethical concept is finding its expression in sustainable development through the economic, social and environmental aspect of the organisation as well as that of the country such as South Africa. Newstrom and Ruch (1975) argued that action/s that is/are ethical to others might be unethical to others because the personal nature of ethical belief appears to be linked to individual value system. This analogy was supported by Akaah and Riordan (1989) as they found out that as to what is the ethical thing to do might be unethical to other. And Fritzsche and Becker (1984) examined executive managers' rationale for the ethical dilemma and found out that the predominant being the utilitarian motive in alternative decision which were ethical.

3.3 Organisational Culture

Organisational culture is referred to as the common set of assumptions, beliefs and values that has developed over sometime within an organisation. The developed culture within an organisation is to assist to cope with the external and internal environment in which the organisation is operating (Schein, 1984). According to Kotter and Heskett (1992) and Smircich (1983) an organisation has a set of underlying values that serve the bedrock of the organisation's culture. These authors have noted such values as trust and respect for individuals; focusing on high levels of achievement and contribution; conducting the organisation with uncompromising integrity; achieving common objectives through teamwork; and encouraging flexibility and innovation. According to Schein (1984), Kotter and Heskett (1992) and Smircich (1983) culture serves as a glue in binding the organisation together in common identity and actions which then influences the thoughts and feelings of the decision makers. It is important that everyone within an organisation understands its culture because it can manifest itself in norms, ceremonies, legends, myths and rituals.

3.4 Ethical and Organisational Climate

The understanding of the culture by its employees should help explain the decision maker's response to the various stimuli that occur during the decision making process. More over to the organisational culture, the organisational climate, organisational goals and stakeholders play a vital role in influencing the ethical conduct and good governance. Ashford

(1985) refers organisational climate or atmosphere as a thought of shared and enduring perception of the psychological aspect of work environment, and Schneider (1975) noted some of the organisational climate to include autonomy or control, degree of structure, nature of rewards, considerations, warmth, and support. Of importance is the ethical climate needed for corporate governance as Victor and Cullen (1988) believed that the ethical climates including self-interest, company interest, efficiency, friendship, team interest, social responsibility, personal morality, rules and operating procedures; and laws and professional codes are ideal for ethical criteria.

3.5 Organisational Goals

Organisational goals impact on the ethical dimension of decision making of any organisation, but this is not a general rule. Some organisations are not likely to be influenced by ethical aspects. Organisational goals may be viewed as similar to organisational terminal values, as institutional values are socially shared cognitive representations of institutional goals and demands (Merton, 1957). Organisational goals, such as policy and reward structure can exert a strong influence on the development of the organisation codes and policy thus on management behaviour and ethical conduct. Literature has shown substantial impact of organisational policy on management ethical behaviour are supposed to be providing guidance and a means for management control. The policy must be enforced as it is expected that every employee is knowledgeable about the organisation's policies. It is worth noting that a well-thought of and enforced set of policies concerning ethical behaviour will likely have a powerful impact on the ethical conduct of executive managers and all within the organisation. Added to the policy, a reward structure plays an invariable contribution to ethical conduct for exceptional performance by both by employees and the organisation.

The effect of the reward or the punishment should depend on the likelihood of receiving it and the magnitude of the reward or punishment. The communication and understanding of the requirements for and awarding of rewards and punishments will likely have a significant influence on the ethics of the decision makers (Fritzsche, 1997). The institutions supporting constitutional democracy can be viewed as oversight bodies that influence both ethical and unethical direction for government and state owned

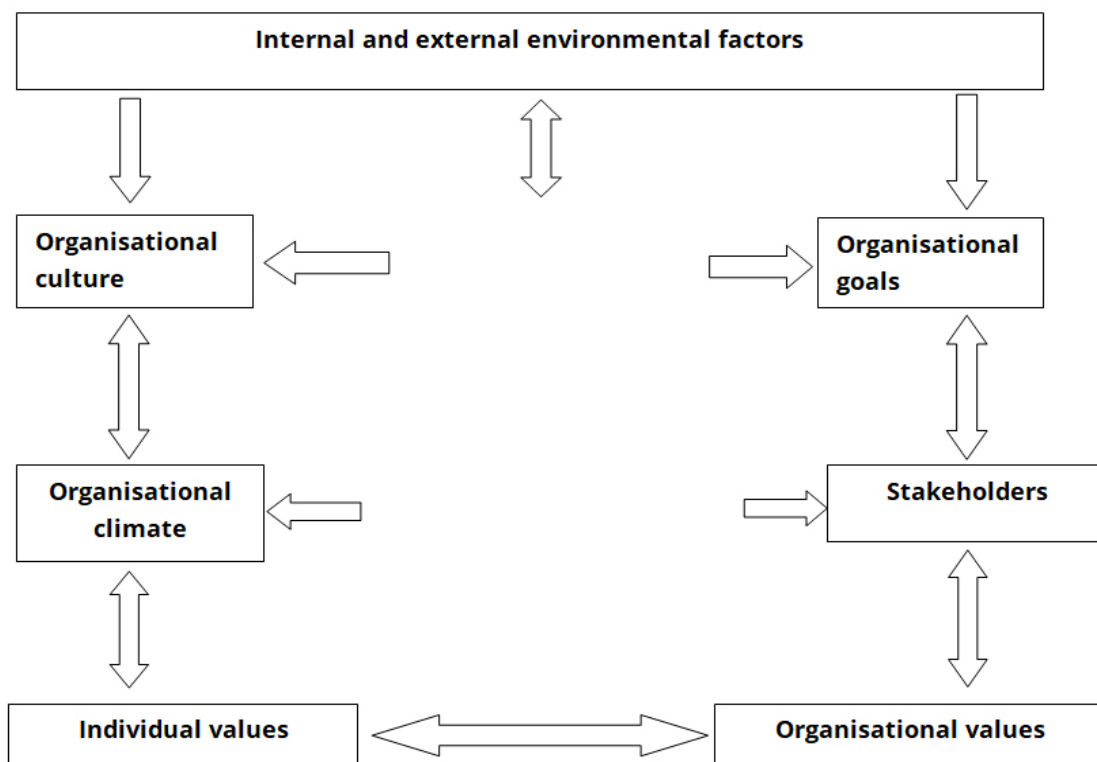
institutions. The institutions have been established to support democracy as per provisions of chapter 9 of the Constitution, which are accountable to National Assembly. They are to report their activities and their performance of their functions once a year. These institutions perform various oversight functions for accountability, good governance, ethical conduct, promotion of human rights, fair and equal treatment. Furthermore, chapter 10 of the Constitution promotes basic values and principles governing public administration. These principles encourage and promote a high standard of professional ethics, efficient and effective use of resources, services that must be provided with impartiality, fairly, equitably and without bias.

4. A Model Building for South African Public Service

Model building is closely related to theory building and various scholars attempted to explain the characteristics of theoretical models in the social sciences. In the social sciences, models are usually representations of the essential components and characteristics of a certain phenomenon. Thebe (2014:171) emphasised that a model is generally utilised to portray the relationships between different

elements of a certain subject which is researched, and further to simplify complex objects. Van der Walddt (2013:12) indicated that models are usually constructed to serve as a solution to a research problem and such a model attempts to propose an ideal type approach to address theoretical and practical problems. According to Thebe (2014:172), literature has provided some definitions of various types of models by scholars such as Huysamen (1993), Welman, Kruger and Mitchell (2008), De Vos, Strydom, Fouche and Delpont (2002), Babbie and Mouton (2001) but they do not give an explanation of the scientific processes that can be associated with the construction of any model. However, while designing a model in this paper, the principles and criteria for the successful development of a model were utilised, and Dye (1995:40) in Thebe (2014:171-172) include that a model should be explicit, so that it can be easily understood, evaluated and compared with other models, a model should be congruent with reality, a model should lead to the observation, measurement and verification of theory and research and that model should be composed logically and be subjected to validity tests to ensure that it can be used as a method of communication. The author proposed a model below.

Figure 1: Ethics and Corporate Governance Model for South African Public Service



Source: Author's own model

5. Conclusion

The effect of unethical corporate has a macro impact on the organisations, as well as on how other countries perceive the performance of the country (RSA). The impact of unethical conduct is demonstrated by the conduct of managers on governance. The results of unethical corporate and lack of good governance are shown in increased costs, reduced product and quality service, reduced customer satisfaction, false demand reduction on the country's resources, misinformation and theft. The history of unethical conduct of a county and is marked by its capacity of good governance for economic development and growth, social and political stability. Literature has that backwardness and lack of good governance is perpetuated by lack of ethical conduct and good governance. The internalisation and globalisation of the world's market, politics and economic require ethics and corporate governance, professionalism, morality and ethics to define the administrative activities within government. Building global awareness and its impact on ethical conduct and good corporate governance. This is imperative for competitiveness in the global markets. The Constitution provides for oversight bodies in order to curtail unethical corporate by corporate in their governance and the basic values and principles governing public administration encourages personal values, professionalism, efficient and effective use of resources, provision of services with equity and fairness without bias.

6. Recommendations

It is recommended that the South African Public Service governance and administration should consider ethical behaviour and corporate governance for compliance and adherence to global standards so as to have a competitive advantage and niche. From the challenges and problems identified, the following are recommended in Model Ethics and Corporate Governance.

- **Internal and external environmental factors** which include internalisation, globalisation legislative framework, social, economic political issues, institutions supporting democracy.
- **Organisational Culture** with set of assumptions, beliefs, values, norms, ceremonies, legends, myths, rituals, culture with economic, political and economic to cope with the external and internal environment. The understanding of the culture by its employees should help explain the decision maker's response to the various stimuli that occur during the decision making process.
- **Organisational Values** in which the organisation is operating within factors to include values, trust and respect for individuals; focusing on high levels of achievement and contribution; conducting the organisation with uncompromising integrity; achieving common objectives through teamwork; and encouraging flexibility and innovation. The organisational culture, the organisational climate, organisational goals and stakeholders play a vital role in influencing the ethical conduct and good governance.
- **Organisational climate** include autonomy or control, degree of structure, nature of rewards, considerations, warmth, and support. Of importance are the ethical climate needed for corporate governance. Other ethical climates include self-interest, company interest, efficiency, friendship, team interest, social responsibility, personal morality, rules and operating procedures; and laws and professional codes.
- **Organisational goals**, such as policy and reward structure can exert a strong influence on the development of the organisation codes and policy thus on management behavior with ethical conduct. Literature has shown substantial impact of organisational policy on management ethical behavior as they are supposed to be providing guidance and a means for management control. Added to the policy, a reward structure plays an invariable contribution to ethical conduct and assists in sound and informed decision making. The effect of the reward or the punishment should depend on the likelihood of receiving it and the magnitude of the reward or punishment.
- **Stakeholders** affect the organisation as they have a role in the ethics of the decision making process by managers. In South Africa institutions supporting constitutional democracy perform various oversight functions for accountability, good governance, ethical conduct, promotion of human rights, fair and equal treatment, etc. Furthermore, oversight bodies promoting

democracy promote the basic values and principles governing public administration, encourage and promote a high standard of professional ethics, efficient and effective use of resources, services that must be provided with impartiality, fairly, equitably and without bias.

- **Management Control** which include aspects such as rewards systems, strategy development and implementation, organisational structure and organisational structure
- **Individual Values** are hardworking, open mindedness, competent, courageous, helpful, forgiving, logical, responsible, self-controlled, sense of accomplishment, equality, social recognition, wisdom and honesty.

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