**GOVERNANCE AS A CONCEPTUAL PARADIGM FOR INSTITUTIONAL REFORM AND**

**TRANSFORMATION**

**Abstract**

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This paper argues that organised crime can potentially penetrate political power and capture the state, establishing the so-called “penetrated state” that would ultimately threaten “national security”. South Africa’s democratisation came with numerous major corruption scandals, which the ruling party has sought to explain as a function of exposure rather than sheer increase in the phenomenon. Over the past few years, South Africa has come to terms with the excessiveness of the costs of corruption. The so-called Travelgate scandal is atypical example wherein the South African Police seized R1 billion illegal imports and exports, 83 members of parliament (MPs) pleaded guilty, 1 891 arrests made and 1 305 investigations finalised. Beyond this scandal resulting in direct costs of R26 million to the taxpayer, it demonstrated vividly that there exists a web of dependency where organised criminal groups formed mutually beneficial relationships with parliamentarians. Besides contraband, evidence suggests that intern ational criminal organisations such as the Italian, Indian, Israeli, Russian and Triad (Chinese) mafias are infiltrating the South African market, which is considered as protective of the culture of corruption. The dominant view has been that South Africa provides a “safe haven” for these mafias to operate with political and police protection. The paper demonstrates that the impact of organised crime extends to high levels of contraband, theft, violence and murder, making a penetrated state extremely difficult to rule because of the absence of the rule of law. It argues that perceptions of corruption matter more than the reality of its occurrence in society because the former can inculcate a culture that is devoid of trust, integrity and morality, thereby formalising cliques and/or pacts that create their own subcultures of self-justification. That is, the paper asserts that the culture of corruption is self-regulating and self-endorsing; and, the “fight against corruption” should be focused on governance that establishes appropriate culture through reform and transformation.

**Keywords:** Corruption; Culture; Governance; Travelgate Scandal; South Africa

**1. Introduction**

Since the democratisation of South Africa numerous major corruption scandals have made headlines in the South African and international media. One example of corruption and organised crime is the so-called Travelgate scandal in which the South African Police seized R1 billion illegal imports and exports, 83 members of parliament (MPs) pleaded guilty, 1 891 arrests were made and 1 305 investigations were finalised, making this one of the biggest, if not the biggest, corruption scandals in South African history. The scandal resulted in direct costs of R26 million to the taxpayer. The ruling party decided to halt the parliamentary investigation (the Natal

Post cited in Sipho, 2009: 213-214). This scandal caused unhappiness in the leadership ranks of the ANC, because many MPs benefited from their connection with illegal imports and exports. A web of dependency is illustrated in Travelgate, where organised criminal groups formed mutually beneficial relationships with parliamentarians. Parliament was penetrated by organized criminal groups, an indicator that South Africa could be a penetrated state (Sipho, 2009: 123-175). The scandals of corruption and organised crime in South Africa are not limited to contraband. International criminal organisations such as the Italian, Indian, Israeli, Russian and Triad (Chinese) mafias are attracted to the protective climate or culture of corruption. South Africa provides a “safe haven” for these mafias to operate with political and police protection. The depth of such penetration is illustrated by the case of the former head of the South African Police Service and Chief of Interpol, Jackie Selebi, who allegedly received millions of South African rands (in kickbacks) from a drug boss, Glen Agliotti, to ignore the drug deals of his group in exchange for police protection, making organised criminal actions immune from detection and punishment. When such a “corrupt relationship” exists between organized crime leaders and formal and legitimate institutional leaders, organized crime penetrates the political power of the state (state capture) and creates what is called “a penetrated state”, threatening “national security” (Klitgaard,

2008: 1). Penetrated and criminal states with a high level of organised crime suffer symptoms of severe or systemic corruption. The symptoms of organised crime and its impact extend to high levels of contraband, theft, violence and murder, making a penetrated state extremely difficult to rule in the absence of the rule of law.

What is of importance is not whether the reported perceptions are indeed factually true, but the mere perception that corruption exists in society. Where there is no repudiation of perceptions, the problem is that, if such perceptions are not cleared fully and without any doubt, for example by the media and the courts, a culture emerges in which people doubt the integrity and morality of their leaders. Such a culture is in itself a contributor to corruption as a general (systemic) community practice. Gossip is an indication of a breakdown of the moral fibre and trust of a society. Limited trust in society encourages the formation of cliques and/or pacts that create their own subcultures of self-justification. The more people who participate in corruption, the more their experiences are shared and endorsed, and the more the perceptions of the public change negatively.

**2. Research Objective, Methodology and Problem**

The unit of analysis is systemic corruption. The paper is a descriptive narrative that aims to integrate the Ackoff-Gharajedaghi Five-Dimensional Design of institutional development with the normative principles of good governance as a paradigm for changing systemically corrupt institutions to promote integrity-driven performance. The research methodology applied is systems thinking and specifically the soft systems approach, which is most suitable for complex

110

problem situations that do not have single root causes and where a linear approach to problem solving is counterproductive. Corruption is an elusive phenomenon that is difficult to define as a discrete (self-contained) concept. Corruption can be a manifestation such as a conflict of interests, or a condition such as a social pathology, or an impact such as its effects on poverty, or an obstruction to development and a co-producer that changes its environment – a culture of corruption generates further corruption. Corruption co-produces governance failures.

Corruption and its impact are major challenges in developing, and specifically Southern African, institutions. The World Bank (WB) defines corruption as “the abuse of public office for private gain” (World Bank, 1997). This is one of the most commonly used definitions of corruption in the public domain. In the 2007 publication the WB still maintains the definition of the 1997 publication, but when read in context the definition recognises the complex nature of the phenomenon (World Bank, 2007: 434). The expanded definition of the WB distinguishes between “isolated” and “systemic” corruption (World Bank, 1997: 9-10). Isolated (or accidental) corruption is described as “rare, consisting of a few acts, it is straightforward (though seldom easy) to detect and punish”. In this case, non-corrupt behaviour is the norm, and public and private sector institutions display integrity. Both formal and informal systems are strong enough to return the system to a “non-corrupt equilibrium”. On the Corruption Perceptions Index (CPI) of Transparency International (2011) Norway is ranked 9th out of 183 countries and scores 9 out of 10 (with 10 being a perfect score for good governance). Norway is an example of a country with instances of isolated corruption. Systemic corruption, on the other hand, is pervasive, or entrenched, and corruption is routine between and within the public sector, companies and individuals. Formal and informal rules are at odds with one another. Corruption may be illegal, but in this case it is routine in transactions with government or businesses. This occurs especially where incentives for corruption are very attractive and perceived as more beneficial or profitable than any risk, even after calculating and/or accounting for all the risks, such as the risk of exposure, scandal and punishment. Based on the Corruption Perception Index (CPI) of Transparency International (2011), Kenya is ranked 154th out of 183 countries and scores 2.2 out of 10. Kenya is an example of a country with systemic corruption.

The WB adjusted its definition of corruption slightly to replace “public office” with “trusted office” and distinguishes between “isolated” and “systemic” corruption (World Bank Report, 1997:

9-10). By implication the role of the private sector is also acknowledged by this modification. However, the WB’s adjusted definition still fails to acknowledge the general nature of corruption as being systemic – a concept that suggests interdependence between public and/or private sector institutions in deviant behaviour. From a systemic perspective, the WB’s definition does not capture the essence of corruption and is inadequate for managing corruption. Corruption is a function of dishonesty, a lack of integrity and the abuse of private and/or public office for personal gain. However, it occurs most frequently and pervasively when there is a ‘culture’ of

111

corruption, when the risk of exposure is lower than the reward for corrupt behaviour. This is because of the mutual acceptance, and mutual interdependence, of corrupt behaviours between corrupters (initiators) and corruptees (participants) within an institution. Corruption represents a breakdown in integrity. According to Rose-Ackerman (1996: 2), integrity implies “honesty, probity, uprightness, moral soundness, moral stature, principle, character, virtue, purity”. Antonyms of integrity are “deceit, venality, corruption” (Shepherd, 2006: 447). The Latin for “integrity” is in-teger, meaning “what is not touched, taken away from, or interfered with” (Stanford Encyclopaedia of Philosophy, 2010a). In-teger can therefore be interpreted as “wholeness”. Consequently, “integrity” should be a central concept in any root definition of corruption, because it represents consistency in “actions, values, methods, measures, principles, expectations and outcome” (Stanford Encyclopaedia of Philosophy, 2010a, 2010b).

Since integrity means “wholeness”, it is appropriate to link integrity with “holism”, because “holism” also relates to “wholeness”, as Hornby (2005: 714) defines “holistic” as follows: “considering a whole thing or being to be more than a collection of parts”, and in relation to medicine: “treating the whole person rather than just the symptoms”. This definition corresponds with the definition in the Verklarende Handwoordeboek van die Afrikaanse Taal (HAT) (Odendal, 1985: 401), which emphasises that holism is a philosophical approach “wat berus op die beginsel dat die geheel meer as die som van die dele is” [based on the principle that the whole is more than the sum of its parts]. The HAT definition emphasises the inherent characteristic of holism, namely that the whole is of greater significance and importance than the sum total of the individual independent parts. This seems to be a most appropriate insight for the purposes of this research. Holism is also prevalent in the most precise and most appropriate and systemic definition of a system known to the author, which is probably the one by Ackoff (2009a: 6), who described a system as “a whole defined by one or more functions, that consists of two or more essential parts”.

Corruption can be defined as “an impairment of integrity, virtue or moral principle; depravity, decay, and/or an inducement to wrong by improper or unlawful means, a departure from the original or from what is pure or correct, and/or an agency or influence that corrupts” (Merriam-Webster Dictionary, 2010: n.p.). A scholar may argue about “what is pure or correct”, but the essence of the definition is clear. Equipped with a better understanding of corruption as a systemic phenomenon, it is now appropriate to focus on the co-producers contributing towards corruption and its complexity. Corruption is deviant human behaviour (a sub-system) that functions in contradiction to its design within a social system. It displays systemic characteristics that are generally obstructions to the development of society and organisations. Ackoff (cited in Gharajedaghi, 1982: 6-11) argued that, because the parts of a social system are interdependent. When these parts are solely driven to perform independently as efficiently as possible, without considering their impact on the whole system (‘selfishly’, as in corrupt behaviour), the system will not perform as efficiently as it could perform as a whole if all parts are harmonised towards

112

achieving the integrated efficiency of all the parts. Both concepts “corruption” and “development” are multi-dimensional. According to Gharajedaghi (1982: 68), corruption is not “just a malfunctioning of the value system” (moral), but a second-order obstruction of a social system, meaning a complex problem situation that cannot be solved linearly. Table 1 illustrates the Ackoff-Gharajedaghi Five Dimensional Design, where the first-order obstructions to development consist of 15 categories of possible known obstructions (no category is exhaustive). At the second level there are three possible categories of obstructions – alienation, polarisation and second- order obstructions – including xenophobia, organised criminality, terrorism.

Within the sphere of socio-economic studies, the concept of ‘development’ is normally associated with any improvement which enhances the capacity (ability) of an entity to perform its functions. The learning and creative process “by which a social system increases its ability and desire to serve its systems view of development is more specific. It defines the development of a social system as “a learning and creative process by which a social system increases its ability and desire to serve its members and its environment by the constant pursuit of truth, plenty, good, beauty and liberty” (Ackoff, as cited by Gharajedaghi, 1982: 54). The underlying systemic logic in this definition should be clear, namely that for effective and efficient behaviour, any system (human and otherwise) should have efficient elements or functions as well as effective interactions between these elements or functions – the contribution of each element to the whole must be according to the design of the whole, in order to create meaningfulness, wholeness and in effect development.

To understand systemic obstructions to development, the expected outputs of a system as a whole have to be established. Gharajedaghi (1982: 57) identified five dimensions or subsystems of social systems that contain obstructions to development, as illustrated in Table 1. In their quest to develop themselves, all humans have the following aspirations (**SESSION 5**):

 Generating and distributing wealth through producing goods and services

(economics);

 Generating and distributing information and knowledge to create understanding and insight (knowledge, skills and technology);

 Creating beauty, meaning, hope and identification (aesthetics). Aesthetics is a

“branch of philosophy that studies the principles of beauty, especially in art” (Hornby,

2005: 24);

 Creating and maintaining peace, conflict resolution, harmony. The challenge of appreciating different value systems, empathy, love, respect, harmony and a strive towards the good and what is right (ethics/ morality); and,

 Generating and distributing power, influence, authority and responsibility

(politics/governance).

113

Given the discussion on the concepts of development and corruption, corruption’s systemic nature, its negative impact and how obstructions to development act as co-producers of corruption, the focus now shifts towards the human aspiration for influence, participation and power in decision making.

**3. Governance (SESSION 2)**

During the last two decades governance has risen to the top of the anti-corruption agenda. The question that needs to be answered is: What is governance? Governance is “the manner of directing and controlling the actions and affairs of an entity” (King, 2006: 1), which “involves fairness, accountability, responsibility and transparency on a foundation of intellectual honesty” (King, 2006: 15). The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP, 2009: 1) states that governance is “the process of decision -making and the process by which decisions are implemented (or not implemented)”. In essence, governance is about decision-making, how decisions are made and how they are implemented or not. Governance will be good “when government attains its ultimate goal of creating conditions for a good and satisfactory quality of life for all citizens” (Gildenhuys & Knipe, 2000: 91). This definition of governance is a universal and systemic definition that includes global governance within the context of the global quality of life. Good governance can be illustrated in Figure1 in terms of eight principles (UNESCAP, 2009: 1-3). This type of governance can be described as follows: participatory, consensus oriented to accommodate as many alternative views as possible, accountable (answerable regarding the positive and negative implications of decisions and their implementation), transparent (openness about decisions taken, how they are taken, how they are implemented or not, and declaration of interests in these decisions), responsive to questioning and criticism, effective and efficient, providing equitable opportunities and services, inclusive of all role players, and following the rule of law. Good governance ensures that corruption is minimised, the views of minorities are taken into account and the voices of the most vulnerable – such as the abjectly poor, street children and orphans – are heard. Good governance is also focused on the long term, durable and sustainable.

UNESCAP’s view on good governance corresponds with that of Gildenhuys & Knipe

(2000: 111- 121), who say that good governance principles include:

 political principles, namely direct participation, participation through representation, responsibility and accountability of political representatives, government close to the people (decentralisation), an open systems approach, and global politics;

 economic principles, namely economic freedom, private property ownership, a

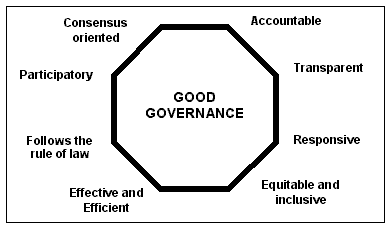
free production process, privatisation, deregulation and small business, deregulation and international economics;

114

 social principles, namely non-racism and non-sexism, nationalism, inclusiveness, civic pride, civic responsibility and civic obedience (adherence to law and order).

**(SESSION 3)**

**Figure 1:** Good Governance



**Source:** UNESCAP (2009: 1-3)

From the above discussion it is possible to say that good governance is a multi- disciplinary concept, is of a systemic nature and requires good citizens. Good governance is imperative for enabling the human striving for development, namely: wealth creation, knowledge and understanding, participation and influence, social harmony and peace, as well as meaningfulness and identity. The sections that follow focus on the manifestations of governance and its principles. Public management principles (public sector governance) that will be discussed include: choice of public services; economy, efficiency and effectiveness; flexibility and management of change; sustainability and consistency; accountability, responsibility and transparency; and adhering to batho pele principles (Gildenhuys & Knipe, 2000: 111-121, 123-

133). Batho pele is a Sotho term meaning “people first”. It includes creating a framework for the

delivery of public services that treats citizens as customers and enables them to hold public officials accountable for the delivery and the quality of public services (Gildenhuys & Knipe, 2000:

130-133). The concept ubuntu also needs to be included in the concept of good governance: “I

am because of you”. Ubuntu empowers all to be valued, to reach their full potential. An ubuntu style of governance means a “humane” style of governance based on collective solidarity and communality (Gildenhuys & Knipe, 2000: 271). **(SESSION 8)** Corporate governance is generally the governance of incorporated entities such as public and private companies. The principles of quality

115

governance apply to all incorporated entities (King, 2006: 1). Good governance is about the ability to govern an enterprise with integrity. Quality governance implies that steadfast quality called “intellectual honesty” (King cited in Bisoux, 2004: 35). Good corporate governance is about the ability to govern an enterprise with integrity- driven performance (quality governance) by applying systems and processes to protect the interests of its diverse stakeholders. King’s reference to

‘integrity-driven performance’ does have in common the earlier reference to corruption as the antithesis of integrity. Firstly, it is possible to deduce that good governance is aimed at increasing integrity and trust in institutions and reducing corruption, and secondly that quality governance also applies to public sector governance. **Principles of quality corporate governance** include the following: sound economic, social and environmental practices; the triple bottom line (profit, environment and community) performance; effective financial accounting and management; integrated risk-management processes; systems and processes for effective decision making; organisational integrity; effective monitoring and controls; independent auditing and verification; accounting and responsibility; and adequate sustainability and transparency (Khoza & Adam,

2005: 32). Good corporate governance does not entail a mindless compliance with a quantitative checklist. **The King Committee on Corporate Governance** (cited in Khoza & Adam, 2005: 32) **said that good corporate governance includes the following: discipline, independence, and social responsibility. From the discussion it is possible to say that good corporate governance does have a broad framework of decision-making activities that are guided by values and policies driven by integrity.**

Good governance cannot be defined fully without including moral governance, because in order to govern well, moral and transformational leadership is required to inspire people to make sacrifices for the common good of society. The term ‘moral’ is used here “to cover those practices and activities that are considered importantly right and wrong; the rules that govern those activities; and the values that are embedded, fostered, or pursued by those activities and practices” (De George, 1999: 19). Morality is a precondition for ethics, because moral people can judge right from wrong and act in accordance with the norms accepted by them and society. Without a concept of morality no stable society would function within which public and private institutions could deliver services and products efficiently and effectively. Moral governance involves directing and controlling the actions of an institution that are based on practices and principles that enable a distinction between right and wrong, as well as on the values that underpin those practices and activities that involve fairness, accountability, responsibility and transparency based on intellectual honesty. It may therefore be deduced that the concept of governance is in essence about institutional decision-making that impacts on all dimensions of human development and that it implies to govern an institution with integrity. Good governance includes public sector governance, corporate governance, quality governance, moral governance and global governance. For decisions to be “good”, such decisions should:

116

 Allow as many people as possible to participate;

 Allow as many participants as possible to reach a common understanding and agreement (consensus orientated);

 Inform all role players about the decision-making process, their business and financial interests in decisions and the actual decisions taken (transparency); and,

 Enable responsive behaviour and sustainable actions.

Those that make the decisions should be responsible, accountable, and liable for their decisions, comply with the legal framework, and take minorities and the voices of the most vulnerable in society into account. Such decisions should enable decision makers to pursue the right direction (be effective) and remain within budget. Decisions should draw on the optimum resources, follow the shortest procedures, and be executed in the planned time (be efficient). Good governance enhances flexibility, tolerance of alternative views, and social bonding across such polarised divisions such as racial, cultural, ethnic, religious and language groups. The focus now shifts towards the application of good governance.

**4. Implications of the Absence of Good Governance (SESSION 10)**

The next section focuses on whether the absence of good governance on a strategic level of an institution can provide an indication whether such an institution is systemically corrupt or not. The focus will be on good governance principles in general, public management principles, batho pele principles, corporate governance principles and the fiduciary powers of directors. The simultaneous absence of the following good governance principles in general can provide an indication that a public and/or private institution can be systemically corrupt: social integration and participation of all stakeholders and their ideas; deregulation of excessive and unnecessary processes that cause bottlenecks, delays and inefficiency; respect for and obedience to the law; and public management principles. The following section focuses on responsibility and accountability. Acceptance of responsibility and accountability is essential for all members – managers, leaders, stakeholders and shareholders. Accountability means answerability for all decisions and actions, including collective answerability (institutional and individual). Private institutions are not publicly accountable to taxpayers in the same way. However, private institutions should have social and environmental accountability. The limited application of accountability (or lack thereof) can be a valid indicator that an institution may be corrupt. Shareholder accountability means reporting on wealth created for the shareholders. This narrow perception of accountability is not conducive to institutional governance, because it focuses too much on the profit motive. Stakeholder accountability emphasises the development of robust and inclusive institutional governance structures, stability, long-term orientation, a sense

of shared destiny, legacy and vision (Mbigi, 2005: 193-195). The simultaneous absence of the

117

following public management principles can assist in providing an indication that a public institution can be systemically corrupt:

 Economy, efficiency (i.e. minimum use of resources to achieve an objective) and

effectiveness;

 Sustainability, consistency and innovation in pursuing a long-term and durable direction;

 Flexibility and management of change;

 Transparency through disclosure of information about decisions taken, declaration of financial and business interests in decision making and management of conflict of interest;

 Batho Pele principles.

The simultaneous absence of the following batho pele principles can assist in providing an indication that a public institution could be systemically corrupt:

 Consulting all relevant role players with the emphasis on broadening inclusion and participation;

 Creating cross-cutting standards based upon systems and people and their

performance measured in terms of quantity and quality, output and outcome, e.g. time taken to connect a residential stand to water and electricity with less than a five percent come-back on all such connections;

 Providing timely information using multi-media applications, for example, posters,

flyers, websites and videos to inform customers about what standards to expect;

 Creating access to services. The more accessible services are, the less scarcity and less motivation there is for corruption;

 Courtesy and respect for all customers, irrespective of political affiliation, economic status, education or religion;

 Correcting mistakes and redressing failures, e.g. by providing apologies and

creating complaint procedures, redressing mechanisms and providing rebates. A rebate is “An amount of money that is paid back to you because you have paid too much” (Hornby, 2005: 1212). In the context of the study, the amount is ‘too much’ in relation to the quality of services or goods received.

The simultaneous absence of the following corporate governance principles can provide an indication that both a public and/or private institution can be systemically corrupt:

 Sound economic, social and environmental performance; this includes ecology

(sustainable impact on the environment), economy (profit) and equality (social responsibility);

 Effective financial accounting and management, e.g. maintaining a sustainable

growth rate, a healthy cash flow and economic value added (EVA) principles;

118

 Integrated risk-management processes to adapt to changes and to mitigate the impact of high-risk activities

 Developing systems, processes and controls for effective decision making,

monitoring, evaluation and changing unsuccessful strategies;

 Integrity, for example, accepting liability for institutional negligence;

 Independent auditing and verification of financial statements.

The concurrent absence of the proper exercising of the following fiduciary powers of directors of companies can provide an indication that private institutions are systemically corrupt:

 **Good faith**: a director must apply his/her mind and always act in the best interests

of the company, ensuring that there is no conflict between his/her interests and those of the company. Good faith suggests reliance, trust, integrity and acting in an ‘unfettered manner’, meaning being given the moral responsibility to act without “undue supervisory regulation” (Hornby, 2005: 1610);

 **Care**: a director must ensure that the company uses its assets as if they are the

assets of his/her own family. Care entails dealing with institutional challenges seriously, stewardship, “transparent communication” and protecting the company’s reputation. Stewardship is “the act of taking care of or managing something” (Hornby, 2005: 1450). Garrat (2003: 1-128) elaborates further on stewardship;

 **Skill**: every director must use his/her abilities in the interests of the company

he/she represents, e.g. the way a director evaluates information submitted to the board, and the honest application of his/her mind;

 **Diligence**: a director must do his/her homework, and study information about the

industry and the company’s relationships with stakeholders and ensure that h e/she understands it (King, 2006: 29-30, 52-53).

The impact of not fulfilling fiduciary powers manifests in various ways, such as conflict of interests, lack of accountability, incompetence, negligence, and abuse of power and influence. The author of this article has identified more than 40 manifestations of corruption. Understanding these manifestations of corruption can provide insight into systemic corruption. It has been illustrated that the absence of the indicators of governance on a strategic level can provide an indication whether an institution is systemically corrupt or not. These indicators can also be used as pointers to reform and transform a systemically corrupt institution to an institution with integrity-driven performance (good governance). It is now appropriate to focus on the construct of development and the way it can be integrated with the construct of governance for good

decision-making.

119

**5. Nexus of Governance and Development (SESSIONS 9 & 10)**

Within the context of the five aspirations for human development (also called dimensions or subsystems needed for developing a social system) the construct of governance can be integrated with the Ackoff-Gharajedaghi Five Dimensional Design of institutional development as follows:

 **Economics**: corporate governance, i.e. the triple bottom line, meaning profit,

environmental and societal or communal benefits; batho pele principles, e.g. creating access to services; and public management principles, e.g. economy, efficiency and deregulation to reduce delays in providing products and services. Within the context of the five aspirations for human development (also called dimensions or subsystems needed for developing a social system) the construct of governance can be integrated with the Ackoff-Gharajedaghi Five Dimensional Design of institutional development as follows

 **Scientific/knowledge**: corporate governance, that is, fiduciary powers of

directors and specific skill and diligence, risk management processes to adapt to changes and to mitigate the impact of high-risk activities; and batho pele principles, e.g. providing timely information (transparency) to role players and customers using multi- media applications.

 **Politics:** batho pele principles, i.e. courtesy and respect for all customers,

irrespective of political affiliation, economic status, education or religion, and consultation with role players to increase participation in decision making, recognition of and increasing influence of vulnerable groups and minorities to decide on their own interests.

 **Ethics/morality/spirituality**: moral governance, i.e. values that are underpinning

those activities and practices that involve fairness, accountability, responsibility and transparency based on intellectual honesty; and corporate governance, e.g. equality that entails social responsibility and social bonding to create a more just and fair society.

 **Aesthetics**: innovative and creative solutions are needed in all institutions (to

respond to the ever faster changing world and the increasing need for corporate and global governance) to create a unique identity, self-worth and meaningfulness for all role players, employees and customers in such institutions.

From the discussion it can be deduced that governance principles can and need to be integrated with the dimensions of human development for changing systemically corrupt institutions. Such integration can overcome obstructions to development that function as co-producers of corruption. The next section focuses on effective leadership as the most influential driver in the change and development process. Scientific/knowledge: corporate governance, i.e. fiduciary

powers of directors and specific skill and diligence, risk management processes to adapt to

120

changes and to mitigate the impact of high-risk activities; and batho pele principles, e.g. providing timely information (transparency) to role players and customers using multi-media applications.

**(SESSION 11)**

**6. The Role of Visionary, Moral and Transformational Leadership in the Change Process**

Systemic corruption (where moral and strategic leadership fail) is an inevitable outcome of vacuums of power and destabilisation during transformation towards independence and democratisation, because neither liberation struggles nor colonialism (including apartheid in South Africa and Namibia) has prepared developing countries for good governance. In order to direct and institutionalise good governance during the change process, a key driver is commitment from the top. A systemic definition of a transformational leader is “one who can produce, or encourage and facilitate the production of, a mobilizing vision of a transformed system” (Ackoff, 2009: 11). Such a leader must be able to inspire people for the voluntary achievement of a vision, and to mobilise and coordinate, not command and control. In order to inspire people and to unleash energy to transform a systemically corrupt institution, leaders must be credible, respected and committed. Credibility means that such leaders “can be believed or trusted” (Hornby, 2005: 345). Role models of moral and transformational leadership, such as Mahatma Ghandi (spiritual leader who united oppressed Indians in India and South Africa), Nelson Mandela (political leader who united South Africa after apartheid) and the Dalai Lama (spiritual leader and unacknowledged head of the state of Tibet), can play an inspiring role in uniting people to transform a society. Other examples of leadership in community work include Mother Theresa, Florence Nightingale and Princess Diana, business/entrepreneurial leaders such as Richard Branson and Bill Gates, moral leaders against apartheid in South Africa such as Desmond Tutu and Beyers Naude, and education leaders such as Jonathan Jansen (Rector of the University of the Free State). During times of uncertainty and change, e.g. the transitioning of developing countries from liberation struggles and civil war towards democratisation and uniting people to transform a society, people need identification with role models, because such role

models can provide moral and strategic direction.

Transformational leaders can inspire people and such inspiration has strategic implications for changing a systemically corrupt institution, namely developing people and systems, and creating opportunities for development. The interactions of people (structure) should be managed to develop institutional/social capital and trust. A learning institution should be created with a “learning-adaptation support system” (Ackoff, 2009: 12) that enables second- order learning (qualitative learning, e.g. insight into understanding systems) and second -order change (change of attitudes, behaviour and culture to adapt to the environment successfully). For changing a corrupt institution it is imperative to understand such a system, its assumptions and the implications associated with transformation towards achieving the vision. Maximising stakeholder participation is needed to increase ownership of transformation. Educational

121

institutions headed by transformational leaders, such as Jonathan Jansen, can play an instrumental role in bridging the divide in race, ethnicity, religion and class to develop a national consciousness about the value of integration in a divided society.

Role models of transformational leadership in business, education, spiritual matters and community affairs are extremely important to the hopeless and vulnerable, who can be misled by populist demagogues and fill the power vacuum with radical, intolerant and immoral leadership that can destabilise a developing country. Role models should be visionary and moral to provide hope and to be respected. However, not only moral leaders are required for transformation, but also committed ones who have the political will to transform corrupt and unjust systems towards achieving good governance. Because politicians in a corrupt country are seldom moral, they must experience the political benefits of taking the risk of changing systems that will impact on their power base (voters’ support) in order to secure their commitment and to create political will. Political will for reducing systemic corruption is needed for influencing changes in the five developmental dimensions of the Ackoff-Gharajedaghi design. These benefits and support are needed to create what Meadows (2009: 1-13) called “positive recurring loops” for second-order change and development. Moral and transformational leaders and competent people will be inspired by the benefits of a culture of openness, accessibility and account ability (principles of good governance). Role models of transformational and moral leadership can provide a strong message for changing perceptions of hopelessness, which are associated with systemic corruption. Moral and transformational leaders are of key importance for securing political commitment for durable change.

**7. Conclusion and Recommendations**

The significance of this paper lies in its integration of the constructs of development and good governance, within the context of reform and transformation of corrupt institutions. Corruption is a social pathology, the purpose of which that impairs the integrity of social systems. The paper asserted that good governance can provide a vision of strategic, operational and technical direction necessary for transforming institutions. The nexus between good governance and development can provide direction for good decision-making and transformation of corrupt institutions. The most important driver for transforming a corrupt system is the role of visionary, moral and transformational leadership to inspire, provide hope and implement innovative alternatives (to polarized groups) to enable identification with a common direction and vision during the painful change process. Governance is an open systems and inclusive approach with various manifestations. The aspiration to obtain influence and power in decision-making is one the critical human dimensions that to a very large extent determines distribution of wealth creation, social cohesion and harmony, knowledge creation, and meaningfulness and identity. Good governance promotes integrity and has the potential to guide policies, strategies and values to

122

overcome other institutional obstructions to development. Good governance can be considered as a valid conceptual paradigm for reform and transformation of systemically corrupt institutions, which need to be transformed into institutions characterized by integrity-driven performance.

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123

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