

The components of an ethical environment:

A review of the literature

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EXECUTIVE SUMMARY

The Standards Board for England has commissioned IPEG at the University of Manchester to conduct research on the components of an ethical environment. Our research is conducted in the context of the new ethical framework established by the Local Government Act 2000. Statutory codes of conduct for members of relevant authorities were written and an independent national system for investigating and adjudicating alleged breaches was established. Subsequently regulations were produced which allowed some breaches to be investigated and/or determined by local standards committees. To a large extent this machinery is designed for regulating alleged individual misconduct.

Moving beyond a focus on the 'individual', the current research addresses wider concerns about the importance of the organisational context in which individuals act and beyond a focus on 'misconduct' we look at ways that organisations might support good conduct. From an early stage in the implementation of the legislation the Standards Board for England envisaged that local standards committees would play a proactive role in supporting ethical environments in their authorities. The components of an ethical environment will focus on setting the context for ethical behaviour in a way that encourages active responsibility for sustaining and managing that behaviour.

This literature review is the first substantive output of the research. In terms of the original bid, the review is intended to contribute to the following aims:

- Identify the components of an ethical environment
- Investigate the relationship between the components of an ethical environment
- Investigate the relationship between the components of an ethical environment and the behaviour of members and officers
- Contribute to the direction of future research

The introductory section 1 establishes the need for justifications of ethical behaviour to take into account the environment in which public sector organisations operate. That environment helps to define some of the ethical challenges that local government faces and its demands are subject to change. In this light it is argued ethics require organisational expression and development. Four reasons for taking a principle-led and organisation-wide approach to ethics have been identified:

- Principles are valuable because they provide broad guidelines they can be maintained over time and in different contexts
- Organisations matter because they can influence individual behaviour
- The link between individual action and some of the general principles of public life can be extremely complicated in local authorities and so need to be worked out on site
- Poor conduct may develop through carelessness rather than selfish motivation. Early action can focus on persuasion rather than prescription, and it is likely that individuals locally within an organisation are in the best position to take such early action

Section 1 concludes by arguing that an ethical environment is one where elements of the organisational context support a shared interpretation of the obligations associated with the organisation and those associated with different roles. It draws a distinction between passive responsibility that concerns the allocation of blame or sanction after an instance of individual or organisational failure and active responsibility that implies deeper understanding of the obligations which come with a role and a willingness and ability to act on them on the part of all individuals. We see a culture of active responsibility as the ultimate goal for the establishment of an ethical environment.

In section 2 we explore in more depth an account of behaviour in organisations. Starting with the influence of an individual's values on behaviour, we then consider some moderating factors which may intervene to limit the influence of values on behaviour in particular situations. The first part of the section looks at factors that

are 'internal' to individuals and this leads on to a classification of the individual character of misconduct.

In section 3 we outline the different ways that social context might influence behaviour. We conclude that ethics management faces motivational and organisational complexity. This complexity has implications for the best way to try to support good conduct. The reasons why misconduct occurs are varied and it should be expected that regulatory approaches will have differing effects in the various types of situations in which they operate.

Section 4 outlines an approach that advocates mediation and persuasion as preventative measures in an attempt to avoid quasi-judicial processes but accepts that mediation and persuasion are more likely to be successful if there is an implicit threat of 'regulatory escalation'. We also suggest that there may be a role for conflict resolution processes after investigations and adjudications, whatever the outcome. A characteristic of an effective ethics management system is therefore that it should be able to maintain individual trust and trustworthiness. The rest of section 4 discusses some other elements which we argue might help to guide ethics management.

- *Leadership*
- *Transparency*
- *Independent overview*
- *Revisability*

The final section of the paper argues that the literature review has delivered two main benefits. It has helped us to define the challenge faced in building an ethical environment. The task as we see it is about promoting an active commitment to ethical behaviour rather than a passive observance of a set of rules. That active commitment in turn we have learnt needs to be supported by a complex set of organisational principles and practices and not just rely on the good will or character of individuals in organisations. It also needs to be sufficiently adaptable

to meet changing circumstances. We propose to use our case studies to explore these issues in more depth.

SECTION 1: INTRODUCTION

‘It is naïve in the context of complex organisations to put one’s trust exclusively in the force of moral argument and good intentions’

Bovens 1998, 216

In this introduction we focus on why a concern with establishing an ethical environment matters. As Mark Bovens suggests the key to good ethics is good organisation. First, we discuss why the public sector requires specific attention regarding ethics. Second, we discuss the reason why it is essential to take an organisation wide focus when looking at ethics management as opposed to a narrow focus on individual misconduct.

The context for public sector ethics

We are concerned with ethics associated with the process of governing rather than with the policies selected or their effects. Although inherently ethical, the selection of policy and its effective implementation are properly the concerns of political contest and debate. ‘Ethics’ as we understand it here is about the formal and informal rules of the political and administrative systems that allow that debate to take place.

What contextual justifications are there for the particular ethics of the public sector? By contextual justifications we mean those that refer to the institutional context of public organisations. This is an important issue because when it comes to dissemination of principles in organisations, persuasive strategies are likely to be important in establishing an ethical value system in those who operate in this context. In short it matters that the ethical framework is perceived as legitimate because that legitimacy is one of the key success factors in its potential dissemination and active adoption.

One justification for an ethical framework is to argue that there is nothing special about the principles and rules that apply to public life - we expect integrity and honesty from directors of private companies and decision makers in charities. In

some instances the sanctions faced by those working in the private sector appear to be more stringent than those in public authorities. Although good standards of conduct are expected in the public sector they are based in a view of standards which applies outside the public sector as well. This is a '*generalised*' account of public sector ethics.

A second, response raises the bar a little higher and might be seen as a democratic demand. It argues that the standards of conduct required of those involved in public life are those that the wider public feel ought to apply, and these standards may differ from other parts of social life. For example, public opinion research commissioned by the CSPL (2004) highlighted a desire for a more honest and reflective approach to politics, and a view that political leaders have a special responsibility when it comes to good conduct. This is the '*public opinion*' account of public sector ethics.

A third response offers a '*role focused*' account of public sector ethics. It argues that public organisations are structured to operate in a particular way. As a consequence what is 'ethical conduct' is partly determined by the position an individual holds in an organisation, it is linked to their 'role responsibilities' (Bovens, 1998). From this perspective when there is a reorganisation of the institutional structures some change in what is 'ethical' for a given role may result. At the most general level public organisations are funded by coercive appropriation of resources and are intended to pursue 'the public good'. Citizens cannot (legally) choose to withhold taxes, and if a person has a concern about the roads there is no alternative to dealing with the relevant public authority. Because citizens cannot 'exit' and choose another provider, democratic public institutions have to be structured in a way to allow citizens' 'voices' to operate and influence as effectively as possible. These special characteristics of the public sector suggest that a tailored understanding of ethics is required. For instance, elected members' roles are both representative and competitive - in order for democracy to work they are required (and permitted) to act in ways that differ from employed staff.

A final response is that ethical conduct is that most likely to support some valued goal, an '*outcome focused*' justification of public sector ethics. This approach might link an ethical framework to the quality and value of services delivered, or more generally to maintaining trust with the electorate. Again from this perspective when there is some change in the objectives and responsibilities of an organisation some change in what is considered 'ethical' may result.

Typically, the content of public sector ethics will be justifiable from more than one of these perspectives and none of the perspectives alone seems to be satisfactory. For example, the first justification does not appear to allow for the special character of public authority. Not only might we require public actors to have higher standards than others but there may be occasions where public actors might be required do things that would not be acceptable for others to do. So although lessons from the practice of private organisations can be drawn out they need to be considered in the context of the particular role of public organisations.

Caveats about the other justifications also abound. Yes it is important that public figures are responsive to public opinion but the public's views can be volatile, incoherent, influenced by biased reporting and not take into account the complexity of organisational processes. An ethical framework driven by immediate public opinion alone might not be appropriate. A role based justification of ethics might facilitate clear lines of responsibility but can become divorced from the value of holistic governance and the ability to respond to citizens' needs and can support insular 'nothing to do with me' attitudes. On the other hand, exclusively outcome focused justifications do not take into account questions of legitimate authority and the responsibilities associated with particular roles. Outcome focused justifications could risk gaining short term benefits at the cost of long term robust governance.

It is likely that any approach to an ethical environment in the public sector will rely on a complex mix of justifications. Moreover that mix will reflect the particular

character of a public service organisation. It will need to recognise the organisational complexities of public service organisations and that their responsibilities and ways of working change over time.

Ethics management: an organisational focus

The above analysis highlights the case for an organisational focus when examining the ethical framework for local elected public bodies. Ethics management needs to be able to respond to reforms of roles and processes, and to changes in the purposes of relevant authorities. New roles have been and continue to be defined for members - whether it be as directly elected mayors, executive decision makers, scrutineers (internal and external), roles in partnership organisations, roles in neighbourhood governance. The roles of officers can hardly fail to change in response, cabinet decision making places particular demands on senior officers, supporting overview and scrutiny is a new role which can put officers in awkward positions. In addition there is a great deal of debate about the implications of greater discretion and delegated powers to officers for official ethics, a debate which is by no means limited to English local government (OECD, 1996). Contracting and partnership has led to a new group of organisations delivering public services and raises questions about proper commercial relations and whether some attempt should be made to expand aspects of public service ethics to community, voluntary and commercial groups that are delivering public goods (for example Aldridge and Stoker, 2002). And whilst the service delivery role of local authorities is being restructured, the community leadership role brings new challenges.

The impact of organisational reform is therefore crucial for the 'goodness of fit' of ethics in public service, and it is plausible that this conclusion applies as strongly to efforts at ethics management. If members are working more in partnership, or outside the formal structures of their authority arguably they need a more flexible understanding of ethical conduct than can be offered in a code by itself.

Organisational form not only sets the context for an ethical framework it is also a crucial tool for the delivery of that framework. The underlying assumption is that organisational environments influence the behaviour of individuals in important ways. One research study states bluntly that 'the organisation has the potential to make an ethical person act unethically or an unethical person behave ethically' (ICAC, 2000, 1). There is plenty of anecdotal evidence that the environments in different organisations vary and that they can influence the attitudes of individuals. In a political context systematic evidence is rarer but, for example, De Vries (2002) provides cross-national survey evidence to support the view that organisational factors in local government do influence individuals' attitudes to honesty.

As well as the effect of organisations on behaviour there are some other justifications for an approach which moves beyond a focus on individual level compliance with rules. One is that ethics management focusing solely on breaches of well defined codes may lead to an attitude of minimal compliance, such that not breaching the code of conduct is seen as the be all and end all of public sector ethics. In addition attempts to produce rules to cover every eventuality in complex organisations inevitably fail and at the same time impose considerable costs in the form of additional complexity. A system of principles which is general and positive rather than precise and negative may do a better job at maintaining self-motivation and facilitating innovative ways of meeting ultimate ends, (Goodin, 1982, 72; Lawton and Macaulay, 2004).

Further, it is clear that in the context of complex organisations some of the commonly espoused principles of public life cannot be 'lived-out' by individuals acting alone. For example, an individual in an organisational role cannot unilaterally decide to be accountable because any given policy decision is the result of the actions of many people (the 'many hands' problem, Thompson, 1987). An individual's intention to be accountable may need the consent of others in an organisation who hold particular information about a decision. In addition, a unilateral decision to be accountable may force others in the organisation to be accountable in ways they have not chosen. In many relevant organisational

situations there are ethical spillover effects and consequently the link between ethical principle, organisational structure and individual responsibility is complicated. This in turn justifies an institutional focus.

It may not even be clear what principles such as 'accountability', 'honesty' and 'openness' demand of individuals in the day to day business of governing. If principles are to affect the way we are governed they require some examination. What do they demand of individuals? Can they really be principles of *individual* conduct? What relation do they have to the values and attitudes that individuals hold? And what is the relation between a person's values and attitudes and her behaviour in everyday life? Without such elaboration the principles may remain 'Sunday concepts', professed one day and ignored the next (see section 2).

Another argument for a wider approach to ethics is that preventative actions may be able to avoid the anxiety and costs of quasi-judicial processes. Examples of misconduct are often preceded by behavioural patterns that, whilst falling below what may be expected, are not themselves breaches of the statutory code. Early, persuasive action or challenge may prevent more serious breaches from occurring later. Our suspicion is that much of what is considered misconduct is a result of habits developed over a period of time, or a lack of understanding of what behaviour is required, rather than a consequence of self-interested motivation. If institutional mechanisms and activities can put ethics in the front of people's minds when they are performing official roles, then these reminders and warnings that ethical hazards exist may avoid much conflict and stress.

In the above discussion, four reasons for taking a principle-led and organisation-wide approach to ethics have been identified:

1. Organisational environments influence individual behaviour
2. Principles are more general than rules and therefore unlikely to require revision as often as codes and are easier to disseminate. At the same time they may help to maintain self motivation

3. The link between individual action and some of the general principles of public life can be extremely complicated in local authorities
4. Poor conduct may develop through carelessness rather than selfish motivation. Early action can focus on persuasion rather than prescription, and it is likely that individuals within an organisation locally are in the best position to take such early action

Understanding the Components of an Ethical Environment

Our aim is to understand and assess the potential for a realistic approach to ethics management which can address the challenges facing local public organisations. Any approach has to demonstrate that a wider view of ethics management can be effectively implemented, with minimal negative impact on the other goals of an organisation and within resource constraints.

An ethical environment is one where elements of the organisational context support a shared interpretation of the obligations associated with the organisation and those associated with different roles. It is one which supports individuals' values consistent with those obligations and limits the friction for individuals who seek to act on their values. Many of the requirements of ethical organisations need the co-ordinated action of a number of individuals in different roles, the structures of organisations can play a central role in allowing individuals to be ethical. These are the organisational conditions for active as well as passive responsibility (Bovens, 1998). Passive responsibility concerns the allocation of blame or sanction after an instance of individual or organisational failure. It is backward looking and relies on detection of wrong doing and the ability to clearly identify which individuals should hold what portion of responsibility for outcomes. The active variant is related to the idea of 'behaving responsibly' and it demands more than keeping to rules. It requires an understanding of the obligations which come with a role and a willingness and ability to act on them.

SECTION 2: INDIVIDUALS AND ETHICS

Ethics may require an appropriate organisational environment but the starting and end point of an ethical focus is the behaviour of individuals. To illuminate the challenges involved this section begins with an analysis of what might be called the individual motors of behaviour. In particular we look at values, instrumental motivation, interpretation, habit and personality. In the second part of the section we highlight some implications of our analysis for developing an organisational response to ethical management.

Understanding individual behaviour

Efforts to support ethics face a context of motivational complexity because in any situation the different individuals involved will have different motivations and any individual may have a number of conflicting motivations. What drives people is a complex mix of values, private interest, interpretation, habit and personality. We will examine each of these factors below.

Our strategy is to start with the assumption that values play an important role in moulding individual conduct and then to analyse the factors which may intervene. Understanding the connection between values and behaviour is central to our concern because, as argued above, there are some advantages to a principle-led approach. The research evidence suggests that the relationship is not simple. Other factors which intervene as moderators between values and action are then discussed.

- First, *instrumental motivation* almost certainly play a role in how we all behave, for example, the desire to avoid embarrassment, for party political advantage, for personal benefit.
- Second, in order for either values or private interests to shape behaviour an individual must sufficiently understand the situation in which he finds himself. Variation in peoples' *interpretation* of the link between goals and behaviour may therefore explain variations in behaviour.

- The costs of collecting and processing information can often be prohibitive, when that is the case the link between values and behaviour may be weak because people have not thought through the connection. *Habits* are ways of getting through a task without having to rethink the assumptions on which action is based and they are likely to be important sources of behaviour in organisations.
- Finally, *personality traits and emotions* can help to explain how people react to the situations they face although the extent to which they have a systematic effect is difficult to assess.

We develop this analysis of the factors driving individual motivation into a classification of motives for misconduct. Motivation complexity makes the task of supporting ethical concerns more complicated but it is in many ways an aspect of human behaviour to be welcomed. An individual who always puts their values before pragmatism or self-interest can make negotiation and compromise impossible, whilst a person whose actions are not influenced by values at all may be so opportunistic as to also make them impossible to deal with.

Values

When advocating a list of principles for public life presumably one of the hopes is to shape or reinforce the values of those working in the public sector. But the route from official principles via individuals' values and then down through attitudes to their behaviour needs to be mapped out. Unless these connections can be made even a widely accepted set of principles will not necessarily influence behaviour. A Sunday concept is one which 'in Sunday rhetoric sounds all the better when everyone knows that it can do no harm because everyday life throughout the week is not burdened by it' (Tromp quoted in Bovens, 1998, p. 22). Are principles of public life merely lists of Sunday concepts with little relevance for the day-to-day, or do they make a difference to how government is conducted? In this subsection we discuss whether values influence attitudes and behaviour. We do not directly assess the content of values and it is possible that an individual's values do not match the official principles espoused.

Some clarification of concepts is useful here. We use the word *principles* to refer to the type of normative concept identified and endorsed by the Nolan committee. They exist in documents and in rhetoric but whether they are internalised in individual psychology is an open question. We use *values* in a psychological sense as those attributes of individuals' psychologies which are close analogues of principles. Values are the general beliefs an individual holds about desirable behaviour and goals, where 'desirable' is taken to have a normative component. They are used as standards to evaluate actions, opinions and conduct.

The generality of values is important, they are not subject to change in the different situations that a person may face and as a result they rarely offer definitive guidance on behaviour, opinion or choice. Instead values influence action by moulding a person's *attitudes* to specific behaviours or outcomes (Braithwaite, 1998, 224), and these attitudes in turn influence patterns of behaviour, 'values affect the way a person construes or defines a situation so that some objects, activities, and potential outcomes are seen as attractive... whereas others are seen as aversive' (Feather, 1995, 1138).

There are a variety of definitions of *attitudes* in the research literature (Hogg and Vaughan, 2002). Attitudes are also psychological features of an individual which direct action but they have a greater degree of specificity than do values and they may not entirely (or mainly) reflect normative evaluations. Instead they include a number of relevant situational factors. In the context of local government, a member may value accountability, which would shape, but not determine, that person's attitude to the various mechanisms for accountability in the authority.

The chain of connection between principles, values and attitudes tends to be assumed in many studies of public ethics. Research on a public service ethos, normally referring to the motivation of employed rather than elected officials, has been conducted in a number of different countries (Brereton and Temple, 1999; Hebson, Grimshaw and Marchington, 2003; Pratchett and Wingfield, 1996; Theobald, 1997 (all conducted in the UK) Becker and Connor, 2005 (Canada and

Japan), Brewer and Coleman Seldon, 1998 (USA)). There has been less discussion about the ethos of elected members although related issues are raised in discussions of political culture (e.g. Copus, 2004). With some minor additions for local government the same principles have been applied across the whole public sector in the UK to both elected members and bureaucrats (see below).

Table 1: Sunday Concepts or Guiding Lights?

Principles of Public Life (CSPL)	Principles of Public Life (local government)
Selflessness	Selflessness
Integrity	Honesty and Integrity
Objectivity	Objectivity
Accountability	Accountability
Openness	Openness
Honesty	Personal Judgement
Leadership	Respect for Others
	Duty to Uphold the Law
	Stewardship
	Leadership

We need to examine the influence of values on attitudes and the influence of attitudes on behaviour. Starting with the second relation: various studies have found that the link between *attitudes* and behaviour is not always strong (for review see Bohner and Wanke, 2002). Part of the problem is related to finding the appropriate levels of measurement, early studies of attitudes often tried to predict specific behaviour from general attitudes and found disappointing results. When general attitudes were used to try and account for variation in *patterns* of related behaviour over a number of contexts there was more success (Bohner and Wanke, 2002, p. 226). But the level of success still varied, and a number of moderating influences have been identified including the strength of an attitude, its consistency and ‘accessibility’ (i.e. is it near the front of a persons mind when they are acting). Some research suggests that the strength of an attitude’s influence

on behaviour can be affected if a person is asked to reflect on why they have that attitude.

On the relation between values and attitudes it is important to recognise that an individual's value system is not necessarily coherent and competing values may pull attitudes in different directions. For example, the same member who values accountability may also believe that the outcomes of the policy process on some occasions override the requirements of accountability processes. De Vries' (2002) research suggests that one of the factors which accounts for a willingness to countenance dishonesty in government was whether honesty would exacerbate community divisions.

The evidence linking individuals' values down to individuals' behaviour is fairly thin and especially so in the context of public organisations. Research in the commercial sector suggests that values do affect decision making but few of these studies look at real world organisational behaviour relying instead on survey responses (reviewed by Meglino and Ravlin, 1998). There is some international evidence that values of managers differ in their views between public and private sectors, and the differences are larger as tenure increases suggesting that there is a socialisation process at work, (Becker and Connor, 2005). The same authors in a different study find a relation between the values of public-sector managers and their decision making styles, (Connor and Becker, 2003).

Evidence of the relation between values and attitudes is found in De Vries' (2002) cross national study of the views of local elected and career officials. When asked a general question about honesty in government there was a remarkable degree of consensus among respondents that honesty was to be highly valued. When asked about the acceptability of dishonesty in specific situations there was far greater variation. Interestingly, the attitudes of other officials from the same local authority was an important predictor of the attitude of any given person. This suggests that some of the factors which intervene between an individual's values and her behaviour may be organisational characteristics.

Instrumental motivation

People may make their judgements less on the back of values and more on the back of what is instrumentally beneficial to them. This account of behaviour rests on individuals rationally weighing the costs and benefits of different decisions in order to select the ones that best match their preferences. Where there is uncertainty actors include an assessment of the probabilities of different situations occurring in their weighing of alternatives. When expressed so starkly this may sound an unrealistic picture of behaviour but it contains a certain amount of truth. Politicians try to work out the chances that particular actions will cause controversy so that they can manage the process in a manner that causes least political damage. Regulatory and monitoring systems act on the incentives which individuals face and to a large extent individuals respond to those incentives.

Individuals vary in the relative weight they give to values and private interests in specific situations and this helps to explain variation in behaviour. But just because some individuals try to act instrumentally it does not mean they will achieve their goals. They may be faced by others with different goals also acting instrumentally or they may misunderstand the situation so that their actions do not lead to the desired outcome.

Interpretation

Even though the vast majority of members and employees in local government will hold democratic values whether there is a consensus about what they actually means in day to day life is less certain. Attitudes may differ even where values do not because of differing interpretations of, for example, what is required to be accountable. So a further factor intervening in the link between values and behaviour is the way that people understand the world around them.

Habits

In many circumstances individuals do not think through every aspect of a situation. Instead people rely on cognitive short cuts and much of what goes on in organisations is exactly this type of unexamined habitual behaviour which

develops in repeated situations – ‘this is how I’ve always done it’. Habits may have originally developed from value-shaped or private-interest shaped behaviour but they continue to be repeated without much reflection on whether they continue to fulfil the original purpose.

Personality and Emotion

Personality and emotion undoubtedly play important roles in specific examples of misconduct, arrogance and an unwillingness to accept criticism – rather than ill-intent -often appear to play the central role in prominent examples of professional misconduct. We would argue they are unlikely to have general effects. Some writers have however argued that leaders’ traits may have an important influence on the standards of conduct in organisations and we briefly review that literature in section 4.

Promoting ethical behaviour – organisational responses

We have discussed some evidence about the relation between values, attitudes and behaviour. Even if a person does hold values that are consistent with the principles of public life a number of individual-level factors might intervene to limit the effects that these values have on patterns of behaviour. So far we have only discussed ‘internal’ factors related to an individual’s psychology. Private interests, variation in interpretation, habitual behaviour and personality and emotion are all potentially important influences.

For the purpose of ethics management addressing the factors that intervene between values, attitude and behaviour may be a more effective strategy than trying to shape an individual’s values which, the research literature suggests, are quite stable. Ethics management might look for ways to align private interests with value motivation, to establish common interpretations of principles and values, to increase the psychological salience of ethical questions in particular contexts and to prevent poor habitual behaviour from developing.

One of the consequences of motivational complexity is that the best actions for preventing or responding to misconduct may differ from case to case depending

on the motivational basis of behaviour. This however would suggest a level of complexity in regulatory systems which is unlikely to be achievable. Some response to motivational complexity is required which does not make unrealistic demands of regulatory structures. If, however, an organisation experiences a number of similar examples of misconduct there are general organisational responses available. A classification of the motivation for misconduct is presented in table 2 together with associated suggestions for organisational responses.

The first type of misconduct is caused not by pernicious motivation but by habitual behaviour and a lack of understanding or awareness of the requirements in a given context. This does not necessarily mean the individual is free from blame because she may have a responsibility to make sure she understands ethical requirements.

The second category is misconduct driven by instrumental motivation, this motivation may not be strictly selfish but at the same time it is not motivated by general normative concerns, for example misconduct may be influenced by the needs of party group, of some other group of individuals in society.

Misconduct, as defined here, may also be motivated by perceptions of what is ethically the best thing to do. When 'value conflict' has an important influence the person involved recognises the normative worth of the rule they break but in a particular situation another value is perceived to be more important and in conflict with the rule. A member may sincerely believe that, for example, by not following the rules in planning committees they are enhancing the public interest and this belief may or may not be justifiable.

Perceived illegitimacy can take two forms: either an individual does not accept (rightly or wrongly) that the rule is sensible/fair or the individual does not accept the authority of the body writing/enforcing the rule. There were examples of the first form in the first few months of the operation of the new ethical framework. A number of parish councillors were suspended or disqualified for not registering interests. One of the arguments in their defence was that the same rules that

apply to principal authorities should not necessarily apply to parishes, in particular with regard to registering interests. The second form we suspect is actually fairly common, although the motivation is sometimes sub-conscious, and amounts to: 'don't tell me how to do my job.'

Finally, some individuals are simply aggressive, or certain situations bring out particular traits, or they do not have the tact and interpersonal skills to work in complex institutions. This is misconduct based in personality or emotion.

In any one case of misconduct a combination of these sources of behaviour may be present. It is not uncommon to find that the pursuit of private interest is associated with examples of bullying.

There is a summary classification of the individual level basis of misconduct there is also a selection of potential organisational responses. By identifying potential organisational responses in table 2 we have started to address the influence of organisational context on individual conduct and we turn to this issue in the following section.

Table 2: Individual motivation for rule breaking and organisational responses

	<i>Description</i>	<i>Organisational responses</i>
Habitual/ misapprehension	Rules are breached through carelessness or because the individual does not understand the requirements	Training, reminders, increasing the profile of ethical issues
Instrumental motive	Rules are breached because there are private interests which are satisfied	Increase probability of detection Increase severity of sanctions Adjust organisational incentives
Value based	The rule breached conflicts with a value which in the particular situation is perceived as more pressing	Reassess rule to address conflict if it is genuine and likely to recur Clarify guidance
Perceived illegitimacy	Rule is breached because it is perceived to be wrong or an imposition. Breach may be disobedience for its own sake.	Communication to support legitimacy highlighting for example public expectations, special responsibilities, the views of peers and colleagues
Emotional and/or personality	Breach essentially irrational and unpredictable	Examine whether aspects of situations act as triggers (e.g. aggressive political culture) Examine the process of leadership selection

SECTION 3: ETHICS AND GROUP INFLUENCES

The way an individual behaves in any given setting will be influenced by situational factors as well as the individual factors discussed above. These situational influences include aspects of the organisation, the rules and resources available and the conduct of others in the setting. Here we describe four types of situational influence.

Misconduct in a social setting

How is the misconduct of the different people related?

First when there is a permissive social context although misconduct might be isolated, others who witness its occurrence may tolerate it or at least not take action to prevent it. There may be a number of reasons for this lack of response including fear of retribution, a lack of clarity about what the rules are and how to report misconduct.

The second type of relation between the behaviour of different people is imitation. There are three versions of imitative behaviour. An individual who is new to a situation may follow the lead of a more established member and copy their unethical conduct without thinking through the ethical quality of the behaviour. A person may know that the behaviour he imitates is against the rules but then conclude that the rules are not to be taken too seriously because he observes others breaching the code. Finally, a person may decide to copy behaviour after observing another breaching a rule and by doing so furthering a valued goal. At its most extreme an individual in an organisation where rules are routinely breached may feel that it is impossible to fulfil his responsibilities without also breaking the rules.

A third way of characterising misconduct is as a result of competition or conflict between people or groups of people. A disagreement between two or more people may escalate into feuding and mutual misconduct. Bullying is an example where personality and emotion is the main driving force but other motivations can

also produce conflict. Individuals may engage in misconduct in order to try to gain an advantage over some other member of an organisation, or to act in retaliation, or because they fear that another will take advantage of their own ethical behaviour, it may result from the interaction between two people who have deeply held but mutually exclusive values about what is the right thing to do.

The final type of social context is collaborative misconduct where two or more people co-operate together in breaching rules. This is perhaps the type that most interests the public imagination but it does not necessarily have to take the form of self-interested corruption. People in organisations may collectively override rules because they genuinely believe that action is required to achieve some public goal.

Table 3: A classification of the social basis of misconduct

Social context	Description	Organisational responses
Permissive	An individual's misconduct is tolerated by others in the situation	Whistleblowing protection Training for chairs/leaders
Imitation	An individual mimics the behaviour of others in the same situation	Induction and mentoring processes
Conflict	Individual responds to, or pre-empt, a perceived attempt by another to gain an advantage	Offer mediation procedures for dealing with conflict
Collaborative	Individuals work together to breach rules	Increase organisational transparency Have procedures for review

Implications for ethics management

Behaviour in organisations has a social element as well as an individual element. The context in which an individual is situated is important for explaining behaviour. Our intuitive wish in cases of ethical failure is to allocate responsibility in proportion to the influence that individuals had on the particular outcome. But in the production of many important organisational outcomes there are many individuals involved and it may be difficult to assess which person was responsible for which part of a decision. Organisational actions have long time-horizons it may be that key personnel involved in irresponsible decision making are no longer with the organisation when the consequences of their decisions finally become apparent. The ability of individuals to act in an appropriate manner may depend on factors beyond their control: the actions of others; whether they have had the appropriate training; the structure of their role. Such situations can produce incentives for blame avoidance and credit thieving 'there are all sorts of ways of allocating one's own mistakes to other departments and for claiming other departments' successes for oneself' (Kaptein, 1998, 94). Even if individuals act with the best motives the structure of organisations can confound attempts to act in accordance with the principles of public life.

But in a more positive light it is clear that in complex public organisations ethical management is an organisational level issue and not only a matter of the moral calibre or otherwise of individuals involved. Most of the influences discussed over the previous two chapters can also have positive effects on the ethical environment of an organisation. Individuals may develop the habit of automatically registering and declaring interests. If organisations are well designed the instrumental motivation of an individual should be closely aligned to what ethical conduct requires. People may accept rules and regulations without assessing whether they personally agree or disagree with particular rules because they accept the authority of the council in adopting them. Individuals may imitate what they assess to be exemplary behaviour (e.g. role modelling), competitive politics make act to strengthen the transparency and scrutiny of

leadership behaviour, some ethical behaviour may require collaboration with others.

Over the previous two sections we have explored the individual motors of behaviour and the organisational influences on behaviour. In the complex context outlined can an effective system of ethics management be introduced without adding an unsustainable burden to an organisation? The next section turns to address this concern.

SECTION 4: ETHICS MANGEMENT IN COMPLEX ORGANISATIONS

To build an organisation committed to ethical behaviour is a complex challenge. In the opening section we examine trade-offs in the management of ethical behaviour resulting from too tight a regulatory framework. This leads us to an argument for an approach that rests on trusting people first and challenging them second. We move on to discuss key organisational elements which we argue might help to guide ethics management: leadership, transparency, independent overview and revisability.

Trade-offs for ethics management

Crowding out

In the previous sections we have highlighted the complexity of individual motivation and of social settings in local government. Faced by such complexity it is tempting to conclude that the best response would be to design a strict and severe regulatory system that would control the few in local government who are not publicly spirited whilst the remainder would continue to act on the basis of their values.

The difficulty is that there is some recent research evidence that suggests tight regulations might undermine the value-motivated behaviour of the majority as well as influencing the individuals with a propensity for misconduct. A cost of comprehensive regulation designed to police the few is that it can undermine the autonomous motivation of the majority.

This mechanism has been labelled the 'motivation crowding effect' (Frey and Jegen, 2001) and can be found in a number of situations. The effect concerns the balancing of 'intrinsic motives' (including values) which come from within an individual with 'extrinsic motivation' where incentives for action come from outside an individual (such as rules, regulations, sanctions and rewards). A clear example of the effect is a daycare centre in Israel which introduced a system of

fines for parents who were late in collecting their children. After a period the number of parents arriving late to pick up their children actually increased. The argument of the researchers is that prior to the system of fines parents were acting on a sense of obligation to daycare staff in trying to pick up their children on time, after the introduction of the fine parents felt as they were paying for being late they had less of an obligation to the staff (the research was conducted by Gneezy and Rustichini, and cited in Frey and Jegen, 2001). Another example is that monetary rewards for blood donation have in the past led to fewer people offering blood (Frey and Jegen 2001, 607 fn1). In both cases the addition of an external reward or sanction undermined the internal value based motive for behaviour.

It has been hypothesised that this effect of external intervention on the internal motivations of individuals works by undermining their sense of self-determination and self-esteem. This is not to argue that rewards and sanctions do not influence behaviour, only that they may at the same time undermine the autonomous motives of individuals. If these hypotheses are correct external interventions that are seen to be controlling will 'crowd-out' intrinsic motivation and those that are seen to be supportive will 'crowd-in' intrinsic motivation (Frey and Jegen, 2001, 594-5). One challenge for relevant local authorities and for the national institutions of the ethical framework is to try to find methods of supporting the intrinsic motivation of people whilst continuing to ensure that those few who do seriously or persistently breach the rules are discouraged.

Supporting trust

A key text on regulation wrestles with this problem and advocates an approach to compliance which is based initially on persuasion but with the implicit threat of 'regulatory escalation' (Ayres and Braithwaite, 1992). The approach is useful as a way of analysing the division of labour between local and national bodies in the management of compliance. The argument is that dispute resolution, mediation and persuasion should be the preferred solution for all participants when there is

a concern about behaviour. As a strategy it is less time and resource intensive for regulators and it is less painful and confrontational for the subject of regulation. Mediation has the greatest chance of working, so the argument goes, when it is assumed that alleged misconduct was a result of misapprehension or a lapse in behaviour rather than being part of a pattern of persistent or malicious behaviour. But it is also more effective when conducted with the implicit but recognised threat of regulatory escalation if the misconduct persists, as the authors put it carrying a big stick means you can speak softly. When it works the strategy reinforces value-based motivation because it focuses the individual's attention on the obligation an individual has as a public servant rather than on the externally imposed sanction.

A key role for ethics management locally is to try to identify and resolve problems before they become serious or persistent enough to require a quasi-judicial process. This was recognised in the regulations which allowed local investigations, which also included the provision for Ethical Standards Officers to suggest that monitoring officers should mediate on an issue instead of letting the matter continue through the complaints process. If misconduct persists then the response is 'regulatory escalation' through the system from mediation to local adjudication to national adjudication if the behaviour warrants it.

We would also expect that mediation may be important after investigations or adjudications of misconduct whether or not a breach of the code has been found. It would attempt to understand the source of a problem and whether there are ways to stop similar situations developing and clarifying what are appropriate grounds for formal complaint.

One concern with this approach is whether by becoming involved in conflict resolution the monitoring officer or the local standards committee may undermine their independence if the problem later escalates and requires a formal investigation or adjudication.

A second concern is the time commitments that will be required for mediation processes, particularly if they include parish or town councils. We imagine that these might vary from very informal to quite structured depending on the nature of the conflict.

A trade-off with other organisational priorities?

Organisations 'need' ethics because of inequities of power and the difficulty of monitoring the actions of individuals in positions of power. Within a public organisation 'powers to act' are invested in individuals in order to allow them to secure publicly valued outcomes. If tight regulation curtails decision-making power or punitive regulatory systems make individuals risk averse there may be a trade-off between activity to secure ethics and activity to achieve an organisation's other goals. At the very least there is the opportunity cost of engaging in ethics related work.

On the other hand, some researchers have suggested that ethics may have an important positive effect on organisational performance although this link does not appear to have been subject to a comprehensive research effort (e.g. ICAC, 2000, 2; Menzel, 2003). The current project does not examine the positive relation between ethics and performance we just note that it seems plausible although it is unlikely to be straightforward.

Key organisational factors

Strategies for mediation described above are important for responding early to ethical issues and it is likely that all organisations have some mechanisms however informal and however effective for conflict resolution. The rest of this section is concerned with the more general elements of ethics management which can support an ethical environment.

Leadership

The part that leaders have in supporting an ethical environment has been the subject of a great deal of research interest. There has also been research on the

particular responsibilities of leaders and how their own conduct can be monitored. Much of this work has focused on the ability of leaders to shape an organisation's culture. There has been some criticism of this focus (e.g. Sinclair, 1993). The first problem is that organisational cultures are so complex that they are impossible to manage, another problem is that a strong unified organisational culture can contribute to 'group think' and a third is that it is simply wrong to try to manipulate the values of individuals in organisations.

Many of these problems are particularly salient in the context of local democracy where there are multiple sources of leadership - for the administration, for the different political groups. The relationship between political leaders and their group is of a particular nature which suggests an attempt to straightforwardly transfer lessons from the private sector may fail. In addition it is appropriate that different party groups develop different approaches to governing and to an extent espouse different values suggesting that the 'strong culture' associated with much of the management literature has limits in a political context.

There are two good reasons, however, for examining the relationship between leadership positions and ethics. One is that even if the more ambitious accounts of leaders' control over culture cannot be sustained there are still important leadership effects. Workforce survey research conducted in New South Wales local governments found that the behaviour of leaders had a strong influence on workers' perceptions of a good ethical environment. The second reason is that an ethical environment may make particular demands of leaders by virtue of their having a higher profile and specific powers.

The New South Wales study was conducted by the Independent Commission Against Corruption (ICAC, 2000), it found that three sets of factors had a significant influence on workers views about whether there was an honest work environment.

1. Behaviour of leaders
2. Punishment of wrongdoing
3. Existence and enforcing of organisational values, rules and rewards

Important elements of the leadership role included setting an example, communicating the importance of ethics, an encouragement of worker autonomy and impartial treatment. The survey finds that the behaviour of immediate supervisors is important as well as that of more senior leaders. Where employees agreed that the three factors existed they were more likely to express job satisfaction, to indicate a greater willingness to stay in their job, they felt safer in expressing their opinions and reporting wrong doing, and they reported better work relations.

There has also been research on whether leaders can imbue organisations with ethical values. An example is the case of a leadership strategy to improve ethical conduct in Salomon Brothers Bank '... to kill the culture and return the firm's ethical credibility' (Sims 2000, 74). The steps that were identified in the process of change included focusing attention, responding quickly to the crisis and making a clear break with the previous management, role modelling (i.e. acting as exemplar), allocation of rewards in the new regime based on merit and ethical conduct, the criteria for selection and dismissal were clarified and linked to an individual's ethical commitment. Sims' (2000) assessment of the strategy recognises some drawbacks. There was some drop in performance but at the time of the interventions Salomon Brothers faced a threat to its survival resulting from past poor conduct.

The case is an example of a leader with highly concentrated power responding to a crisis which threatened the organisation's existence. Neither the position of the leader nor the situation he faced is likely to find a close analogue in English local government but the case illustrates some of the mechanisms available to leaders. Drawing attention to ethical conduct, a clear break from the previous

culture and acting as a role model all worked to make values more salient in the behaviour of the organisation's members. Making sure that good conduct was rewarded or at least bad conduct went unrewarded was an attempt to align incentives with good conduct. Clarifying the criteria for selection or dismissal as well as having an incentive effect was a way of making sure that it was individuals who had demonstrated principled behaviour that found themselves in positions of power – an example of what has been called an institutional filter (Pettit, 1996).

A number of researchers have tried to link 'charismatic' or 'transformational' theories of leadership with an organisation's ethical environment. For example Grojean et al. (2004) put a great deal of emphasis on the idea that leaders might play a critical role in establishing a 'values based climate'. A similar connection is explored by Sosik (2005), charismatic leaders use inspiration based motivation and role modelling to try to influence the behaviour of others in their organisations. Other work on transformational leadership includes Lord and Brown's (2001) discussion of how leaders might 'prime' values, whilst Turner et al. (2002) present research that managers who score high on a (self reported) moral reasoning survey, were perceived by their workers as displaying more transformational types of leadership behaviours than those who scored low on the moral reasoning survey. A concern with this literature is that it does not really allow for challenge of the leaders own values and conduct.

As pointed out above, in any local government there are a number of different sources of leadership. This raises some questions if we are interested in the effect of leadership in local government:

- Is there a consistent message about ethics coming from these different sources of leadership?
- Parties have an electoral interest in their members demonstrating good conduct, does this manifest itself in internal discipline or attempts to by-pass external scrutiny?

- Are the selection and promotion processes within parties and the authority supporting, undermining or neutral with regard to ethical conduct?
- Are standards committees resourced and supported by leadership in authorities?
- Does the leadership role filter down to the chairs of the council's committees, and to managers at lower levels in organisations?

Where an authority's leadership does take a positive role in ethics management there are a number of possible benefits but there are also a number of possible drawbacks. In the most positive light it can facilitate clarity in the interpretation of ethical requirements, it can integrate ethical concerns with the wider functions of an organisation, it may be more flexible and responsive than formal structures and as a result also involve lower bureaucratic costs.

On the other hand leadership based strategies for ethics management can run into a number of problems. Ethics may be seen only as a concern for the higher levels of organisations, a leadership role in ethics may be misused as a control mechanism, it may be seen from below as imposed or idiosyncratic, it may be considered too time consuming for the leadership, and leaders' behaviour itself should not evade scrutiny – ethics in democratic organisations is 'bottom-up' as much as 'top-down'.

Transparency

Transparency in government has a high profile at the moment. The concept has a central place in the working of any democratic or public organisation that sees responsiveness to the public as an important element of its mission. In relation to ethics, transparency may have regulatory and preventative effects. First, transparency facilitates after-the-event examination of decisions and decision-making processes: making it easier to both attribute (positive or negative) responsibility and to learn from past problems and successes. Second greater

transparency, by allowing this backward looking scrutiny, can act as an incentive for individuals to behave in an ethical manner. Third, people may be more likely to behave in a principled manner when they are subject to public oversight, not just because they have a self interest (although this may be important) but also because they are reminded that they are agents of the public.

It is clear that the operation of complex organisations cannot be continually conducted in the public eye and that the majority of the public is not motivated to spend considerable time thinking about local government. There are however a number of 'proxy publics' who are variously motivated to monitor and publicise organisational behaviour: the local media, campaign and community groups, scrutiny committees, partner organisations, opposition parties, national regulators.

There is also a selection of mechanisms designed to allow greater transparency. At the individual level registration of interests and gifts are intended to allow the identification of undeclared conflicts of interest. Rules around decision making such as forward plans and the scheme of delegations aim to make clear who is responsible for decisions, when decisions are to be made and what background papers are available. The freedom of information act and the public interest disclosure act are designed to provide generic support for organisational openness.

There may then be a tension between the institutional mechanisms for openness and the perceived reality of political life. As well as sometimes having a straightforward self-interest in limiting openness, the leadership of an organisation may have genuine concerns about the distortion and partial use of information by people or groups with an incentive to damage the organisation, or may worry that the wider public will misunderstand policy issues. Another concern is that formal openness may prevent people at the top of an organisation from properly and comprehensively considering all the options for a controversial policy decision.

In relation to ethics and ethical conduct 'whistleblowing' has gained a great deal of attention. There have been some prominent examples of elected and employee whistle-blowers in local government recently. Whistle blowing is intended to solve an information problem. Even if external actors have the right to access information about organisations the time costs of monitoring organisational activity are likely to be prohibitive. Whistleblowing eases the flow of information because it is someone working in the organisation who decides which information is to be highlighted. They can use their inside information to interpret the data available and highlight evidence of what appears to be misconduct. Such information might then be disclosed internally to senior officials, externally to responsible regulatory bodies or externally to other bodies such as the press, interest or campaign groups or specific individuals.

Whistleblowing laws set out the protection from organisational retribution that an individual who reports specific types of concerns can expect. In some countries an organisation is designated to receive the concerns of employees and to protect them from retaliation. Under the USA Civil Service Reform Act 1978 federal employees may pass information to the Office of Special Counsel of the Merit System Protection Board. The experience of such measures in federal government in the USA is mixed, (a summary can be found in Bovens, 1998, 201-206 from which this paragraph draws). The first thing to note was that there was not widespread disruption of government business resulting from greater public disclosure. In the early stages of the legislation it appears that little improvement was made to the position of whistle blowers – according to survey data the proportion of employees who did not report wrongdoing because of fear of reprisal rose in the first few years of the legislation. Of those who did report, an increased proportion said that they had experienced some reprisal. As a result of this poor performance and as a consequence of criticism of the operation of the Special Counsel the law was strengthened in 1989 which seems to have led to some success. By the early nineties, of the individuals who said they knew of illegal or wasteful activity, a greater proportion were reporting that

activity as compared to the early 1980s. In both the early 1980s and the early 1990s the main discouraging factor was the view that no action would result from a report of illegal or wasteful activity.

The implementation of similar provisions in Australia (NSW Protected Disclosures Act 1994) was similarly difficult. An evaluation reported a 'lacklustre' response by public organisations in New South Wales. A key lesson was that the statutory requirements of the Act could not work in a vacuum, '... the real task is for public sector managers to create environments of trust in which employees feel confident that their managers will deal appropriately with such reports' (ICAC, 1997a, 7). In particular there had been limited organisational effort in publicising the different routes for concerned workers to raise an issue and little or no communication to workers about the specifics of the Act. The majority of employees surveyed were not confident that they would be protected if they made a report (ICAC, 1997b, 5).

When discussing elected members 'whistleblowing' is used in two senses. One is the requirement made of members in the code of conduct to report observed breaches of the code. The other usage is where an elected member had passed to an external party restricted information or documents related to the authority and then used the public interest to justify the actions. This is not technically a defence as there is no provision in the code of conduct to allow breaches in the public interest. There have been a number of such cases brought against members for passing on confidential information which inevitably raise issues about the genuine motivation of the members, whether there were alternative channels for raising the concern, whether the information should have been restricted in the first place and the consequences of the disclosure.

There are some general 'boomerangs' relating to whistleblowing activities which apply equally to employed and elected officials (discussed in Bovens, 1998, 199-200). Threat of exposure may lead organisational members to attempt to limit access to information to a small trusted group and to work in an informal manner.

For example, political leaders may seek to ensure that loyal group members are in the important internal regulatory positions on scrutiny, audit and standards committees. Whistleblowing can spark or enflame internal conflicts and become a weapon for settling grudges. When used too regularly the process can become ritualised and lose its power, 'awkward squads' are relatively easy to tolerate and ignore, once whistleblowing becomes predictable it loses effectiveness. A final boomerang is that provisions might be seen as a type of 'inquisition' and another way for one group within an organisation to control another.

In the same way that leadership involvement in ethics has positives and negatives, so attempts to increase transparency also have benefits and drawbacks. Benefits include the increased chance of misconduct being detected, an increase in democratic oversight, transparency can create credibility for organisations, it serves the public 'right to know' and provides a fairer playing field for political competition.

Drawbacks include the multiple ways an organisation can be 'formally open' whilst still avoiding real scrutiny, embarrassing information can be disguised in a blizzard of paper and partial disclosure may be more misleading than complete secrecy. Although in some cases there may be justifiable reasons for preventing openness, it is difficult to distinguish genuine concerns from bogus.

Independent overview

A concern in the previous two principles is that action may be seen as partial, political or an attempt to gain an advantage. A mechanism for trying to deflect these concerns is to give a role to independent people who are seen to be impartial. The perception of impartiality is important from inside an organisation in terms of being seen as an honest broker, and from outside an organisation in terms of credibility. As well as independent standards committees there have also been a number of authorities commissioning independent reports on specific aspects of their operation.

In the ethics infrastructure described by the OECD (1996, 27-44) there is a key role for a co-ordinating body for ethics. Where standards committees take on this position their activities variously include: raising the profile of ethics with an authority's leadership and members; trying to integrate information and action on ethics by for example co-ordinating with audit committees, receiving and responding to ombudsmen reports and oversight of the council's complaints procedures; an external publicity role highlighting the council as an ethical organisation; roles related to oversight of confidential reporting of concerns; overall monitoring and reporting to council on the operation of ethical conduct. Not all of these activities will be equally important in different organisation and not all standards committees will have to be equally active but there is scope for a wider role than adjudication and investigation.

The major drawback with handing responsibility for ethics management to an independent element of an organisation is that it can be taken to imply that ethics is separate from the everyday of the organisation, only good for Sundays. Integration does not just mean taking a wide overview of an organisation's activities but it also means ensuring that responsibility for ethical governance is not entirely delegated away from the organisation's core.

Revisability

Local authorities operate in a changing organisational context and as argued earlier ethics and ethics management has to be ready to adapt to the new challenges faced. This may lead to changes in understandings of what ethical behaviour is, expansion of the group of people or organisations to which it should apply or the need to change the way ethical behaviour is supported or regulated. There is not a great deal of guidance on how ethics management should respond to a changing environment but in some of the literature it is recognised that ethics management must continue to evolve (Kaptein and Wempe, 1998).

A revisable system of ethics management would require some method for scanning for ethical risk and thinking through the ethical consequences of

reforms or changing practices. Some part of the organisation - the leadership, the standards committee, audit committee or a scrutiny committee - would work to identify potential ethical concerns related to changes in the organisations' working environment. This may, for example, involve periodically assessing the ethical dilemmas faced by members and employees, developing an understanding their changing roles and responsibilities. This does not have to be a significant additional effort, for example it may be a question of ensuring that relevant ethical concerns are raised in scrutiny reviews.

Another issue concerns the proper scope of public service ethics in the delivery of local services. What ethical demands are made of organisations with which a local authority contracts? How clear is accountability in partnerships? Can public transparency be maintained in a complex system of public service delivery? Councils may be concerned to assure that there are adequate whistleblowing provisions in businesses delivering public services.

Finally, as roles and responsibilities change organisations will have to assess how they can monitor compliance, respond to misconduct and support ethics. This is likely to be an issue as a result of greater delegated powers and with elected members taking on community governance roles outside of the organisation. Individuals will be faced with new situations where the habits and rules that they had previously used would no longer apply.

The policy environment in which local government works changes more rapidly than a rules and regulation approach to ethics management can respond. A core of misconduct as defined in the code of conduct will remain essentially the same. The principles of good conduct are likely to remain the same but there will have to be a reinterpretation of what they mean in the actual situations in which people act. Partly this is down to individual discretion but we would suggest that there is a role for a more systematic approach to the ethical dilemmas faced. A revisable system of ethics, if effective, would pre-empt problems or at least identify them when they first start to emerge.

Drawbacks to a focus on revisability include a potential for increasing the complexity of the framework in which individuals act (although revisability can, and should, include simplification). Second, the process will involve a time commitment from officers and members but it is possible that many of the actions will be marginal and incremental rather than wholesale overhauls.

Summary

An international review of ethics measures in the mid 1990s concluded that there had been a move away from detailed rules to an emphasis on broad guidance, general codes and greater transparency (OECD, 1996). Relying on the natural good character of the individuals to ensure responsible governance may be naïve and lacking in public credibility but it is also difficult to imagine how public organisations could function if people's actions were not to some extent shaped by values. A strategy for supporting ethics seeks to remove the organisational friction associated with acting on principles whilst increasing the friction of acting in improper ways.

In this section we have outlined some elements which we believe are likely to be central to successful ethics management. They are intended to fill the gap between sharply focused codes with associated sanctions and generally defined principles with wide application. There are limits to all principles and we have highlighted some of their drawbacks.

SECTION 5: CONCLUSIONS: TOWARDS AN ETHICAL ENVIRONMENT

This literature review has delivered two main benefits. It has helped us to define the challenge faced in building an ethical environment. The task as we see it is about promoting an active commitment to ethical behaviour rather than a passive observance of a set of rules. That active commitment in turn we have learnt needs to be supported by a complex set of organisational principles and practices and not just rely on the good will or character of individuals in organisations. It also needs to be sufficiently adaptable to meet changing circumstances.

The components of an ethical environment need to combine elements of passive and active responsibility on the part of individuals. The maintenance and promotion of passive responsibility fits in with much of the commonsense about the way a system of ethical management works. People are expected to behave as people do (displaying a complex range of motivations) and systems are designed to keep them in check. So if they are caught behaving against the rules or inappropriately, they are reported and if the subsequent investigation reveals misconduct some punishment is meted out. The process is very complex in practice and evidence about behaviour is often hard to judge and made more complex by the problem of 'many hands', that is in any one decision or action there are often a range of competing influences and factors. Finding the evidence to blame or exonerate an individual can be problematic. Moreover the impact of systems of passive responsibility although positive is limited. The focus is after the event, on individual cases and it may be difficult to determine what lessons to draw or apply to future practice.

For the purposes of our research we assume that systems of passive responsibility are in place in local government. Survey evidence from our ELG work shows this to be the case. We are not examining the conduct of that system in practice.

Instead our focus is on active responsibility and the most appropriate organisational designs to promote active responsibility. Active responsibility is about prevention; getting people to live and breathe ethical considerations in their daily lives. It is about supporting people to meet ethical standards and enabling them to adapt their approach to new circumstances.

In our case study work we propose studying the balance between the passive and active forms of ethical management in local public bodies and in particular understand more about the range of organisational devices that are used by local bodies to promote a more active sense of responsibility.

In addition we want to consider how local public bodies are adapting their ethical frameworks to new challenges and new practices. Understanding how to make ethical frameworks robust and revisable is important given that the operational practices and challenges faced by local government continue to evolve and change rapidly.

Our focus is then on an organisational framework to maintain active responsibility among all relevant decision-makers in local bodies to support ethical behaviour. We already understand from the literature review some of the key components of such a framework.

- A clear and legitimate justification for a commitment to ethical behaviour is essential (Section 1)
- A recognition that individual motivation is complex and the transfer of broad principles into a practice that affects individuals requires a mixed set of organisational supports (Section 2)
- An understanding that group dynamics can play a vital role in supporting ethical behaviour (Section 3)
- A recognition that there are trade-offs that will need to be managed (Section 4)

- The role of leadership, systems of transparency and the presence of an active independent challenge are all central to the promotion of an ethical environment (Section 4)
- Any system needs to be flexible enough to cope with new challenges (Section 4)

In our case study work we aim to enhance and develop this understanding in the context of the challenges faced by local public bodies today.

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